

CHAPTER-I

1 Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 18 Government companies (16[@] working companies and two^{\$} non-working companies[#]) and three working Statutory corporations as against 18 Government companies (14 working companies and four non-working companies) and three working Statutory corporations as on 31 March 2006 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Name of the Corporation	Authority for audit by the CAG	Audit arrangement
Himachal Pradesh State Electricity Board (HPSEB)	Under Rule 14 of the Electricity (Supply) (Annual accounts) Rules 1985 read with Section 172 (a) and 185 (2) (d) of the Electricity Act, 2003*	Sole audit by the CAG
Himachal Road Transport Corporation (HRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG
Himachal Pradesh Financial Corporation (HPFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by the Chartered Accountants and supplementary audit by the CAG

Source: Provisions of the relevant Statutes.

[@] *One new company i.e. Himachal Pradesh Power Corporation Limited has been incorporated and one non-working company i.e. Himachal Pradesh Road and Other Infrastructure Development Corporation Limited has been revived*

^{\$} *One company has become working company and Assets and Liabilities of one company have been transferred to Himachal Pradesh Infrastructure Development Board*

[#] *Non-working companies are those which are under the process of liquidation/closure/merger, etc.*

^{*} *The earlier provision of Section 69 (2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003*

The State Government had formed (December 2000) the Himachal Pradesh Electricity Regulatory Commission and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003.**

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment in 19 working Public Sector Undertakings (16 Government companies and three Statutory corporations) was Rs.3,886.32 crore[#] (equity: Rs.749.04 crore, long-term loans*: Rs.3,136.86 crore and share application money: Rs.0.42 crore) as against total investment of Rs.3,743.45 crore (equity: Rs.707.04 crore, long-term loans: Rs.3,033.93 crore and share application money: Rs.2.48 crore) in 17 working PSUs (14 Government companies and three Statutory corporations) as on 31 March 2006.

The investment (equity and long-term loans) in various sectors and percentages thereof at the end of 31 March 2007 and 31 March 2006 are indicated below in the pie charts:

** *Earlier Section 34 (4) of the Electricity Regulatory Commissions Act, 1998 repealed by the Electricity Act, 2003*

State Government's investment in working PSUs was Rs.779.35 crore (others: Rs.3,106.97 crore). Figure as per Finance Accounts, 2006-07 was Rs. 734.05 crore. The difference is under reconciliation

* *Long-term loans mentioned in paragraphs 1.2, .1.3, 1.4 and 1.16 are excluding interest accrued and due on such loans*

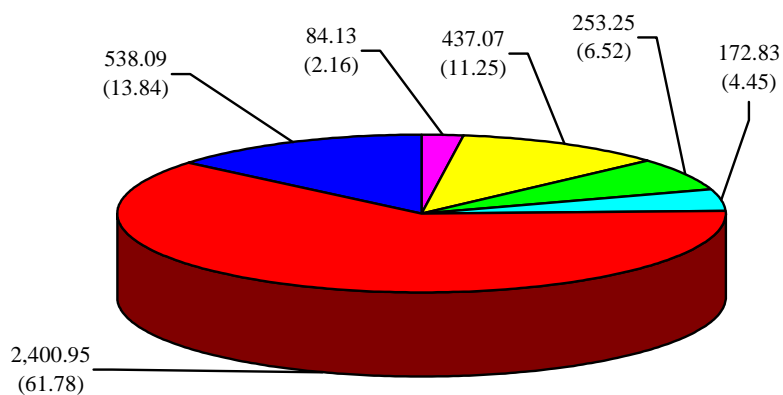
Sector-wise investment in working Government companies and corporations

(Rupees in crore)

(Figures in brackets are percentage)

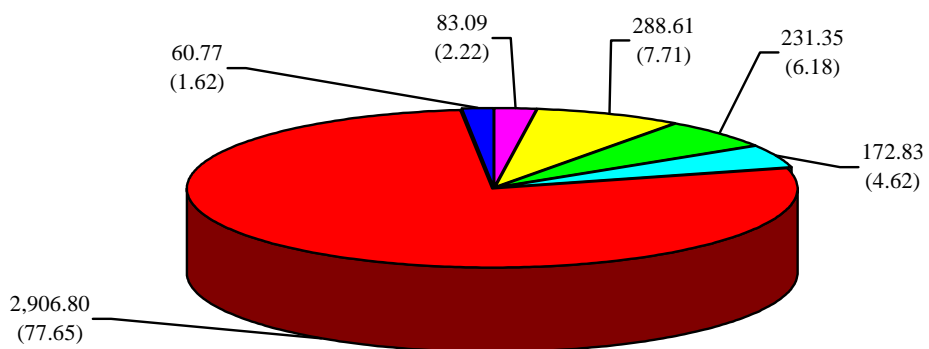
As on 31 March 2007

Total Investment-Rs.3,886.32 crore



As on 31 March 2006

Total Investment-Rs.3,743.45 crore



■ Agriculture
 ■ Transport
 ■ Financing
 ■ Forest
 ■ Power
 ■ Miscellaneous

An analysis of investment in working PSUs is given in the following paragraphs.

Working Government companies

1.3 Total investment in working Government companies at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2005-06	14	131.95	2.08	212.26	346.29
2006-07	16	161.25	0.42	663.38	825.05

Source: As per information furnished by the companies.

The increase in investment was mainly due to addition of two* working Government companies.

As on 31 March 2007, the total investment in working Government companies comprised 19.60 per cent of equity and 80.40 per cent of loans as compared to 38.70 and 61.30 per cent respectively as on 31 March 2006.

Due to increase in long-term loans mainly in Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, the debt equity ratio of working Government companies as a whole increased from 1.58:1 in 2005-06 to 4.10:1 in 2006-07.

The summarised statement of Government investment in working Government companies in the form of equity and loans is given in **Annexure-I**.

Working Statutory corporations

1.4 The total investment in the three working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Name of corporation	2005-06		2006-07	
	Capital	Loan	Capital	Loan
Himachal Pradesh State Electricity Board (HPSEB)	282.11	2,624.69	282.11	2,118.43
Himachal Road Transport Corporation (HRTC)	264.81	23.80	277.11	159.96
Himachal Pradesh Financial Corporation (HPFC)	28.57	173.18	28.57	195.09
Total	575.49	2,821.67	587.79	2,473.48

Source: As per information furnished by the corporations.

* Himachal Pradesh Power Corporation Limited and Himachal Pradesh Road and Other Infrastructure Development Corporation Limited

The decrease in investment was mainly due to decrease in long-term loans in Himachal Pradesh State Electricity Board.

As on 31 March 2007, the total investment in the working Statutory corporations comprised 19.20 *per cent* of equity capital and 80.80 *per cent* of loans as compared to 16.94 and 83.06 *per cent* respectively as on 31 March 2006.

Due to decrease in long-term loans, the debt equity ratio of the working Statutory corporations as a whole decreased from 4.90:1 in 2005-06 to 4.21:1 in 2006-07.

The summarised statement of Government investment in the working Statutory corporations in the form of equity and loans is given in **Annexure-I**.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and working Statutory corporations are given in **Annexure-I and III**.

The budgetary outgo in the form of equity and loans and grants/subsidies from the State Government to the working Government companies and Statutory corporations for the three years up to 2006-07 is given below:

(Amount: Rupees in crore)

	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity	3	1.70	2	14.41	3	1.29	2	12.70	4	2.06	1	12.30
Loans	-	-	1	6.76	-	-	1	1.97	-	-	1	7.93
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy	3	5.39	3	79.25	3	4.85	3	125.96	5	6.25	3	50.72
Total outgo	6*	7.09	3*	100.42	6*	6.14	3*	140.63	9*	8.31	3*	70.95

Source: As per information furnished by the companies/corporations.

* *These are actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidy from the State Government during respective year*

During 2006-07, the Government had guaranteed loans aggregating Rs.240.27 crore obtained by two Government companies (Rs.10.60 crore) and two Statutory corporations (Rs. 229.67 crore). At the end of the year, guarantees amounting to Rs. 2,411.74 crore against six Government companies (Rs. 627.81 crore) and two Statutory corporations (Rs. 1,783.93 crore) were outstanding. There was no case of default in repayment of guaranteed loans during the year. The Government had not forgone any amount by way of loans written off or interest waived or given moratorium on loan repayment during the year. During 2006-07, the guarantee commission payable to the Government by one Statutory corporation (HPSEB) was Rs.46.13 lakh and by one Government company (Himachal Pradesh State Handicrafts and Handloom Corporation Limited) was Rs.0.72 lakh.

Finalisation of accounts by PSUs

1.6 The accounts of Government companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in the case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of the respective statutes.

It can be seen from **Annexure-II** that out of 16 working Government companies and all the three working Statutory corporations, only seven* companies and all the three corporations had finalised their accounts for 2006-07. During October 2006 to September 2007, nine Government companies finalised ten accounts for the previous years. Himachal Road Transport Corporation finalised accounts for previous year also. The accounts of nine Government companies were in arrear for periods ranging from one to

* *Himachal Pradesh General Industries Corporation Limited, Himachal Pradesh State Electronic Development Corporation Limited, Himachal Pradesh State Handicrafts and Handloom Corporation Limited, Himachal Pradesh State Civil Supplies Corporation Limited, Himachal Pradesh State Industrial Development Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Road and Other Infrastructure Development Corporation Limited*

three years as on 30 September 2007, as detailed below:

Sr. No.	No. of working Government companies	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Annexure-II
1	1	2004-05 to 2006-07	3	8
2	1	2005-06 and 2006-07	2	10
3	7	2006-07	1	1, 2, 3,4, 9, 11 and 13

It is the responsibility of the administrative departments to monitor and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit of the position of arrear in finalisation of accounts by companies under their administrative control, no effective measures had been taken and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per the latest finalised accounts are given in **Annexure-II**. Besides, statements showing the financial position and the working results of individual working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexure-IV and V** respectively.

According to the latest finalised accounts, nine companies and two corporations had incurred an aggregate loss of Rs. 26.35 crore and Rs.45.27 crore respectively and six companies and one corporation had earned an aggregate profit of Rs.10.06 crore and Rs.1.88 crore respectively. Excess of expenditure over income in respect of Himachal Pradesh Road and Other Infrastructure Development Corporation Limited was reimbursable by the State Government.

Working Government companies

Profit earning working companies and dividend

1.8 Out of seven working Government companies which finalised their accounts for 2006-07, three* companies earned an aggregate profit of Rs.8.59 crore but only one company i.e. Himachal Pradesh State Civil Supplies Corporation Limited, declared dividend aggregating Rs. 35.15 lakh. The dividend as a percentage of share capital (Rs.36.83 crore) in the above three profit making companies worked out to 0.95. The remaining two profit making companies did not declare any dividend. The total return by way of dividend of Rs. 35.15 lakh worked out to 0.23 *per cent* in 2006-07 on total equity investment of Rs. 150.34 crore by the State Government in all the Government companies as against 1.44 *per cent* in previous year. The State Government formulated (August 1982) a dividend policy for payment of minimum dividend of three *per cent*. However, these guidelines were complied with by one company only.

Similarly, out of nine working Government companies which finalised their accounts for the previous years during October 2006 to September 2007, three# companies earned a profit of Rs.1.48 crore. Two& companies earned profit for two successive years.

Loss incurring working companies

1.9 Of the nine loss incurring working Government companies, four\$ companies had accumulated losses aggregating Rs.141.97 crore which exceeded their aggregate paid-up capital of Rs.51.75 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of subsidy, *etc.* As per available information, the total financial support provided by the State Government by way of subsidy during 2006-07 to two** out of these four companies amounted to Rs. 1.09 crore.

* *Himachal Pradesh State Electronic Development Corporation Limited, Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh State Industrial Development Corporation Limited*

Himachal Pradesh State Small Industries and Export Corporation Limited, Himachal Backward Classes Finance and Development Corporation and Himachal Pradesh Tourism Development Corporation Limited

& *Himachal Pradesh State Small Industries and Export Corporation Limited and Himachal Backward Classes Finance and Development Corporation*

\$ *Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, Agro Industrial Packaging India Limited, Himachal Pradesh State Handicrafts and Handloom Corporation Limited and Himachal Pradesh State Forest Corporation Limited*

** *Agro Industrial Packaging India Limited and Himachal Pradesh State Handicrafts and Handloom Corporation Limited*

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Himachal Pradesh State Electricity Board which finalised its accounts for the year 2006-07 earned profit of Rs.1.88 crore, but did not declare any dividend.

Loss incurring Statutory corporations

1.11 Two ^{**} working Statutory corporations incurred losses aggregating Rs.45.27 crore as per their latest annual accounts. Both the corporations had accumulated losses aggregating Rs.540.21 crore which exceeded their aggregate paid-up capital of Rs.305.68 crore. Despite their poor performance, the State Government assisted these corporations through equity, loans and subsidy of Rs.68.25 crore during 2006-07.

Operational performance of working Statutory corporations

1.12 The operational performance of the Statutory corporations is given in **Annexure-VI**.

Return on Capital Employed

1.13 As per the latest finalised accounts, the capital employed* worked out to Rs. 966.08 crore in 16 working companies and total return⁺ thereon was negative as compared to total return of Rs.18.45 crore (2.40 per cent) in the previous year. Similarly, during 2006-07, the capital employed in case of three working Statutory corporations as per their latest finalised accounts worked out to Rs. 2,929.64 crore and total return on capital employed was Rs. 113.83 crore in 2006-07, which is 3.89 per cent. The return on capital employed was Rs.129.13 crore (3.72 per cent) in 2005-06. The details of capital employed and total return on capital employed in case of Government companies and Statutory corporations are given in **Annexure-II**.

^{**} *Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation*

^{*} *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including refinance)*

⁺ *For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account*

Reforms in the power sector

Status of implementation of the Memorandum of Understanding between the State Government and the Central Government

1.14 In pursuance of the decisions taken at the Chief Ministers' conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 31 March 2001 between the Ministry of Power, Government of India (GOI) and the Department of Power, Government of Himachal Pradesh as a joint commitment for implementation of a reform programme in the power sector with identified milestones. The State Electricity Board was able to meet all the milestones set out in the MOU.

State Electricity Regulatory Commission

1.15 The Government of Himachal Pradesh constituted (30 December 2000) the Himachal Pradesh Electricity Regulatory Commission (HPERC), with one member under Section 17 (1) of the Electricity Regulatory Commissions Act, 1998*. The audit of HPERC is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003. HPERC had not finalised any accounts so far (September 2007).

Non-working Public Sector Undertakings

Investment in non-working PSUs

1.16 As on 31 March 2007, the total investment in two non-working Government companies was Rs 4.79[#] crore (equity: Rs.4.79 crore) against Rs.705.26 crore (equity: Rs.34.79 crore and long-term loans: Rs.670.47 crore) as on 31 March 2006.

The classification of the non-working Government companies was as under:

Sr. No.	Status of non-working PSUs	Number of non-working companies	Investment	
			Equity	Long-term loans
(i)	Under liquidation	1 ^A	0.92 (0.92)	-
(ii)	Under closure	1 ^B	3.87 (33.87)	- (670.47)
	Total	2	4.79 (34.79)	- (670.47)

(Figures in brackets are for previous years)

In respect of one non-working Government company viz. Himachal Worsted

* Since replaced with Section 82 (1) of the Electricity Act, 2003

[#] State Government's investment in non-working PSUs as per accounts of Companies and Finance Accounts for 2006-07 was Rs. 3.87 crore.

^A Himachal Worsted Mills Limited

^B Nahal Foundry Limited

Mills Limited, an official liquidator has been appointed and process of liquidation is in progress (September 2007). One company, Himachal Pradesh Road and Other Infrastructure Development Corporation Limited has been revived by the Government and treated as working Government company. Assets and liabilities of Himachal Pradesh Health Systems Corporation Limited have been transferred to Himachal Pradesh Infrastructure Development Board. The process of striking off the name of this Company from the records of the Registrar of Companies has been started. Nahan Foundry Limited was under closure under Section 560 of the Companies Act, 1956 for the last 18 years with investment of Rs. 3.87 crore. Effective steps need to be taken for its expeditious closure.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 During the year, the State Government had not provided any budgetary support in the form of equity, loan, subsidy, grants, etc. to the non-working company.

Finalisation of accounts by non-working PSUs

1.18 Out of two non-working companies, one company i.e. Himachal Worsted Mills Limited was under liquidation and the other company i.e. Nahan Foundry Limited was defunct. The Nahan Foundry Limited has finalised its accounts for the year 2006-07.

Financial position and working results of non-working PSUs

1.19 The summarised financial results of non-working Government companies as per the latest finalised accounts are given in **Annexure-II**.

The year wise details of paid-up capital, net worth, cash loss/cash profit and accumulated loss/profit of non-working PSUs as per their latest finalised accounts are given below:

(Rupees in crore)

Year of latest finalised accounts	Number of companies	Paid-up capital	Net worth	Cash loss (-) / cash profit (+)	Accumulated loss (-)/ accumulated profit (+)
2005-06	3	33.87	29.55	(-)0.61	(-)4.50
2006-07	1	3.87	(-)0.62	(+)0.01	(-)4.49

Source: Worked out by Audit from the audited accounts of PSUs.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.20 Separate Audit Reports (SARs) on the accounts of all the three Statutory corporations for the period up to 2005-06 have been placed in the State Legislature by the State Government.

Disinvestment, privatisation and restructuring of Public Sector Undertakings

1.21 During the year 2006-07, there was no case of disinvestment and privatisation of Government companies and Statutory corporations. Assets and liabilities of Himachal Pradesh Health Systems Corporation Limited were transferred to Himachal Pradesh Infrastructure Development Board. The process of striking off name of this Company has been started. Himachal Pradesh Road and Other Infrastructure Development Corporation Limited has been revived by the Government.

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.22 During October 2006 to September 2007 the accounts of 14 companies were selected for audit. The net impact of important audit observations as a result of audit of accounts of these PSUs was as follows:

Details		No of accounts		Rupees in lakh	
		Government companies	Statutory corporations	Government companies	Statutory corporations
		Working	Working	Working	Working
(i)	Decrease in profit	1	1	205.80	597.00
(ii)	Increase in profit	1	-	203.54	-
(iii)	Increase in loss	1	1	242.74	52.96
(iv)	Decrease in loss	1	-	155.42	-

Some of the major errors and omissions noticed in the course of audit of annual accounts of these companies/corporations are mentioned in the succeeding paragraphs.

Errors and omissions noticed in case of Government companies

1.23 Himachal Pradesh State Forest Corporation Limited

Accounts for the year 2001-02

- Rs. 51.34 lakh allowed by the Income Tax Department as interest on advance income tax deposit has been treated as adjustment against the advance income tax for the assessment years 1988-89, 1995-96, 1998-99 and 2001-02. This has resulted in understatement of 'advance

income tax' and profit by Rs. 51.34 lakh. No action has been taken in spite of comment of the C&AG of India on the accounts for the year ended 31 March 1998, 1999, 2000 and 2001.

- Current liabilities and Provisions include an amount of Rs. 1.21 crore shown as payable on account of royalty (Rs. 13.69 lakh, interest on royalty and sales tax (Rs. 1.07 crore), which was not payable to the Forest Department. This has resulted in overstatement of sundry creditors and understatement of Profit Rs. 1.21 crore.

Accounts for the year 2002-03

- Current Assets, Inventories-Stock Suspense include an amount of Rs. 1.11 crore, being value of timber burnt in fire in May 1999 (Rs. 30.45 lakh), value of driage in fuel wood stock (Rs. 22.45 lakh), value of felled trees from which timber could not be extracted (Rs. 50.18 lakh), value of trees which were not insured and burnt (Rs. 3.97 lakh) and debts considered by the management as doubtful of recovery (Rs. 3.80 lakh) and approved by the Board of Directors (BODs) for write off. Non-provision of Rs.1.11 crore on above account resulted in overstatement of current assets and understatement of loss by that amount.
- Loans and advances, advances recoverable in cash or in kind or for value to be received considered good include an amount of Rs. 1.02 crore shown recoverable from the Forest Department on account of excess sales tax paid. This amount was not recoverable as the appeal filed by the Company has been dismissed by the Appellate Authority. Depiction of this amount as recoverable has resulted in overstatement of Loans and Advances and understatement of loss by Rs. 1.02 crore. This was also commented on the accounts for the year 2001-02.
- Current Liabilities and Provisions include an amount of Rs. 1.15 crore shown as payable on account of royalty, interest on royalty and sales tax, which was not payable to the Forest Department. This has resulted in overstatement of sundry creditors and loss by Rs. 1.15 crore. This was also commented on the accounts for the year 2001-02.

Errors and omissions noticed in case of Statutory corporations

1.24 Himachal Road Transport Corporation (2005-06)

Loss for the year has been overstated by Rs. 52.96 lakh due to understatement of loss on account of overstatement of closing stock (Rs. 6.79 lakh) and sundry debtors (Rs. 5.04 lakh) and overstatement of loss on account of excess account of interest/penalty on late deposit of passenger tax Rs. 64.79 lakh.

Audit assessment of the working results of the State Electricity Board

1.25 Based on the audit assessment of the working results of the Board for three years up to 2006-07 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports (SARs) on the annual accounts of the Board and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the Board is as given below:

(Rupees in crore)

Sr. No.	Particulars	2004-05	2005-06	2006-07 (Provisional)
1	Net surplus/(-) deficit as per books of accounts	(-)37.25	20.48	1.88
2	Subsidy from the State Government	Nil	76.85	96.09
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)37.25	(-)56.37	(-)94.21
4	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the Board	32.33	(-)5.97	@
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)4.92	(-)62.34	@
6	Total return on capital employed*	120.58	59.50	@
7	Percentage of total return on capital employed	3.94	1.78	@

Source: Annual Accounts and Separate Audit Report of Himachal Pradesh State Electricity Board

Persistent irregularities and system deficiencies in financial matters of PSUs

1.26 The following persistent irregularities and system deficiencies in Himachal Pradesh State Electricity Board had been pointed out during the course of audit of its accounts but no corrective action had been taken so far:

- Register of fixed assets had not been completed by various units of the Board.
- Function-wise break up of assets had not been prepared since 1985-86.
- Physical verification of assets had not been carried out.

@ Since the accounts for the year 2006-07 are under audit, these figures have not been indicated

* Total return on capital employed represents net surplus (+)/deficit (-) (after taking into account impact of comments) plus total interest charged to profit and loss account (less interest capitalised)

- Consolidated statement showing year wise break-up of sundry debtors and further segregating them into good, bad and doubtful debts was not prepared.
- An amount of Rs.5.57 lakh in respect of Electrical Maintenance Division, Bhabanagar was recoverable from various firms since 1989-90.

Recoveries at the instance of Audit

1.27 Test check of records of Himachal Pradesh State Electricity Board/other PSUs conducted during 2006-07 disclosed wrong fixation of tariff/non-levy/short levy of tariff/short realisation of revenue, etc. aggregating Rs. 70.27 crore in 913 cases. During 2006-07, a sum of Rs. 9.59 crore relating to 278 cases was recovered at the instance of Audit.

Internal Audit/Internal Control

1.28 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which need improvement. Directions/sub-directions under the Act, *ibid*, were issued to the Statutory Auditors in respect of 20 Government companies. In pursuance of the directions so issued, reports of Statutory Auditors involving 15 accounts of 15 Government companies were received (September 2007).

An illustrative resume of major comments made by Statutory Auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated in **Annexure-VII**. The major comments were of the following nature:

- Internal audit coverage was inadequate.
- Four companies had not fixed maximum and minimum limit and economic order quantity for procurement of stocks and stores.
- There was no system of obtaining balance confirmation from debtors.

Recommendations for closure of PSUs

1.29 Two Government companies, Agro Industrial Packaging India Limited and Himachal Pradesh State Handicrafts and Handloom Corporation Limited had incurred losses for the last five years ended 31 March 2006 and 31 March 2007 respectively and had a negative net worth. In view of the

continuous losses, the Government may either improve the performance of these companies or consider their closure.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.30 The position of discussion of Audit Reports (Commercial)/(Civil and Commercial) by the Committee on Public Undertakings as on 30 September 2007 was as under:

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in the Audit Report		Discussed by COPU	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-2002	3	13	-	4
2002-2003	2	10	-	5
2003-2004	1	14	-	3
2004-2005	-	13	-	2
2005-2006	5	14	-	-
Total	11	64	-	14

During 2006-07, COPU met nine times and discussed one review and twenty six paragraphs. Audit Report (Civil and Commercial) - Volume-II for the year ended 31 March 2006 was placed before the State Legislature on 3 April 2007.

619-B companies

1.31 There were three companies coming under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2007 as against two such companies as on 31 March 2006. During 2006-07, one company, Kinner Kailash Power Corporation Limited was incorporated. **Annexure-VIII** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of the three companies based on their latest available accounts.