

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2008, the State had 21 Public Sector Undertakings (PSUs) comprising 18 Government companies (including two non-working companies) and three Statutory corporations. In addition, there were three companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2008. The total investment in working PSUs decreased from Rs. 3,886.32 crore as on 31 March 2007 to Rs. 3,837.45 crore as on 31 March 2008. The total investment in non-working PSUs decreased from Rs. 4.79 crore as on 31 March 2007 to Rs. 4.42 crore as on 31 March 2008.

(Paragraphs 1.1, 1.2, 1.16 and 1.27)

According to the latest finalised accounts of 19 working PSUs (16 Government companies and three Statutory corporations), seven Government companies and one Statutory corporation earned aggregate profit of Rs. 10.78 crore and Rs. 6.74 crore respectively. 10 working PSUs (eight Government companies and two Statutory corporations) incurred aggregate loss of Rs. 89.52 crore as per their latest finalised accounts. Of the loss incurring working Government companies, five companies had accumulated losses aggregating Rs. 179.76 crore, which exceeded their aggregate paid-up capital of Rs. 64.05 crore. Two Statutory corporations incurred losses aggregating Rs. 65.48 crore. Two Statutory corporations had accumulated loss of Rs. 573.78 crore, which exceeded their paid-up capital of Rs. 336.68 crore.

(Paragraphs 1.7, 1.9, 1.10 and 1.11)

Six working Government companies and all the three working Statutory corporations had finalised their accounts for the year 2007-08. The accounts of 10 working Government companies were in arrears for the period ranging from one to three years as on 30 September 2008.

(Paragraph 1.6.1)

2 Performance Review relating to Government company

Performance review on the working of **Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited** was conducted. Some of the major audit findings are as follows:

Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited

The Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (Company) was incorporated (June 1974) under the

Companies Act, 1956. The main objects of the Company are to organise, promote, assist, develop and execute activities relating to the marketing and processing of apples and other fruits.

Some of the major deficiencies noticed during performance review were as follows:

- Absence of uniform system of accounting of apples, excess spoilage, excess payment of market fee and non-acceptance of the offer of highest bidder to lease out the idle assets of the Company resulted in loss of Rs. 2.45 crore.
- The production units did not achieve the targets fixed during 2003-08 due to inadequate procurement of fruits against the quantity required by the Company.
- Fruit processing plants at Parwanoo and Jarol incurred losses of Rs. 2.92 crore (2004-07) and Rs. 0.33 crore (2005-07) respectively mainly due to under utilisation of their capacity.
- The sales declined considerably from Rs. 43.33 crore in 2003-04 to Rs. 30.42 crore in 2007-08 mainly due to decrease in sale of processed fruit products, trading of fruits, packing materials and other items.
- The Company could not execute decrees in two cases involving an amount of Rs. 2.83 crore due to non-availability of addresses of the parties concerned.
- The Government/Company failed to reduce the surplus manpower and the wages paid to surplus manpower during February 2004 to March 2008 amounted to Rs. 1.23 crore.
- Out of 24 branches, 11 branches were continuously incurring losses and loss suffered by these units during the last five years up to 2007-08 amounted to Rs. 4.26 crore due to inaction of the Management to improve their working.
- Internal control system was deficient as the Management failed to control excess consumption of laminate paper and furnace oil and avoidable payment of electricity charges resulting in loss of Rs. 1.12 crore.

(Chapter 2)

3 Performance reviews relating to Statutory corporations

Performance reviews relating to Procurement, Performance and Maintenance of Transformers and Execution of Electrification and System Improvement

Schemes in Himachal Pradesh State Electricity Board were conducted and some of the main findings were as follows.

Procurement, Performance and Maintenance of Transformers

The review of Procurement, Performance and Maintenance of Transformers by the **Himachal Pradesh State Electricity Board** (Board) revealed various deficiencies, which *inter alia* included overloading of transformers due to mismatch between transformation and distribution capacities, high rate of failure of transformers, delay in commissioning of transformers, high repair cost, *etc.*

Some of the major deficiencies noticed during performance review were as follows:

- The Board incurred avoidable extra expenditure of Rs. 3.51 crore due to non-comparison of rates received with the rates already available, non-finalisation of requirement in time, non-placement of repeat supply orders and rejection of lowest offer.
- Non-finalisation of design of the sub-station had resulted in an avoidable extra expenditure of Rs. 3.67 crore.
- The transformation losses of 40.02 MUs were in excess of the permissible limit resulting in loss to the Board.
- The failure of rate of DTRs ranged between 4.33 and 5.69 *per cent* during 2003-08 which was much higher than the bench mark of 1.5 *per cent* fixed by the PGCIL.
- The Board created transformation capacity at a cost of Rs. 26.73 crore which could not be put to optimum use.
- Repair cost of damaged transformers was higher than the cost of new transformers which resulted in excess expenditure of Rs. 4.29 crore.
- The Board did not explore the possibility of up-rating the power transformers which had been dismantled and lying unused. By up-rating, the Board could have saved Rs. 5.56 crore.

(Chapter 3.1)

Execution of Electrification and System Improvement Schemes

To meet the anticipated power requirement of 2,015 MW (load growth), the Board formulated and executed (2003/2007) Electrification and System Improvement schemes such as Rural Electrification (RE) schemes, Transmission and Distribution (T&D) schemes, System Improvement (SI) schemes, Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY) and other schemes for creating new infrastructure of High Tension (HT)/Low Tension

(LT) lines and sub-stations and strengthening of existing distribution system. The Board increased the power load to 4,131.395 MW, to supply power to 18.42 lakh consumers as on 31 March 2008. The Board incurred Rs. 663.10 crore towards implementation of the Electrification and System Improvement schemes.

Some of the major deficiencies noticed during performance review were as follows:

- Out of 60 schemes taken up for implementation under rural electrification, there was a time overrun of 12 to 86 months in completion of 57 ongoing schemes. As these schemes were incomplete, the time overrun would increase further.
- Due to implementation of T&D schemes by the Board, the T&D losses during 2006-07 and 2007-08, were 15.49 and 15.62 *per cent* respectively as against the limit of 18.5 and 17.5 *per cent* fixed by the HPERC.
- The schemes of TSP, RGGVY, PMGY were yet to be completed resulting in non-achievement of the envisaged benefits.
- There were excessive tripping and high incidence of failure of DTRs, which indicated that the quality and reliability of power supplied was low.
- In three Circles, the Board failed to achieve the target of reduction in distribution losses despite incurring an expenditure of Rs. 26.53 crore on the strengthening of power distribution system.

(Chapter 3.2)

4 Transaction audit observations

Audit observations included in this chapter highlight deficiencies in the management of PSUs, which resulted in adverse financial implications.

The irregularities pointed out are broadly of the following nature:

- *Avoidable payment of Rs. 19.38 crore in six cases,*
(Paragraphs 4.2, 4.4, 4.6, 4.9, 4.10 and 4.12)
- *Loss of revenue of Rs.1.48 crore in four cases,*
(Paragraphs 4.1, 4.3, 4.11 and 4.13)
- *Unfruitful expenditure of Rs.3.59 crore in one case,*
(Paragraph 4.5)
- *Undue favour of Rs. 33.56 lakh in two cases.*
(Paragraphs 4.7 and 4.8)

Gist of some of the important observations is given below.

Failure of **Himachal Pradesh State Civil Supplies Corporation Limited** to comply with the instructions of the Government of India while fixing sale rates of wheat and rice for distribution to the above poverty line consumers resulted in loss of Rs.1.01 crore.

(Paragraph 4.1)

The **Himachal Pradesh State Electricity Board** failed to hand over the sites to the contractor which resulted in unfruitful expenditure of Rs.3.59 crore.

(Paragraph 4.5)

The **Himachal Pradesh State Electricity Board** failed to fix rates for supply of conductors as per the tendered rates which resulted in an avoidable extra expenditure of Rs.2.38 crore.

(Paragraph 4.6)

Failure of the **Himachal Pradesh State Electricity Board** to deduct service tax in conformity with provision of Service Tax Rules may result in an avoidable liability of Rs. 15.89 crore.

(Paragraph 4.12)

The **Himachal Road Transport Corporation** did not conduct traffic survey before plying two Volvo buses on a non-viable route which resulted in an avoidable loss of Rs.17.05 lakh.

(Paragraph 4.13)