

OVERVIEW

1. Overview of Government Companies and Statutory corporations

- As on 31 March 2008, the State had 95 Public Sector Undertakings (PSUs) comprising 88 Government companies and seven Statutory corporations. The number of the Government companies and Statutory corporations as on 31 March 2007 was same. Of 95 PSUs, 55 PSUs (48 Government companies and seven Statutory corporations) were working PSUs. In addition, there were four deemed Government companies (one working and three non-working) as on 31 March 2008 under Section 619-B of the Companies Act, 1956.

(Paragraphs 1.1 and 1.34)

- The total investment in working PSUs increased from Rs 28,353.37 crore as on 31 March 2007 to Rs 28,486.95 crore as on 31 March 2008.

(Paragraphs 1.2)

- The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs 701.97 crore in 2006-07 to Rs 812.34 crore in 2007-08. The State Government guaranteed loans aggregating Rs 455.30 crore obtained by five working companies and one Statutory corporation during 2007-08. The guarantees of Rs 322.80 crore were outstanding against five working companies and three Statutory corporations as on 31 March 2008.

(Paragraph 1.6)

- Only five working Government companies and one Statutory corporation finalised their accounts for the year 2007-08 within the stipulated period. The accounts of 43 working Government companies and six working Statutory corporations were in arrears for periods ranging from one to 14 years as on 30 September 2008. Twelve out of 40 non-working companies, were under liquidation. The accounts of remaining 28 non-working Government companies were in arrears for periods ranging from one to 26 years as on 30 September 2008.

(Paragraphs 1.7 and 1.21)

- According to latest finalised accounts, 30 working PSUs (24 Government companies and six Statutory corporations) earned an aggregate profit of Rs 551.19 crore. Against this, 25 working PSUs (24 Government companies and one Statutory corporation) incurred an aggregate loss of Rs 2,803.83 crore as per their latest accounts. Of the 24 loss incurring Government companies, 19 companies had accumulated losses aggregating Rs 11,083.95 crore, which exceeded their aggregate paid-up capital of Rs 6,275.28 crore.

(Paragraphs 1.8 and 1.10)

2. Performance reviews relating to Government Companies and Statutory Corporation

Performance reviews relating to Liquidation of Non Performing Assets in The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (PICUP) and Uttar Pradesh Financial Corporation (UPFC), Procurement and Execution of Tender Works by Uttar Pradesh State Bridge Corporation Limited, Energy Losses and their Prevention in Purvanchal Vidyut Vitran

Nigam Limited, Varanasi and Information Technology Support System of Revenue Billing in Paschimanchal Vidyut Vitran Nigam Limited, Meerut have been included in this Report. Some of the major findings are as follows:

Liquidation of Non-performing Assets in The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited and Uttar Pradesh Financial Corporation

PICUP was incorporated to provide loans and advances to medium and large scale industrial enterprises in the State of Uttar Pradesh. UPFC was incorporated with the objective of providing loan assistance to small and medium scale industrial units. The Non-performing assets in both the organisations (PICUP and UPFC) were quite alarming during the period of review which adversely affected their financial position and working results. The performance audit revealed lapses in pursuance with borrowers/guarantors adversely affecting recovery of loans. Some of the important deficiencies noticed are as under:

- In UPFC, NPAs ranged from Rs 462.52 crore to Rs 637.50 crore (67.03 per cent to 90.24 per cent of the total loans and advances) and in PICUP, NPAs ranged from Rs 304.88 crore to Rs 375.71 crore (72.67 per cent to 93.71 per cent of the total loans and advances) during 2002-07. The high level of NPAs, had adverse impact on the financial position of UPFC and PICUP.
- Lack of pursuance coupled with delay in taking over possession and issuance of RCs, adversely affected recovery of outstanding dues of Rs 60.60 crore in the UPFC and Rs 112.02 crore in the PICUP.
- The UPFC suffered loss of Rs 14.15 crore in One time settlement below the value of mortgaged assets.
- Incorrect valuation of mortgaged security and networth of the borrowers/guarantors resulted in loss of Rs 3.54 crore and Rs 27.16 crore to the UPFC and PICUP respectively.
- The UPFC and PICUP extended waiver of outstanding amount of Rs 7.46 crore and Rs 14.23 crore respectively in one time settlement with ineligible borrowers.

(Chapter-2.1)

Procurement and Execution of Tender Works by Uttar Pradesh State Bridge Corporation Limited

The Uttar Pradesh State Bridge Corporation Limited was incorporated with the objective of construction, development and maintenance of all type of bridges and approach roads, raising of loans to carry out the projects and undertaking civil/mechanical/electrical works. The Company's performance in the tender works was deficient as regard to planning and preparation of technical and financial bids for works. There were cases of quoting rates below the estimated cost leading to losses in the works. Some of the important deficiencies noticed are as under:

- The Company suffered loss of Rs 54.42 crore in 21 works (including three works terminated by the client), out of 27 works completed during the five years up to 31 March 2008.

- The Company failed to execute the works in three contracts efficiently/timely and these contracts were terminated by the client. The Company incurred a loss of Rs 19.37 crore in these contracts.
- The Company failed to assess correct Bill of Quantity in five contracts at the time of tendering and incurred extra expenditure of Rs 16.89 crore.
- The Company could not recover the prime cost in nine contract works and there was shortfall of Rs 13.10 crore in recovery of prime cost.

(Chapter-2.2)

Energy Losses and their Prevention in Purvanchal Vidyut Vitran Nigam Limited, Varanasi

The Company was incorporated on 1 May 2003 as a subsidiary of Uttar Pradesh Power Corporation Limited (UPPCL), Lucknow and is licensed to distribute electricity in 21 eastern districts of Uttar Pradesh. The Company failed to arrest the energy losses caused due to inadequate transformation capacity, non- installation of loss saving devices such as capacitor banks at sub-stations and shunt capacitors at consumers end. Some of the important deficiencies noticed are as under:

- Distribution losses of the Company, in excess of the UPERC targets, worked out to 2496.867 MU amounting to Rs 617.66 crore during the period of four years 2004-05 to 2007-08.
- There was a gap of 2566.837 MVA of transformation capacity in comparison to connected load of the consumers at the end of March 2008 which led to overloading on the system and caused loss of energy.
- The Company did not ensure installation of shunt capacitors on connections of 19,351 consumers, which regulate the voltage and save energy losses by improving power factor. Further, surcharge of Rs 1.54 crore for non-installation of capacitors was also not levied on 8,763 consumers.

(Chapter-2.3)

Information Technology Support System of Revenue Billing in Paschimanchal Vidyut Vitran Nigam Limited, Meerut

The Company is engaged (August 2003) in distribution of energy to nearly 26.93 lakh consumers of western part of Uttar Pradesh. The company had not framed and documented IT policy and security policy. The Company hired IT services which did not produce expected results in the absence of monitoring and controls by its own staff. Some of the important deficiencies noticed are as under:

- In the absence of program change control procedures in the Energy Billing System (EBS), the Company could not correctly bill the large and heavy power consumers as per the new tariff schedule. This resulted in incorrect billing aggregating Rs 2.56 crore in case of three divisions. Other divisions manually corrected the bills before issue.

- Agencies did not bill the consumers having defective meters as per business rules. Due to this, the assessment was short to the extent of Rs 1.89 crore with reference to the units shown as sold.
- Absence of system alerts and prescribed action in low power factor cases resulted in waste of 1.92 crore units of energy valuing Rs 7.21 crore.
- Higher tariff consumers (LMV-4 and LMV-2) were billed in lower tariff (LMV-1) due to lack of monitoring through IT skills. This resulted in short assessment of Rs 4.42 crore from December 2004 to November 2007.

(Chapter-2.4)

3. Transaction audit observations

Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings involving significant financial irregularities. The irregularities pointed out are broadly of the following nature:

There were eight cases of loss of revenue amounting to Rs 3.86 crore on account of:

- Irregular allotment of plots.
- Incorrect application of tariff.
- Non/short levy of shunt capacitor surcharge.
- Delay in rectification of meter and disconnection of supply.
- Wrong application of conversion factor.

(Paragraphs 3.5, 3.12, 3.15 to 3.19 and 3.23)

There were 11 instances of avoidable, excess expenditure amounting to Rs 7.29 crore on account of:

- Injudicious release of funds resulting in loss of interest.
- Acceptance of deposit works below estimated cost.
- Failure to obtain cheap electricity supply from grid.
- Failure to ensure safety.
- Failure in negotiating for higher discount.
- Avoidable payment of interest.
- Unfruitful expenditure on modernisation of unviable unit.
- Irregular expenditure on signage boards and road.
- Delay in deposit of employees provident fund contribution.

(Paragraphs 3.2, 3.3, 3.6 to 3.8, 3.22 and 3.24 to 3.28)

There were six cases of undue favour to contractors, consumers and allottee amounting to Rs 1.34 crore on account of:

- Non-levy of penal charges.

- Non-billing of consumer on average consumption basis.
- Short/under assessment on theft/unauthorized use of electricity.
- Irregular load factor rebate.

(Paragraphs 3.10, 3.11, 3.13, 3.14, 3.20 and 3.21)

There were three cases of violation of contractual obligations amounting to Rs 9.85 crore on account of:

- Allotment of residential plots at lower rates.
- Deficient planning for arrangement of working capital.

(Paragraphs 3.1, 3.4 and 3.9)

Gist of some of the important paragraphs are given below:

- **Uttar Pradesh State Industrial Development Corporation Limited** suffered loss of Rs 9.40 crore due to allotment of residential plots at rate lower than applicable rate on the date of allotment.

(Paragraph 3.1)

- **Uttar Pradesh State Industrial Development Corporation Limited** released funds of Rs 1.69 crore to UPPCL without ensuring availability of land for construction of sub-station which resulted in loss of interest of Rs 60.38 lakh.

(Paragraph 3.2)

- **Uttar Pradesh State Bridge Corporation Limited** suffered loss of Rs 78.66 lakh due to acceptance of deposit works below estimated cost.

(Paragraph 3.6)

- **Uttar Pradesh Rajya Chinni Evam Ganna Vikas Nigam Limited** incurred unfruitful expenditure of Rs 2.60 crore on modernization of Rampur Sugar Mill.

(Paragraph 3.8)

- **Madhyanchal Vidyut Vitran Nigam Limited** suffered loss of Rs 73.63 lakh due to delay in rectification of defective meter and non-billing the consumer according to provisions of Rate Schedule.

(Paragraph 3.16)

- **Madhyanchal Vidyut Vitran Nigam Limited** suffered loss of revenue of Rs 80.74 lakh due to incorrect application of tariff.

(Paragraph 3.17)

- **Paschimanchal Vidyut Vitran Nigam Limited** failed to disconnect the supply immediately despite repeated dishonour of cheques of the consumers and suffered loss of revenue of Rs 67.02 lakh.

(Paragraph 3.19)