PREFACE

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India (CAG), fall under the following categories:

- Government companies,
- Statutory corporations, and
- Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations including Himachal Pradesh State Electricity Board and has been prepared for submission to the Government of Himachal Pradesh under Section 19 A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the CAG (Civil) - Government of Himachal Pradesh.

3. Audit of accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Himachal Road Transport Corporation and Himachal Pradesh State Electricity Board, which are Statutory corporations, the CAG is the sole Auditor. In respect of Himachal Pradesh Financial Corporation, he has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with the CAG. In respect of Himachal Pradesh Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2009-10 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2009-10 have also been included, wherever necessary.

6. The audit in relation to the material included in this Report has been conducted in conformity with the Auditing Standards issued by the CAG.

OVERVIEW

1 Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2010, the State of Himachal Pradesh had 21 working PSUs (18 companies and three Statutory corporations) and three non-working PSUs (all companies), which employed 38,043 employees. The working PSUs registered a turnover of ₹ 4,642.23 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 10.98 per cent of State GDP indicating an important role played by the State PSUs in the economy. However, the working PSUs incurred overall loss of ₹ 21.95 crore in 2009-10 and had accumulated losses of ₹ 760.34 crore.

Investment in PSUs

As on 31 March 2010, the investment (Capital and long term loans) in 24 PSUs was ₹ 4,620.83 crore which declined by over 6 per cent from ₹ 4,938.28 crore in 2004-05. Power sector accounted for over 74 per cent of the total investment in 2009-10. The Government contributed ₹ 661.38 crore towards equity, loans and grants/subsidies during 2009-10.

Performance of PSUs

During the year 2009-10, out of 21 working PSUs, seven PSUs earned profit of ₹ 37.28 crore and nine PSUs incurred loss of ₹ 59.23 crore. Four working PSUs had not started commercial activities and in respect of one working PSU, excess of expenditure over income was reimbursable by the State Government. The major contributors to profit were Himachal Pradesh State Electricity Board (₹ 32.31 crore) and Himachal Pradesh State Civil Supplies Corporation Limited (₹ 2.87 crore). The heavy losses were incurred by Himachal Road Transport Corporation (₹ 37.50 crore) and Himachal Pradesh Tourism Development Corporation Limited (₹ 6.75 crore) and Himachal Pradesh State Handicrafts and Handloom Corporation Limited (₹ 6.21 crore). The losses were attributable to various deficiencies in the functioning of PSUs. A review of three years Audit Reports of CAG shows that the state PSUs losses of ₹ 1,004.88 crore and infructuous investment of ₹ 6.87 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Of the 20 accounts of working companies finalised during October 2009 to September 2010, twelve accounts received qualified certificates and eight accounts received adverse certificates. There were 56 instances of non-compliance with Accounting Standards. Of the two accounts of Statutory corporations finalised during October 2009 to September 2010, audit of only one account was completed and it received qualified certificate. The Reports of the Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Twelve working PSUs had arrears of 14 accounts as of September 2010. The arrears need to be cleared by setting targets for individual PSUs. There were three non-working PSUs. As no purpose may be served by keeping these PSUs in existence, Government need to expedite closing down of the non-working PSUs.

2 Performance review relating to Statutory corporations

Performance reviews relating to 'Power Generation Activities of Himachal Pradesh State Electricity Board' and 'Information Technology Audit of Loan Monitoring System in Himachal Pradesh Financial Corporation' were conducted. Executive summary of the Audit findings is given below:

Power Generation Activities

Power is an essential requirement for all facets of life and has been recognised as a basic human need. In view of phenomenal growth in the demand of power since 2005-06, capacity addition was not adequate to meet the requirement leaving a deficit of 122.61 MW at the end of 2009-10. Out of total requirement of 8500.87MUs for the State during the year 2009-10 the Board generated only 20.06 per cent, IPP 20.47 per cent and the balance 59.47 per cent was contributed by CPSUs. The performance audit of the Board for the period 2005-06 to 2009-10 was conducted to assess the efficiency in operation, ability to meet growing demand of energy, achievement of targets for capacity addition, execution of projects and effectiveness of the top management in monitoring the affairs of the Board.

Planning and Project Management

The total installed capacity of the State increased from 1034.17 MW as on 1 April 2005 to 1285.49 MW as on 31 March 2010. During 2005-10, actual capacity addition was 251.32 MW. Time overrun of 125, 54, 41 and 36 months were noticed in implementation of Larji, Bhaba Augmentation Project (BAP), Khauli and Ghanvi Phase II Projects respectively. There was cost overrun of ₹ 1209.16 crore in case of two completed (Larji and Khauli) and one ongoing project (BAP) due to lack of coordination, delay in taking up of project, change in designs, preparation of DPR on unrealistic data, award of works at higher rates and booking of excessive inputs/IDC, besides mismatch of construction activities of civil and electro mechanical works. Due to delay in completion of projects and less availability of power, the State had to purchase power under unscheduled interchange ranging between 4.15 MUs and 262.95 MUs which was costly as compared to own generation cost. Further, power cuts ranging between 27.01 MUs and 178.63 MUs were also imposed.

Manpower Management

Board had not fixed norms for deployment of manpower for the operation of its power houses. Deployment of manpower over and above the CEA norms resulted in extra expenditure of ₹ 111.51 crore, resultantly per unit employee cost of ten power house was above 50 per cent of per unit generation cost.

Achievement of generation targets

The Board has not fixed generation targets as per the designed potentials of its projects. As against the designed potential of 10,983.39 MUs, the actual generation during the review period was 8508.99 MUs due to low plant load factor ranging between 42.55 and 50.73 per cent as against the norms of 85 per cent fixed by the CERC, but was higher in comparison with the national average. Further, the planned and forced outages had shown an increasing trend. Against the CEA norms of 10 per cent, the forced outages increased from 40.71 per cent in 2005-06 to 43.32 per cent in 2009-10.

Renovation and modernisation

Renovation scheme sanctioned for the modernisation, up-gradation and life extension of Bassi Power House had not been completed so far due to delay in arranging funds and excessive time taken for finalisation of tenders. This had resulted in cost overrun of ₹ 77.61 crore besides generation loss of 17.52 MUs per annum.

Tariff fixation

Due to non/short capitalisation of expenditure and failure of the Board to justify the higher cost of various projects before the HPERC, the Board failed to recover ₹ 44.06 crore through tariff during review period.

Environmental issues

The Board did not take any initiative for registration of its five plants which commenced commercial operation after 1 January 2000 with designated National Authority to sell the Carbon Emission Reduction (CER) credits available for these projects.

Inadequate monitoring

The Board did not develop a system to predict water availability, availability of operational hours of plants and plant outages to set the generation targets. There exists no mechanism to review the operational performance and efficiency of each generating unit so as to take timely action to improve the efficiency of the projects.

Conclusion and recommendations

The projects of the Board were not completed in time resulting in time and cost overruns. Most of the Plants are being operated at low PLF and low capacity. Delay in receipt of subsidy claims from Government of India resulted in non-utilisation of available financial resources to the optimum level.

Proper MIS did not exist in the Board to evaluate the execution and operational performance of power houses.

Timely completion of ongoing projects should be ensured to avoid time and cost overruns. Reasons for low plant load factor and low availability of machines need to be addressed immediately. Further, development of MIS to compile and collate data on crucial parameters needs attention.

Information Technology Audit of Loan Monitoring System in Himachal Pradesh Financial Corporation

Himachal Pradesh Financial Corporation provides term loans to small and medium scale industries. The Corporation has sanctioned loan of ₹ 727 crore to 4,518 units since its inception up to 31 March 2010. The Information Technology review was conducted to assess the performance of the Computerised Loan Accounting System implemented in the Corporation.

Objectives of computerisation

The integrated system was developed for facilitating automatic flow of transaction data from financial accounting system to loan accounting system, generation of loan ledgers and related reports.

Non-achievement of Objectives

System is not being used for generating loan accounting ledgers and other related reports as these outputs does not depict correct balances. Besides the system is not able to calculate interest automatically. Resultantly, the loan ledgers have to be maintained manually.

General Controls

The Corporation has not framed any IT policy for IT security, passwords, segregation of duties, etc. which lead to inadequate physical access and environmental controls, inadequate network security controls and inadequate logical access controls. There is no system for online backups

Application Controls
Accounts Module

The system is redundant with inadequate input and processing controls leading to incomplete and vague data.

Voucher Module

The system does not assign voucher number in seriatim for the complete financial year. Further, there is no provision to generate receipts by the system. Hence, receipts are being issued manually. Inadequate controls have led to acceptance of duplicate receipt numbers.

Output controls

Management Information System missing

The computers installed at management level, are not linked with loan monitoring system.

Conclusion and recommendations

The utility of application is restricted to calculate interest and generation of demand notices only. The inaccurate, incomplete and erroneous data has rendered the system useless for generation of annual returns and for effective MIS. The Corporation should get the lacunae in the system removed to facilitate generation of loan accounting ledgers. The data may be captured fully so that reports produced by the system are useful for MIS, for reports annexed to Balance Sheet and for other reporting. To ensure business continuity, online backup system should be in place. As per quality policy, the Corporation may provide online information to the customers, whereby customers can know their loan status on web.

3 Transaction Audit Observations

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

- Loss of ₹ 15.60 crore in five cases due to non-compliance of rules, directives, procedure and conditions of contracts.

(Paragraphs 3.2, 3.3, 3.5, 3.8 and 3.9)

- Loss of ₹ 0.48 crore in one case due to injudicious decision.

(Paragraph 3.6)

- Loss of ₹ 4.55 crore in four cases due to inadequate/deficient monitoring.

(Paragraphs 3.1, 3.4, 3.7 and 3.10)

Gist of some of the important audit observations is given below.

Himachal Pradesh Power Corporation Limited failed to timely exercise the option available for repayment of loan resulting in loss of ₹ 0.98 crore owing to avoidable payment of interest at higher rate.

(Paragraph 3.1)

Beas Valley Power Corporation Limited suffered a loss of ₹ 8.18 crore due to its failure to recover penalty of ₹ 6.96 crore imposed on the contractor and payment of inadmissible price escalation of ₹ 1.22 crore**.**

(Paragraph 3.3)

Himachal Pradesh State Forest Development Corporation Limited failed to deduct rebate/cash discount on sale of timber according to the provision of the Himachal Pradesh Value Added Tax Act, 2005 resulting in avoidable payment of value added tax amounting to ₹ 2.31 crore.

(Paragraph 3.4)

Lackadaisical approach of the **Himachal Pradesh State Electricity Board** resulted in a loss of ₹ 1.63 crore due to non-recovery of expenditure incurred on survey and investigation work of a project from a private party.

(Paragraph 3.5)

Himachal Pradesh State Electricity Board failed to insert the standard clause as per the prevailing practice for payment of taxes and duties on actual basis enabled the suppliers to take extra benefit of ₹ 1.51 crore on subsequent reduction in rates of excise duty.

(Paragraph 3.8)

Himachal Pradesh State Electricity Board failed to detect non-revision of Contract Demand by two large supply consumers after up gradation of power factor value to 0.90 from 0.85, which resulted in non-recovery of contract demand violation charges amounting to ₹ 0.98 crore.

(Paragraph 3.10)

CHAPTER I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Himachal Pradesh, the State PSUs occupy an important place in the state economy. The State PSUs registered a turnover of ₹ 4,642.23 crore for 2009-10 as *per* their latest finalised accounts as of September 2010. This turnover was equal to 10.98 *per cent* of State Gross Domestic Product (GDP) of ₹ 42,278 crore for 2009-10. Major activities of Himachal Pradesh State PSUs are concentrated in power sector. The State PSUs incurred an overall loss of ₹ 23.53 crore in the aggregate for 2009-10 as *per* their latest finalised accounts. They had employed 38,043[♣] employees as of 31 March 2010.

1.2 As on 31 March 2010, there were 24 PSUs as *per* the details given below. Of these, one company[§] was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs[ψ]	Total
Government Companies[♦]	18	3	21
Statutory Corporations	3	-	3
Total	**21**	**3**	**24**

1.3 During the year 2009-10, one PSU[€] was established.

♣ As *per* the details provided by all the 24 PSUs.
§ Himachal Pradesh General Industries Corporation Limited.
ψ Non-working PSUs are those which have ceased to carry on their operations.
♦ Includes one 619-B company (Beas Valley Power Corporation Limited).
€ Himachal Pradesh State Electricity Board Limited.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of statutory corporations is governed by their respective legislations. Out of three statutory corporations, CAG is the sole auditor for Himachal Pradesh State Electricity Board and Himachal Road Transport Corporation. In respect of Himachal Pradesh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

1.7 As on 31 March 2010, the investment (capital and long-term loans) in 24 PSUs (including 619-B companies) was ₹ 4,620.83 crore as *per* details given below.

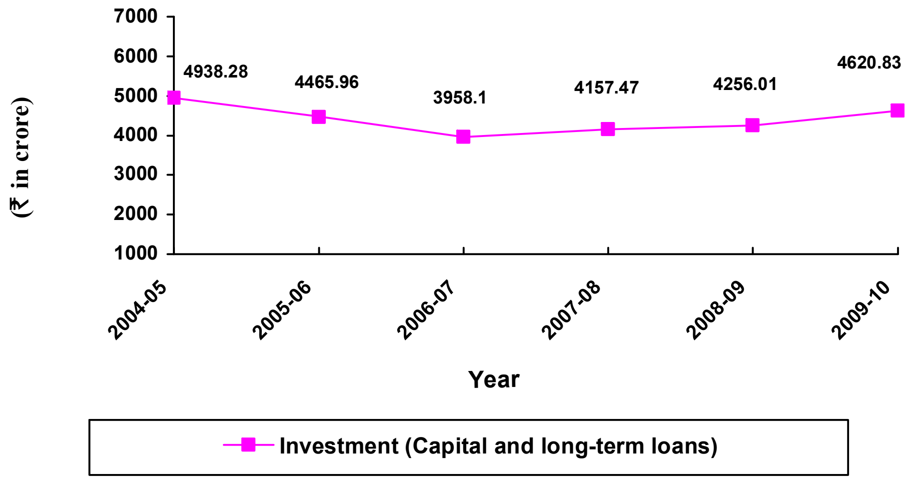
(Amount: ₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1,042.56	605.68	1,648.24	883.95	2,044.37	2,928.32	4,576.56
Non-working PSUs	22.14	22.13	44.27	-	-	-	44.27
Total	**1,064.70**	**627.81**	**1,692.51**	**883.95**	**2,044.37**	**2,928.32**	**4,620.83**

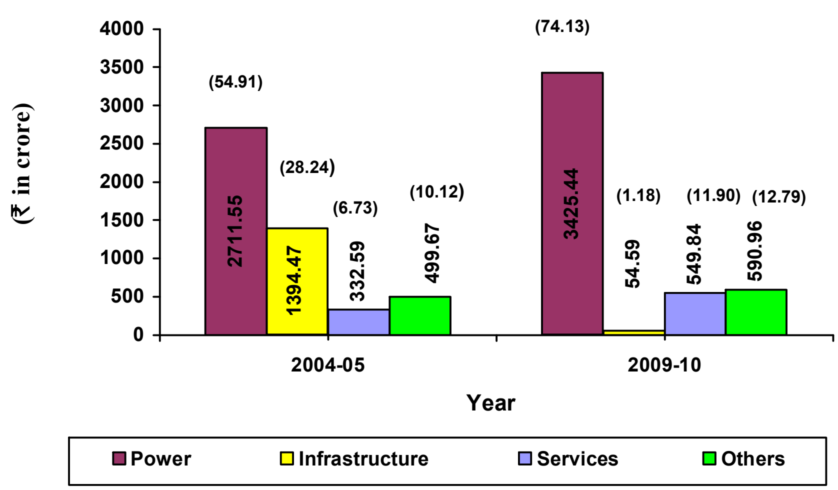
A summarised position of government investment in State PSUs is detailed in **Annexure 1**.

1.8 As on 31 March 2010, of the total investment in State PSUs, 99.04 *per cent* was in working PSUs and the remaining 0.96 *per cent* in non-working PSUs. This total investment consisted of 42.17 *per cent* towards capital and

57.83 *per cent* in long-term loans. The investment has declined by 6.43 *per cent* from ₹ 4,938.28 crore in 2004-05 to ₹ 4,620.83 crore in 2009-10 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. During 2004-10, the major investment was in the power sector. The percentage of investment in power sector has increased from 54.91 in 2004-05 to 74.13 in 2009-10 of total investment due to incorporation of new companies.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

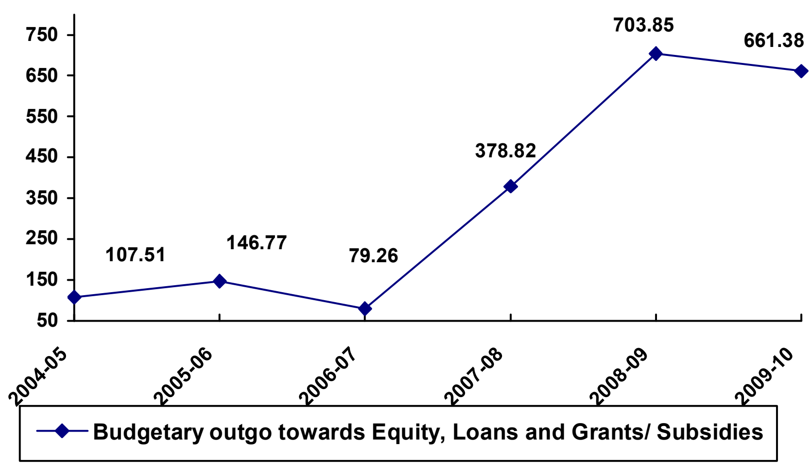
1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2009-10.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	6	164.83	8	336.99	9	310.13
2.	Loans given from budget	1	0.50	2	76.56	2	20.28
3.	Grants/Subsidy received	6	213.49	6	290.30	9	330.97
4.	Total Outgo (1+2+3)	10[¥]	378.82	14[¥]	703.85	14[¥]	661.38
5.	Loans converted into equity	1	4.61	-	-	1	17.46
6.	Guarantees issued	5	111.30	4	26.60	5	41.60
7.	Guarantee Commitment	9	584.70	7	1,795.42	7	1,537.58

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below.

(₹ in crore)



Budgetary outgo was ₹ 107.51 crore in 2004-05 which was curtailed to ₹ 79.26 crore in 2006-07. The budgetary outgo jumped to ₹ 378.82 crore in 2007-08 and again to ₹ 703.85 crore in 2008-09 mainly due to significant extension of equity/loans and grants/subsidy to power sector amounting to

¥ Represent 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.

₹ 301.85 crore (2007-08), ₹ 470.55 crore (2008-09). The budgetary outgo, however, again reduced to ₹ 661.38 crore in 2009-10.

1.12 During 2009-10, the Government had guaranteed loan aggregating ₹ 41.60 crore obtained by five PSUs. At the end of 2009-10, guarantee commitment stood at ₹ 1,537.58 crore (seven PSUs) as against ₹ 584.70 crore (nine PSUs) and ₹ 1,795.42 crore (seven PSUs) during 2007-08 and 2008-09 respectively.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as *per* records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(Amount: ₹ in crore)

Outstanding in respect of	Amount as *per* Finance Accounts	Amount as *per* records of PSUs	Difference
Equity	1,499.30	1,553.13	53.83
Loans	•	182.58	-
Guarantees	1,641.26	1,537.58	103.68

1.14 Audit observed that the differences occurred in respect of six PSUs and the difference in respect of one company was pending reconciliation since 1995-96. The concerned administrative departments, PSUs and Finance Department were requested every quarter to take necessary action to reconcile the differences. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure 2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10.

(Amount: ₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover∝	2,146.74	2,641.63	3,029.68	3,476.06	4,629.88	4,642.23
State GDP	23,066.00	25,471.00	28,358.00	31,974.00	36,940.00	42,278.00
Percentage of Turnover to State GDP	9.31	10.37	10.68	10.87	12.53	10.98

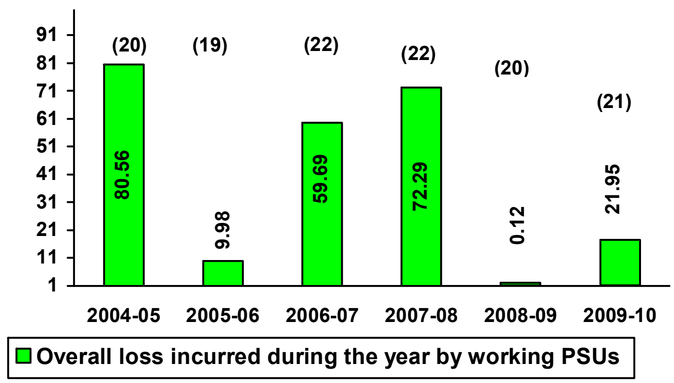
• Government companies and Statutory corporations wise statement of outstanding loans not included in the Finance Accounts for 2009-10.

∝ Turnover as *per* the latest finalised accounts as of 30 September.

It can be noticed that there was an overall rise in turnover of PSUs during 2004-10 with growth in the State GDP. The percentage of turnover to the State GDP increased from 9.31 in 2004-05 to 12.53 in 2008-09. The percentage of turnover to the State GDP, however, declined to 10.98 in 2009.10.

1.16 Losses incurred by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.

(₹ in crore)



(Figures in brackets show the number of working PSUs in respective years)

During preceding six years up to 2009-10, the PSUs incurred overall huge losses, which indicated poor functioning of PSUs except during 2005-06 and 2008-09, when the overall losses incurred by State PSUs were comparatively low.

During the year 2009-10, out of 21 working PSUs, seven PSUs earned profit of ₹ 37.28 crore and nine PSUs incurred loss of ₹ 59.23 crore. Four working Government companies viz., Beas Valley Power Corporation Limited, Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited and Himachal Pradesh State Electricity Board Limited have not started commercial activities and in respect of one working Government company viz., Himachal Pradesh Road and Other Infrastructure Development Corporation Limited excess of expenditure over income is reimbursable by the State Government. The first account of Himachal Pradesh State Electricity Board Limited had not been received. The major contributors to profit were Himachal Pradesh State Electricity Board (₹ 32.31 crore) and Himachal Pradesh State Civil Supplies Corporation Limited (₹ 2.87 crore). Heavy losses were incurred by Himachal Road Transport Corporation (₹ 37.50 crore), Himachal Pradesh Tourism Development Corporation Limited (₹ 6.75 crore) and Himachal Pradesh State Handicrafts and Handloom Corporation Limited (₹ 6.21 crore).

1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses of ₹ 1,004.88 crore and infructuous investment of ₹ 6.87 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Amount: ₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net loss	72.00	0.12	21.95	94.07
Controllable losses/avoidable expenditure as *per* CAG's Audit Report	17.38	34.12	953.38	1,004.88
Infructuous Investment	3.18	3.69	-	6.87

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Amount: ₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (*Per cent*)	1.47	2.97	2.74	3.93	5.54	4.16
Debt	4,189.98	3,704.40	3,136.86	2,918.66	2,841.21	2,672.18
Turnover[ϒ]	2,146.74	2,641.63	3,029.68	3,476.06	4,629.88	4,642.23
Debt/ Turnover Ratio	1.95:1	1.40:1	1.04:1	0.84:1	0.61:1	0.58:1
Interest Payments	210.52	160.55	166.55	210.64	201.39	207.20
Accumulated Profits/(losses)	(856.45)	(826.76)	(939.66)	(1,021.00)	(1,028.60)	(846.73)

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

1.20 The percentage of return on Capital Employed showed a rising trend from 1.47 *per cent* in 2004-05 to 5.54 *per cent* in 2008-09 and declined to 4.16 in 2009-10. The debt position also showed improvement as total debt declined from ₹ 4,189.98 crore in 2004-05 to ₹ 2,672.18 crore in 2009-10. The outgo of PSUs towards payment of interest showed declining trend up to 2005-06 and increased thereafter during next three years up to 2009-10. It declined from ₹ 210.64 crore in 2007-08 to ₹ 201.39 crore in 2008-09 and again increased to ₹ 207.20 crore in 2009-10. The turnover position also showed an improving trend during six years up to 2009-10, correspondingly, the debt-turnover ratio improved from 1.95 in 2004-05 to 0.58 in 2009-10. The position of accumulated losses has, however, deteriorated with increase from ₹ 856.45 crore (2004-05) to ₹ 1,028.60 crore (2008-09) and declined to ₹ 846.73 crore in 2009-10.

[ϒ] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.

1.21 The State Government had formulated (August 1982) a dividend policy under which all PSUs are required to pay a minimum return of three *per cent* on the paid up share capital contributed by the State Government. As *per* their latest finalised accounts, seven PSUs earned an aggregate profit of ₹ 37.28 crore and only one PSU♣ declared a dividend of ₹ 0.18 crore, which was nearly 5 *per cent* of its paid up capital (₹ 3.51 crore). Other profit earning PSUs did not declare any dividend.

Arrears in finalisation of accounts

1.22 The accounts of the 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. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September of respective year.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of working PSUs	19	22	22	20*	21
2.	Number of accounts finalised during the year	17	23	20	19	22
3.	Number of accounts in arrears	16	15	17	15	14
4.	Average arrears *per* PSU (3/1)	0.84	0.68	0.77	0.75	0.67
5.	Number of working PSUs with arrears in accounts	12	12	13	12	12
6.	Extent of arrears	1 to 4 years	1 to 3 years	1 to 3 years	1 to 3 years	1 to 2 years

1.23 The average number of accounts in arrears *per* working PSUs ranged between 0.84 in 2005-06 and 0.67 in 2009-10. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised each year so as to restrict further accumulation of arrears.

1.24 Out of three non-working PSUs, one† had gone into liquidation process. The remaining two non-working PSUs had finalised their accounts for the year 2009-10.

♣ Himachal Pradesh State Civil Supplies Corporation Limited.

* During 2008-09, two companies *viz.* Pabbar Valley Power Corporation Limited and Kinner Kailash Power Corporation Limited merged with the Himachal Pradesh Power Corporation Limited, one company (Agro Industrial Packaging India Limited) became non-working and one company (Himachal Pradesh Power Transmission Corporation Limited) was established but accounts were not due.

† Himachal Worsted Mills Limited.

1.25 The State Government had invested ₹ 120.15 crore (Equity: ₹ 70.60 crore and grants: ₹ 49.55 crore) in eight PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (June 2010) with the Chief Secretary/Finance Secretary to expedite clearance of backlog of arrears in accounts in a time bound manner.

1.27 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.28 There were three non-working PSUs (all companies) as on 31 March 2010. Of these, one PSU has commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working companies	4	2	2	3	3

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, two non-working PSUs incurred an expenditure of ₹ 1.92 crore towards salary & wages and other administrative expenses. The expenditure in respect of one non-working PSU (Agro Industrial Packaging India Limited) was financed by the State

Government by sanctioning an interest free loan of ₹ 0.86 crore and *grant-in-aid* of ₹ 0.39 crore.

1.29 The stages of closure in respect of non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	3
2.	Of (1) above, the No. under:	
(a)	Liquidation by Court (liquidator appointed)	-
(b)	Voluntary winding up (liquidator appointed)	1
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started	2

1.30 During the year 2009-10, no company was finally wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make a decision regarding winding up of two non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.31 Seventeen working companies forwarded their audited 20 accounts to PAG during the period from October 2009 to September 2010. Of these, 16 accounts of 13 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	5.59	2	1.31	1	0.33
2.	Increase in loss	4	13.42	4	15.59	6	42.60

It can be seen that average impact of audit comments *per* account causing 'increase in loss' or 'decrease in profit' increased from ₹ 2.11 crore (2007-08) to ₹ 6.13 crore (2009-10). The deterioration in the quality of maintenance of accounts by PSUs is thus, apparent and needs to be improved.

1.32 During the year, the statutory auditors had given qualified certificates for twelve accounts and adverse certificates (which means that accounts do not reflect a true and fair position) for eight accounts. The compliance of companies with the Accounting Standards remained poor as there were 56 instances of non-compliance in ten accounts during the year.

1.33 Some of the important comments in respect of accounts of companies are stated below.

Himachal Pradesh Agro Industries Corporation Limited (2008-09)

- The Company did not make provisions for leave encashment (₹ 3.34 crore), additional gratuity (₹ 2.65 crore), interest payable on advance received on support price scheme for potato (₹ 0.98 crore), doubtful debts/advances (₹ 0.42 crore) and damages claimed by Provident Fund Department for late deposit of provident fund for the period June 1990 to March 1998 (₹ 0.25 crore). This resulted in understatement of current liabilities and provisions and loss for the year by ₹ 7.64 crore.

Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (2008-09)

- Non-provision for liability towards leave encashment payable to employees resulted in understatement of loss and current liabilities and provisions by ₹ 6.65 crore.
- Non-provision for doubtful debts and loans and advances under litigation resulted in understatement of loss and overstatement of current assets by ₹ 1.04 crore.

Himachal Pradesh State Forest Development Corporation Limited (2006-07)

- Other liabilities did not include an amount of ₹ one crore being the arrear of pay and allowances payable to employees of the Company. This resulted in understatement of other liabilities and loss by ₹ one crore.
- The Company did not reconcile the provisions for income tax account since 1987-88 and provisions were continuing since then and these should have been adjusted/reversed in the next year in which the returns were filed. Non-reversal/adjustment of provisions for income tax up to 2001-02 resulted in overstatement of loss and overstatement of advances recoverable in cash or kind by ₹ 11.14 crore.

Himachal Pradesh State Handicrafts and Handloom Corporation Limited (2008-09)

- Current liabilities and provisions had been overstated by ₹ 0.81 crore due to wrong calculation of provision for gratuity. This resulted in overstatement of liabilities and loss for the year by ₹ 0.81 crore.

Himachal Pradesh Minorities Finance and Development Corporation (2008-09)

- The Company did not account for un-realised interest on loans and other income amounting to ₹ 0.40 crore which resulted in overstatement of loss and understatement of loan and advances by that amount.

1.34 Similarly, two working statutory corporations forwarded their two accounts to PAG during the period from October 2009 to September 2010. Of these, one account of one statutory corporation pertained to sole audit by CAG which was under audit. The remaining one account was selected for supplementary audit. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	1.06	-	-	1	141.55
2.	Increase in loss	2	247.10	1	0.20	2	14.03

The huge impact of audit comments during 2007-08 and 2009-10 mainly pertains to Himachal Pradesh State Electricity Board.

1.35 During the year, the audit of accounts of only one Statutory corporation (Himachal Pradesh Financial Corporation) for the year 2009-10 was completed and it received a qualified certificate and there was one instance of non-compliance with Accounting Standard.

1.36 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of two companies[£] for the

[£] Sr. No. 3 and 4 of Annexure 2.

year 2007-08, nine companies [μ] for the year 2008-09 and six companies[∇] for the year 2009-10 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Annexure 2
1.	Non-existence of system of making short/long-term business plan	5	3, 9, 12, 15 and 18
2.	Inadequate monitoring of outstanding dues from outside parties	2	3 and 17
3.	Non-existence of system of sending statement of accounts and obtaining confirmation from the debtors	12	1 to 4, 6,7, 9, 10 and 15 to 18
4.	Non-provision of retirement benefits as *per* AS-15	7	1 to 3, 5, 7, 9 and 16
5.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	7	2, 3, 6, 14 to 17
6.	Non-fixation of minimum/ maximum limits of store and spares	4	1, 2, 9 and 18
7.	Non-fixation of economic order quantity for procurement of stores	5	1 to 3, 9 and 18
8.	Non-adoption of ABC analysis to control inventory	5	1,3, 9, 14 and 18
9.	Absence of internal audit system commensurate with the nature and size of business of the company	6	2, 5, 6, 9, 16 and 18
10.	Non-preparation of internal audit manual/standards/ guidelines	7	1, 3, 4, 6, 15, 17 and 18
11.	No approved IT strategy/plan	16	1 to 5, 7 to 12 and 14 to 18
12.	Non-formulation of Corporate Social Responsibility policy	5	1, 7, 8, 15 and 17

Recoveries at the instance of audit

1.37 During the course of propriety audit in 2009-10, recoveries of ₹ 39.22 crore were pointed out to the Management of various PSUs, which were admitted by PSUs. An amount of ₹ 14.90 crore was recovered during the year 2009-10.

μ Sr. No. 1,2, 5,6, 9, 10, 12, 16 and 18 of Annexure 2.

∇ Sr. No. 7, 8, 10, 14, 15 and 17 of Annexure 2.

Status of placement of Separate Audit Reports

1.38 Separate Audit Reports (SARs) issued by the CAG on the accounts of all the three Statutory corporations for the period up to 2008-09 have been placed in the State Legislature by the State Government.

Disinvestment, Privatisation and Restructuring of PSUs

1.39 During the year 2009-10, there was no case of disinvestment and privatisation of Government companies and Statutory corporations. The State Government had not prepared any plan for disinvestment of State PSUs.

Reforms in Power Sector

1.40 The State has Himachal Pradesh Electricity Regulatory Commission (HPERC) formed in December 2000 under Section 17 (1) of the Electricity Regulatory Commission Act, 1998[♦] with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2009-10, HPERC issued 22 orders (one on annual revenue requirements and 21 on others).

1.41 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The State Electricity Board was able to meet all the milestones set out in the MoU.

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

CHAPTER II

Performance reviews relating to Statutory Corporations

Himachal Pradesh State Electricity Board

2.1 Power Generation Activities

Executive Summary

Power is an essential requirement for all facets of life and has been recognised as a basic human need. In view of phenomenal growth in the demand of power since 2005-06, capacity addition was not adequate to meet the requirement leaving a deficit of 122.61 MW at the end of 2009-10. Out of total requirement of 8500.87MUs for the State during the year 2009-10 the Board generated only 20.06 per cent, IPP 20.47 per cent and the balance 59.47 per cent was contributed by CPSUs. The performance audit of the Board for the period 2005-06 to 2009-10 was conducted to assess the efficiency in operation, ability to meet growing demand of energy, achievement of targets for capacity addition, execution of projects and effectiveness of the top management in monitoring the affairs of the Board.

Planning and Project Management

The total installed capacity of the State increased from 1034.17 MW as on 1 April 2005 to 1285.49 MW as on 31 March 2010. During 2005-10, actual capacity addition was 251.32 MW. Time overrun of 125, 54, 41 and 36 months were noticed in implementation of Larji, Bhaba Augmentation Project (BAP), Khauli and Ghanvi Phase II Projects respectively. There was cost overrun of ₹ 1209.16 crore in case of two completed (Larji and Khauli) and one ongoing project (BAP) due to lack of coordination, delay in taking up of project, change in designs, preparation of DPR on unrealistic data, award of works at higher rates and booking of excessive inputs/IDC, besides mismatch of construction activities of civil and electro mechanical works. Due to delay in completion of projects and less availability of power, the State had to purchase power under unscheduled interchange ranging between 4.15 MUs and 262.95 MUs which was costly as compared to own generation cost. Further, power cuts ranging between 27.01 MUs and 178.63 MUs were also imposed.

Manpower Management

Board had not fixed norms for deployment of manpower for the operation of its power houses. Deployment of manpower over and above the CEA norms resulted in extra expenditure of ₹ 111.51 crore, resultantly per unit employee cost of ten power house was above 50 per cent of per unit generation cost.

Achievement of generation targets

The Board has not fixed generation targets as per the designed potentials of its projects. As against the designed potential of 10,983.39 MUs the actual generation during the review period was 8508.99 MUs due to low plant load factor ranging between 42.55 and 50.73 per cent as against the norms of 85 per cent fixed by the CERC, but was higher in comparison with the national average. Further, the planned and forced outages had shown an increasing trend. Against the CEA norms of 10 per cent, the forced outages increased from 40.71 per cent in 2005-06 to 43.32 per cent in 2009-10.

Renovation and modernisation

Renovation scheme sanctioned for the modernisation, up-gradation and life extension of Bassi Power House had not been completed so far due to delay in arranging funds and excessive time taken for finalisation of tenders. This had resulted in cost overrun of ₹ 77.61 crore

besides generation loss of 17.52 MUs per annum.

Tariff fixation

Due to non/short capitalisation of expenditure and failure of the Board to justify the higher cost of various projects before the HPERC, the Board failed to recover ₹ 44.06 crore through tariff during review period.

Environmental issues

The Board did not take any initiative for registration of its five plants which commenced commercial operation after 1 January 2000 with designated National Authority to sell the Carbon Emission Reduction (CER) credits available for these projects.

Inadequate monitoring

The Board did not develop a system to predict water availability, availability of operational hours of plants and plant outages to set the generation targets. There exists no mechanism to review the operational performance and efficiency of each generating unit so as to take timely action to improve the efficiency of the projects.

Conclusion and recommendations

The projects of the Board were not completed in time resulting in time and cost overruns. Most of the Plants are being operated at low PLF and low capacity. Delay in receipt of subsidy claims from Government of India resulted in non-utilisation of available financial resources to the optimum level.

Proper MIS did not exist in the Board to evaluate the execution and operational performance of power houses.

Timely completion of ongoing projects should be ensured to avoid time and cost overruns. Reasons for low plant load factor and low availability of machines need to be addressed immediately. Further development of MIS to compile and collate data on crucial parameters needs attention.

Introduction

2.1.1 Power is an essential requirement for all facets of life and has been recognized as a basic human need. The availability of reliable and quality power at competitive rates is very crucial to sustain growth of all sectors of the economy. The Electricity Act, 2003 provides a framework conducive to development of the Power Sector, promote transparency and competition and protect the interest of the consumers. In compliance with Section 3 of the *ibid* Act, the Government of India (GOI) prepared the National Electricity Policy (NEP) in February 2005 in consultation with the State Governments and Central Electricity Authority (CEA) for development of the Power Sector based on optimal utilisation of resources like coal, gas, nuclear material, hydro and renewable sources of energy. The Policy, *inter alia*, aims at laying guidelines for accelerated development of the Power Sector. It also requires CEA to frame National Electricity Plan once in five years. The Plan would be short term framework of five years and give a 15 years' perspective.

For 2005-06, electricity requirement in Himachal Pradesh (State) was assessed as 6302.34 Million Units (MUs) of which only 6242.16 MUs were available leaving a shortfall of 60.18 MUs* (0.95 *per cent)*. The total installed power generation capacity of the State was 1034.17 Mega Watt (MW) and effective available capacity† was 827.34 MW against the peak demand of 768 MW. As on 31 March 2010 the comparative figures of requirement and availability of power were 8500.87 Million Units (MUs) and 7877.66 MUs with deficit of 623.21 MUs (7.33 *per cent*), whereas the installed capacity was 1285.49 MW (Own capacity: 466.95 MW; share from Central Public Sector Undertakings (CPSU): 531.66 MW and Independent Power Producers (IPP): 286.88 MW) and effective available capacity was 1028.39 MW against the peak demand of 1151 MW leaving a deficit of 122.61 MW (10.65 *per cent*). Thus, there was a growth in peak demand of 383 MW during 2005-10, whereas the capacity addition was only 251.32 MW.

In the state, generation of power is presently being carried out by Himachal Pradesh State Electricity Board (Board), which was incorporated on 1st September 1971 in accordance with the Electricity Supply Act, 1948. The Management of the Board is vested with five Whole Time Members of the Board appointed by the State Government. The day-to-day operations are carried out by the Chairman (Now designated as Special Officer), who is the Chief Executive of the Board with the assistance of Member (Technical) and Member (Operations) who head Generation and Operation Wings of the Board. The Board had 20 power generating stations with the installed capacity of 466.95 MW. Out of total available power for the State during the year 2009-10 the Board generated only 20.06 *per cent*, IPP 20.47 *per cent* and the balance 59.47 *per cent* was contributed by CPSUs. The turnover of the Board was ₹ 2978.35♦ crore in 2009-2010, which was equal to 64.16 *per cent* and 7.04 *per*

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* The shortfall in availability was due to operation of power houses at low PLF.

† 80 *per cent* of installed capacity as per CEA norms for PLF.

♦ Provisional.

cent of the State PSUs turnover and State Gross Domestic Product, respectively. The revenue from generating activities of the Board was ₹ 201.66 crore in the year 2009-10. It employed 21,460 employees as on 31 March 2010 of which 1,883 employees were engaged in generating activities. The Board has been converted into a Company with effect from 15 June 2010. In addition to the Board, there are two State owned companies namely Himachal Pradesh Power Corporation Limited (established in December 2006) and Beas Valley power Corporation (established March 2003) which have been entrusted the work of three Hydro Electric Projects with installed capacity of 277 MW (Sawra Kuddu 111 MW, Kashang 66 MW and Uhl III 100 MW). These projects are due for completion during 11th plan (2007-2012) as per National Electricity Plan.

A review on the implementation of Larji Power Generating Station (126 MW) by the Board was included in the Report of the Comptroller and Auditor General of India (Commercial) for the year 2003-04. The report was discussed by COPU in November 2009 and recommendations were finalised *vide* its 30th Report presented before the State Legislature on 11 March 2010. Further, a long para on operation, repair and maintenance of Hydro Electric Projects (HEPs) of the Board was included in the Report of the Comptroller and Auditor General of India (Commercial) for the year 2008-09 which was presented in the State Legislature in April 2010 and is yet to be discussed by COPU.

Scope and Methodology of Audit

2.1.2 The present review conducted during March to May 2010 covers the performance of the Board during the period from 2005-06 to 2009-10. The review mainly deals with Planning, Project Management, Financial Management, Operational Performance, Environmental Issues and Monitoring by Top Management. The audit examination involved scrutiny of records at the Head Office and 11* generating stations having installed capacity of 421 MW out of 20 generating stations with installed capacity of 466.95 MW.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

Audit Objectives

2.1.3 The objectives of the performance audit were to assess whether:

Planning and Project Management

- Capacity addition programme taken up/planned was in line with the National Policy of "Power for all by 2012";

* Selected on the basis of balanced mix of high cost/unviable generating stations and stations operating at par or above the designed potential.

- A plan of action was in place for optimisation of generation from the existing capacity;
- The contracts were awarded with due regard to economy and in transparent manner;
- The execution of projects was managed economically, effectively and efficiently; and
- Power Generating Stations were planned and formulated after considering the optimum design to get the maximum power, dam design and safety aspects.

Financial Management

- The projections for funding the new projects and upgradation of existing generating units were realistic including the identification and optimal utilisation for intended purpose;
- All claims including energy bills and subsidy claims were properly raised and recovered in an efficient manner; and
- Financial health of the Board was sound.

Operational Performance

- The power plants were operated efficiently and preventive maintenance as prescribed was carried out minimising the forced outages;
- The manpower requirement was realistic and its utilisation optimal; and
- The life extension (renovation and modernisation) programmes were ascertained and carried out in an economic, effective and efficient manner.

Monitoring and Evaluation

- Adequate MIS existed in the entity to monitor and assess the impact and utilise the feedback for preparation of future schemes.

Audit Criteria

2.1.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- National Electricity Plan, norms/guidelines of Central Electricity Authority (CEA) regarding planning and implementation of the projects;
- standard procedures for award of contracts with reference to principles of economy, efficiency and effectiveness;
- targets fixed for generation of power ;
- parameters fixed for plant availability, Plant Load Factor (PLF), *etc*.;
- comparison with best performers in the regions/all India averages;
- prescribed norms for planned outages; and
- Acts relating to Environmental laws.

Financial Position and Working Results

2.1.5 The financial position of the Board for the five years ending 2009-10 is given below:

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10 (Provisional)
A. Liabilities					
Paid up Capital	282.11	282.11	334.00	372.23	971.77
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	1126.11	1261.36	1333.86	1530.08	1775.69
Borrowings (Loan Funds)					
Secured	146.97	115.44	198.13	233.88	321.15
Unsecured	2508.09	2002.99	2102.14	1706.51	1913.11
Current Liabilities & Provisions	1497.17	2341.99	2423.12	3049.60	3391.69
Total	**5560.45**	**6003.89**	**6391.25**	**6892.30**	**8373.41**
B. Assets					
Gross Block	2322.34	3556.07	3564.76	4271.34	4644.54
Less: Depreciation	408.07	464.98	552.91	649.56	754.91
Net Fixed Assets	1914.27	3091.09	3011.85	3621.78	3889.63
Capital works-in-progress (including cost of chassis)	2070.20	1108.16	1098.53	997.78	1040.28
Investments	416.75	695.18	815.66	1121.04	1907.56
Current Assets, Loans and Advances and Assets not in use *etc.*	920.06	872.18	1202.54	921.34	1152.76
Accumulated losses	239.17	237.28	262.67	230.36	383.18
Total	**5560.45**	**6003.89**	**6391.25**	**6892.30**	**8373.41**

From the above table it could be seen that the Current Liabilities & Provisions had increased from ₹ 1497.17 crore in 2005-06 to ₹ 3391.69 crore during 2009-10 due to increased interest burden and purchase of additional power to meet the increased demand in the State. The debt equity ratio which was 9.41:1 in 2005-06 decreased to 2.30:1 at the end of 2009-10.

2.1.6 Working results

The working results of generation activity of the Board for the five years ending 2009-10 are given below:

(₹ in crore)

Sl.No	Description	2005-06	2006-07	2007-08	2008-09	2009-10 (Provisional)
1.	**Income**					
	Generation Revenue	108.02	135.13	210.47	195.49	201.66
	Other income including interest/subsidy	-	-	-	-	-
	Total Income	108.02	135.13	210.47	195.49	201.66
2.	**Generation**					
	Total generation (In MUs)	1332.34	1432.38	1864.97	2075.16	1804.14
	Less: Auxiliary consumption (In MUs)	5.02	6.08	5.94	6.07	5.59
	Net Generation (In MUs)	1327.32	1426.30	1859.03	2069.09	1798.55
	Less Govt. share (In MUs)	-	35.58	95.57	102.06	92.65
	Total power available for Transmission and Distribution (In MUs)	**1327.32**	**1390.72**	**1763.46**	**1967.03**	**1705.90**
3.	**Expenditure**					
(a)	**Fixed cost**					
(i)	Employees cost	30.89	32.30	38.51	53.04	57.49
(ii)	Depreciation	22.05	22.09	57.48	55.62	59.08
(iii)	Interest and finance charges	88.29	91.44	86.25	76.33	53.86
(iv)	Repair & Maintenance	7.14	10.45	12.22	14.29	13.17
(v)	Others	12.60	9.47	16.63	17.42	18.14
	Total fixed cost	**160.97**	**165.75**	**211.09**	**216.70**	**201.74**
(b)	**Variable cost**					
(i)	Purchase of Power (including arrear)	-	-	-	-	-
	Total variable cost	**-**	**-**	**-**	**-**	**-**
C.	**Total cost 3(a) + (b)**	**160.97**	**165.75**	**211.09**	**216.70**	**201.74**
4.	Realisation (per unit) (₹)	0.81	0.97	1.20	1.17	1.18
5.	Fixed cost (per unit) (₹)	1.21	1.19	1.20	1.10	1.18
6.	Variable cost (per unit)	-	-	-	-	-
7.	Total cost per unit (5+6) (₹)	1.21	1.19	1.20	1.10	1.18
8.	Contribution (4-7) (per unit) (₹)	(-) 0.40	(-) 0.22	-	0.07	-
9.	**Profit (+)/Loss(-) (2x8) (₹ in crore)**	**(-)53.09**	**(-) 30.60**	**-**	**13.77**	**-**

We observed that the gap in revenue during 2005-06 & 2006-07 was due to:

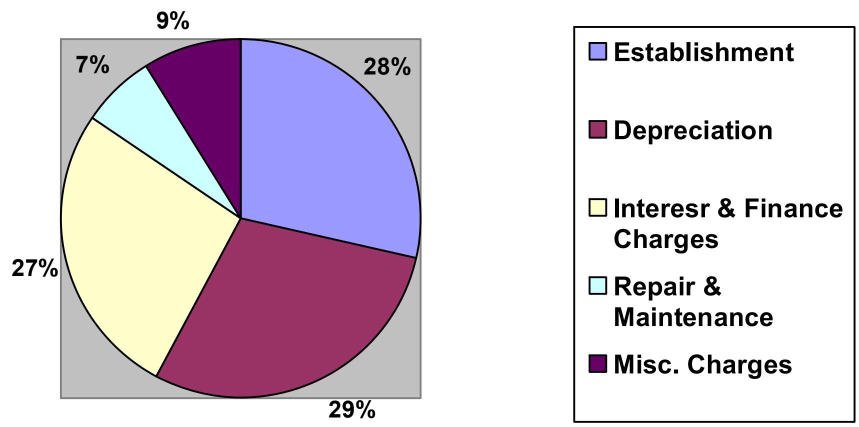
- higher manpower cost as compared to subsequent period;
- excessive booking of interest in respect of Larji Power Generating Station;
- generation loss of 120 MUs valued at ₹ 14.42 crore during 2005-06 due to higher forced outages as a result of poor maintenance; and

- lower revenue realisation as a result of disallowance of fixed cost element by Himachal Pradesh Electricity Regulatory Commission (HPERC).

Elements of Cost

2.1.7 Establishment, depreciation and interest and finance charges constitute major elements of cost in generation activity. The percentage break-up of costs for 2009-10 is given below in the pie-chart:

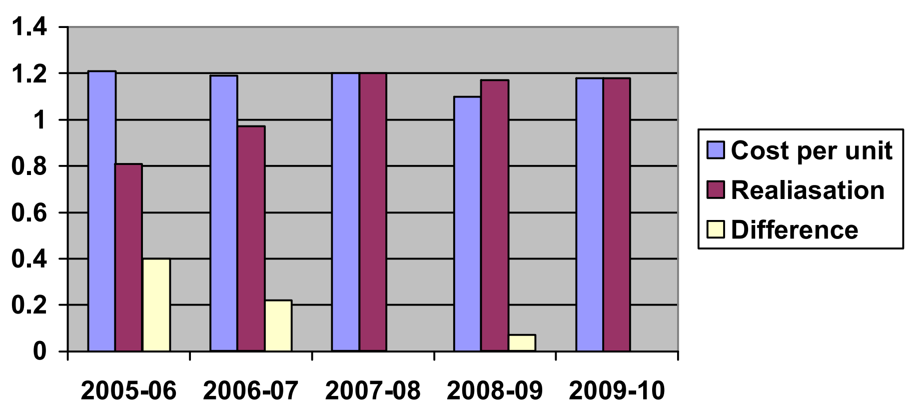
Components of various elements of cost



Recovery of cost of operations

2.1.8 The Board was not able to recover its cost of generation during 2005-06 & 2006-07 as given in the graph below:

(In ₹ per unit)



Had the total revenue earned by the Board been sufficient to cover the cost during review period an additional amount of ₹ 69.92 crore could have been available for capacity addition/life extension programmes, *etc*. The main reasons for high cost of generation had been poor capacity utilisation corroding the system performance, high level of auxiliary consumption, operation of economically un-viable projects and maintenance of unproductive assets. Besides, over staffing, higher interest cost and purchase of power at higher rates also contributed towards higher cost of generation.

Audit Findings

2.1.9 Audit explained the audit objectives to the Board during an 'entry conference' held on 22 January 2010. Subsequently, audit findings were reported to the Board and the State Government in June 2010 and discussed in an 'exit conference' held on 12 August 2010 which was attended by the Chairman *cum* Managing Director of the Company. The Board/Government also replied to audit findings in September 2010. The views expressed by them have been considered while finalising this review. The audit findings are discussed below.

Operational Performance

2.1.10 The operational performance of the generating activity of the Board for the five years ending 2009-10 is given in **Annexure 7** and was evaluated on various operational parameters as described below. It was also seen whether the Board was able to maintain pace in terms of capacity addition with the growing demand for power in the State. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there was scope for improvement in performance.

Planning

2.1.11 National Electricity Policy aims to provide availability of over 1,000 units of per capita electricity by 2012, for which it was estimated that need based capacity addition of more than 1,00,000 MW would be required during 2002-2012 in the country. The Government has laid emphasis on the full development of hydro potential being cheaper source of energy as compared to thermal. The Central Government would support the State Government for expeditious development of hydro power projects by offering the services of Central Public Sector Undertakings like NHPC, NTPC and NEEPCO. The requirement of generation as *per* NEP was 1.38 BUs requiring generation growth of 9.5 and 7.5 *per cent per annum* during 10th Plan – (2002-2007) and 11th Plan (2007-2012) respectively. In order to fully meet both energy and peak demand by 2012, there is need to create adequate reserve capacity margin. In addition to enhancing the overall availability of installed capacity to 85 *per cent*, a spinning reserve of at least five *per cent* would need to be created. Besides, environmental concerns would have to be suitably addressed through appropriate advance actions.

Output Efficiency

2.1.12 During the period 2005-10, the actual generation of Board was substantially less than the peak as well as average demand as shown below:

Year	Generation (MW)	Peak Demand (MW)	Average Demand (MW)	Percentage of actual generation to Average Demand	Percentage of actual generation to Peak Demand
2005-06	161	768	688	23.40	20.96
2006-07	162	873	782	20.72	18.56
2007-08	153	1061	828	18.48	14.42
2008-09	172	1055	929	18.51	16.30
2009-10	195	1151	995	19.60	16.94

(Source: Figures as furnished by the Board)

It would be seen from the above that the percentage of actual generation ranged between 18.48 and 23.40 *per cent* of the average demand and 14.42 and 20.96 *per cent* of the peak demand.

To meet the peak demand, the Board had to import power as detailed below:

(Figures in MW)

Year	Peak Demand	Peak Demand met	Sources of meeting peak demand		Peak Deficit (Percentage of Peak Demand)
			Own	Import	
2005-06	768	768	161	607	Nil
2006-07	873	873	162	711	Nil
2007-08	1061	831	153	678	21.68
2008-09	1055	1055	172	883	Nil
2009-10	1151	1151	195	956	Nil

(Source: Figures as furnished by the Board)

State had to purchase power under unscheduled interchange ranging between 4.15 MUs and 262.95 MUs which was costly as compared to own generation cost.

There remained a shortfall of 230 MW during 2007-08 (about 21.68 *per cent* of the peak demand) even after import which was covered by rotational load shedding. In addition, power cuts of 545.44 MUs were imposed during normal hours during the last five years ending March 2010, as the Board could not meet average demand.

We observed that due to low plant load factor, shortfall in generation resulted in increased gap in demand and supply which was met by purchasing/overdrawl of power from Centre Sector Projects at much higher rates by paying unscheduled interchange (UI) charges during the period under review as tabulated below:

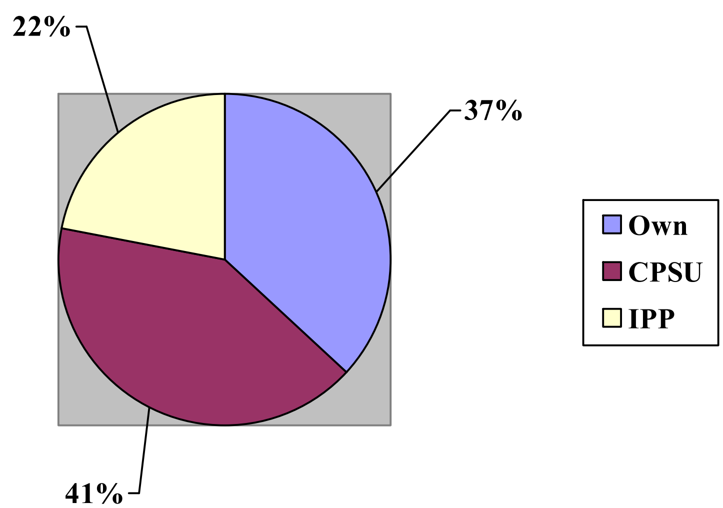
Sr. No.	Year	Power purchased under UI at higher rates (overdrawl) (MUs)	Average purchase Rate per unit (₹)	Average per unit Generation cost (₹)	Difference per unit (₹)	Amount (₹ in crore)
1.	2005-06	4.15	4.58	1.21	3.37	1.40
2.	2006-07	73.37	4.07	1.19	2.88	21.13
3.	2007-08	171.40	4.81	1.20	3.61	61.88
4.	2008-09	84.25	5.81	1.10	4.71	39.68
5.	2009-10	262.95	4.43	1.18	3.25	85.46
Total		**596.12**				**209.55**

From the above it would be seen that due to low PLF, excessive outages and low plant availability, the Board had to bear an additional financial burden of ₹ 209.55 crore on account of purchase/overdrawl of power at higher rates resulting in widening of revenue gap to this extent.

This section deals with capacity addition and optimal utilisation of existing facilities. Environmental aspects have been discussed in subsequent paragraphs at later stage.

Capacity Additions

2.1.13 The State had total installed capacity of 1034.17 MW hydro power projects at the beginning of 2005-06 which increased to 1285.49 MW at the end of 2009-10. The break up of generating capacities as on 31 March 2010 under own and state's share in CPSU/IPP is shown in the pie chart below:



To meet the energy generation requirement of 8500.87 MUs in the State, a capacity addition of about 404.58 MW was required during 2005-06 to 2009-10. During review period, four hydro projects of 402 MW were under construction, out of which one project with capacity of 126 MW* was commissioned during 2006-07.

The particulars of capacity addition, including share from CPSUs/IPPs, envisaged and actual addition at state level during review period are given below:

Sl.No	Description	2005-06	2006-07	2007-08	2008-09	2009-10	Total
1.	Capacity at the beginning of the year (MW)	1034.17	1034.17	1224.66	1238.74	1254.04	
2.	Additions planned by NEP/Board (MW)	26.50	118.49	14.08	15.30	31.45	205.82
3.	Actual additions (MW)	-	190.49♥	14.08	15.30	31.45	251.32
4.	Capacity at the end of the year (MW) (1 +3)	1034.17	1224.66	1238.74	1254.04	1285.49	
5.	**Shortfall/surplus in capacity addition (MW)**	(-)26.50	(+) 72.00	-	-	-	(+) 45.50

It would be seen from the above table that the installed capacity of generation of energy for the state of Himachal Pradesh increased from 1034.17 MW in the beginning of 2005-06 to 1285.49 MW at the end of the year 2009-10. Thus, there was net addition of 251.32 MW of which the Board added 138 MW during review period.

* Larji Project.

♥ This includes 126 MW spilled over from NEP for 2004-05 and 12 MW out of 26.50 MW planned during 2005-06 by the Board. In addition, 52.49 MW was added in the form of share from CPSUs.

Optimum Utilisation of existing facilities

2.1.14 To cope with the rising demand for power, not only the additional capacity need to be created as discussed above, the plan needs to be in place for optimal utilisation of existing facilities and also undertaking life extension programme/ replacement of the existing facilities which are near completion of their age besides timely repair/ maintenance. The details of the power generating units, which became due for Renovation and Modernisation/Life extension programmes (as per CEA norms) during the five years ending 2009-2010 vis-à-vis actually taken up are indicated in the Table below:

Sl.No.	Name of the Plant	Unit No.	Installed Capacity (MW)	Due Date (as per CEA norms)	Date when actually taken up
1.	Bassi	I to IV	4x15	November 2000	August 2007 (still under progress)
2.	Giri	I & II	2x30	1998	Scheme not yet sanctioned
3.	Rukti	I to III	3x0.500	2000	Not yet taken up
4.	Rongtong	I to IV	4x0.500	2007	Not yet taken up

Operation of Bassi Power House at low efficiency resulted in generation loss of 122.64 MUs.

From the above, it would be seen that against the 13 units due for Renovation and Modernisation/Life extension programmes, only four units of Bassi were actually taken up and the remaining nine units could not be taken up due to delay in according expenditure sanction and failure to arrange funds/loans in time from financial institutions. Even the renovation of Bassi power house was taken up after a delay of seven years from the date it became due for renovation as per CEA norms, resulting in generation loss of 122.64 MUs due to operation at low efficiency. The main reasons for delay were late sanctioning of the scheme, arranging funds and finalisation of award. In so far as Giri Power Generating Station is concerned the field unit had submitted the scheme but the same had not been sanctioned by the Board as of July 2010. Reasons for delay were not available on record. The status of remaining seven units is discussed below:

- Rongtong Power Generating Station was generating only at 33 *per cent* of its designed potential and consequently cost of generation was between ₹ 5.63 and ₹ 14.59 per unit. To increase its capacity and reduce generation cost the Board got a study conducted in November 2006 for its renovation wherein it was envisaged that after incurring an expenditure of ₹ 7.38 crore on its renovation/modernisation additional generation of 6.97 MUs at the rate of ₹ 2.23 per unit would be achieved. However, instead of implementing the scheme, the Board opted for captive power by installing (September 2007) Diesel Generating (DG) sets of 1380 KVA at a cost of ₹ 2.14 crore to cater to the power demand of local area. However, no cost benefit analysis was conducted. During December 2007 to January 2009, 0.12 MUs of power were generated through these DG sets after incurring an expenditure of ₹ 63.81 lakh on their operation and maintenance. Per unit generation cost of power works out to ₹ 53.17 against the average realisation rate of ₹ 2.50. The Board thus suffered a loss of ₹ 60.80 lakh on the generation of 0.12 MUs of power through these DG sets.

The Government stated (September 2010) that DG sets were installed to provide power for the welfare of local inhabitants which can not be linked with per unit cost. The reply is not acceptable as the expenses were allowed by the HPERC in tariff on the basis of bench marked per unit cost of ₹ 2.50 only. Moreover, the Board being commercial organisation should not bear loss by extending welfare activities unless compensated by the State Government.

- Annual generation of power in Rukti Power Generating Station since its commissioning in 1979 was between 1.07 and 3.52 MUs against the designed potential of 9.18 MUs due to defective equipment and governors and non-synchronisation with the grid. Per unit cost was thus between ₹ 2.54 and ₹ 6.07 due to low capacity utilisation. To reduce the generation cost and achieve the design potential, the Board sanctioned (February 2007) a renovation scheme at a cost of ₹ 5.43 crore with anticipated per unit cost of ₹ 1.75. We observed that no action to implement the scheme had been taken up so far (March 2010) despite the fact that unit Nos. III and IV were inoperative since October 2007 and April 2006 respectively. This resulted in generation loss of 40.39 MUs (up to January 2010) valued at ₹ 10.10 crore during the last five years ended March 2010.

The Government stated (September 2010) that a scheme has now been prepared under border development scheme in which the machine would be repaired and Power House synchronised into the grid by strengthening 22 KV line from Rukti Power House to Karchham. Delay in taking up renovation scheme resulted in huge generation loss for which no justification exists on record.

- In addition to above, renovation and modernisation/refurbishment of Andhra, Bhaba and Chamba power houses would also become due during next five years. The Board had not initiated action for preparation of DPR and feasibility reports in respect of these projects so far (March 2010).

The Government stated (September 2010) that Residual Life Assessment (RLA) studies of these projects are under progress.

The detailed Audit observations relating to repair, maintenance and life extension programmes are discussed in the succeeding paragraphs.

Project Management

2.1.15 Preparation of an accurate and realistic Draft Project Report (DPR) after considering feasibility study, considering factors like creation of infrastructure facility, addressing bottlenecks likely to be encountered in various stages of project planning are critical activities in planning stage of the project.

Project management includes timely acquisition of land, effective action to resolve bottlenecks, obtain necessary clearances from Ministry of Forest and Environment and other authorities, rehabilitation of displaced families, proper scheduling of various activities using PERT/CPM technique, adequate budget provisions, *etc*. Monitoring of the project using the Programme Evaluation and Review Technique (PERT), Critical Path Method (CPM), *etc.*, are some of the controls commonly used for monitoring the progress of work. For execution of the project, consultants are also appointed for vigorous monitoring. The monitoring mechanism of the projects at pre implementation stage is generally not as vigorous as is in respect of 'Ongoing projects'. The Ministry of Power has devised control mechanism which would enable monitoring and follow up from feasibility to ordering stage. Notwithstanding, time and cost over runs were noticed due to absence of coordinating mechanism throughout the implementation of the projects during review period as discussed in succeeding paragraphs.

The following table indicates the scheduled and actual dates of completion of the power generating stations, date of commissioning of power generating stations and the time overrun.

Time overrun in completion of four projects resulted in generation loss of 6,606.42 MUs.

Time overrun

Sl.No.	Name of the Unit	Details	As per DPR	Actual time taken	Time overrun (In months)
1.	Larji	Date of completion of unit	March 1996	September 2006	125 (up to 8/06)
		Date of commercial operation/ commissioning of unit	March 1996	September 2006	125 (up to 8/06)
		Generation loss (MUs)			6112.70
2.	Khauli	Date of completion of unit	September 2003	March 2007	41 (up to 2/07)
		Date of commercial operation/ commissioning of unit	September 2003	March 2007	41 (up to 2/07)
		Generation loss (MUs)			205.00
3.	Bhaba Augme-ntation Project	Date of completion of unit	September 2005	In progress (March 2010)	54 (up to 3/10)
		Date of commercial operation/ commissioning of unit	September 2005	In progress (March 2010)	54 (up to 3/10)
		Generation loss (MUs)			119.83
4.	Ganvi Phase-II	Date of completion of unit	March 2007	In progress (March 2010)	36 (up to 3/10)
		Date of commercial operation/ commissioning of unit	March 2007	In progress (March 2010)	36 (up to 3/10)
		Generation loss (MUs)			168.89

It would be seen from above that out of four projects implemented during review period, none was completed in time and slippages in time schedule were avoidable at various stages of implementation as discussed below:

Cost overrun

(₹ in crore)

Sl.No.	Phase-wise name of the Unit	Estimated cost as per DPR	Awarded Cost	Actual expenditure as on 31 March 2010	Expenditure over and above estimate	Percentage increase as compared to DPR
	(1)	(2)	(3)	(4)	5)	(6)
1.	Larji	168.85	342.97	1293.69	1124.84	666
2.	Khauli	66.08	29.82	134.99	68.91	104
3.	Bhaba Augmenta-tion Project	35.60	24.27	51.01	15.41	43

Delay in completion of three projects resulted in cost overrun between 43 and 666 *per cent* of the estimated cost.

It would be seen from the above that cost overrun ranged between 43 and 666 *per cent* of the estimated cost of the projects. The main reasons for cost overrun, as analysed in audit, were as under:

Larji Power Generating Station

2.1.16 Larji Power Generating Station on river Beas with an installed capacity of 126 MW (3x42MW) was approved (March 1987) by Government of India (Planning Commission) at an estimated cost of ₹ 168.85 crore. According to construction schedule, the project was to be commissioned within five years. Board took up the project for execution during 1990-91 with completion schedule up to March 1996. Envisaged per unit and per MW generation cost was 24.47 paisa and ₹ 1.34 crore respectively. The project was however, commissioned during September/October 2006 at a cost of ₹ 1293.69 crore. Thus, due to time and cost overrun per unit, per MW cost increased to ₹ 2.40 and ₹ 10.27 crore respectively. The time and cost overrun was mainly due to late taking up of construction work, change in designs, non-inclusion of some items in the awards/DPR, award of works at higher rates and overpayments to contractors. These aspects have already been discussed in detail in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2004. Some of the major audit findings and recommendations of the COPU (January 2010) thereon are discussed below:

- In respect of Para 2.1.12 COPU recommended to initiate action against the officers besides recovery of interest on ₹ 5.83 crore over paid to the contractor.
- COPU in respect of para 2.1.22 recommended to initiate action against the concerned officers responsible for the omission for which the Board had to pay the penalty of ₹ 1.54 crore.

We further observed that action on COPU's recommendations was not taken (September 2010).

Khauli Power Generating Station

2.1.17 Board approved DPR of Khauli Power Generating Station (12MW) at a cost of ₹ 66.08 crore during April 1996 with completion period of four years. Approval for execution was accorded in May 1998 without obtaining the environmental clearance which was actually obtained during January 1999. The works of the project were however, commenced during September 1999 and the works for civil components were awarded during August 2002. The work for the Electro-Mechanical portion was awarded (March 2003) to M/s VA TECH & consortium. In terms of clause10.1 of the agreement both the machines were to be commissioned within 19 months (November 2004) and 22 months (February 2005) from the date of notification of award i.e. March 2003.

Audit observed that the firm started the supply of Electro-Mechanical equipment during March 2005 and continued up to January 2006. Consequently, its installation could be completed during June 2006. Liquidated damages of ₹ 92.62 lakh were recovered from the firm for delay in supply of material.

Further, civil components of the project were also delayed and the water conductor system was made available in November 2006. Both the machines were spun during November 2006 and the project was commissioned on 18 April 2007. Thus, there was a total delay of 24 months in the completion of the project with consequential generation loss of 86 MUs (as per targets fixed by CEA).

The Government stated (September 2010) that the main reasons for time and cost overrun were adverse geological conditions and delay in acquisition of land. The reply is not acceptable as the actual reasons for delay were late supply of electromechanical equipment and delay in completion of water conductor system.

Bhaba Augmentation Project

2.1.18 A huge land slide occurred (11 May 2002) above the power house location of Bhaba Augmentation Project. The entire power house and switch yard were buried under the debris. To rehabilitate the project, the Board prepared/cleared (September 2002) a revised DPR (4.5 MW) at a cost of ₹ 35.60 crore with completion period of three years (September 2005). The DPR envisaged annual generation of 26.63 MUs at a cost of ₹ 2.14 per unit. The project was however, still incomplete (July 2010). The delay was mainly due to improper planning as the work for construction of power house and tailrace channel was awarded in December 2005 *i.e.* after a delay of 38 months. As the layout drawings had not been finalised by the Board, the agreement could not be entered into till April 2008 resulting in further delay of 28 months. The construction work could be started in November 2008 (after delay of seven months), after acquisition (September 2008) of private land. The project is now scheduled for completion in October 2010 at a cost of ₹ 71.37 crore with cost overrun of ₹ 35.77 crore. This would result in increase in per unit and per MW cost from ₹ 2.14 and ₹ 7.91 crore to ₹ 4.29 and ₹ 15.86 crore respectively.

The Government admitted (September 2010) that the main reason for delay was non-availability of land.

Ghanvi Phase-II project

2.1.19 Techno Economic Clearance for the construction of the Project (10 MW) was accorded (March 2004) by the Board for ₹ 49.49 crore with completion period of three years and anticipated annual generation of not less than 56.30 MUs. The project, proposed for completion in March 2007 was still (March 2010) incomplete after incurring an expenditure of ₹ 44.77 crore and is now expected to be completed in August 2011. We observed that the works of different civil components were awarded between January 2005 and September 2006 and were due for completion in March 2008. The order for the supply of electro-mechanical equipment was, however, placed in July 2008 with completion date of July 2010 i.e. after three months of scheduled date of completion of civil components. Evidently, various construction activities of civil and electrical works were not synchronised.

Further, the civil and mechanical works were divided into five components. The component-wise detail of works, financial progress, present status, *etc*. is given in **Annexure 8**. It would be seen from there that the works which were due for completion between June 2005 and March 2008 were still (March 2010) incomplete. The physical achievement was to the extent of 54 *per cent* against the financial achievement of 90 *per cent*. The agreement for the construction of intake structure was rescinded during October 2008 due to stoppage of work by the contractor. The contractor was served with a notice (October 2008) to carry out the left-out work worth ₹ 5.90 crore at his risk and cost. The work has now been awarded (November 2009) to M.S. Hydro with additional cost of ₹ 2.18 crore with completion period up to May 2011.

Thus, the project proposed for completion within three years at a cost of ₹ 49.49 crore is now likely to be completed at a cost of ₹ 81 crore. This would increase per unit and per MW cost from ₹ 1.40 and ₹ 4.95 crore to ₹ 2.29 and ₹ 8.10 crore respectively.

The Government stated (September 2010) that the main reasons for time and cost overrun were adverse geological conditions, inclement weather and strike by the labour. The reply is not acceptable as aspects relating to geological conditions & inclement weather were considered while fixing the completion schedule of the project and labour strike happened after scheduled completion date.

Excess booking of employee cost - ₹ 5.87 crore

2.1.20 Establishment cost included in the project cost is of utmost importance as the higher establishment cost results in increase in per MW and per unit cost thereby rendering the entire project economically un-viable. The Central Electricity Authority (CEA) has fixed per MW norm of 10 persons for execution of hydro power projects. We noticed that in respect of Bhaba Augmentation Project (4.5 MW) and Ghanvi Phase-II (10 MW) the Board had sanctioned the man power much in excess of the norms *ibid*. Further, actual deployment of manpower was also in excess of the sanctioned strength. This resulted in excess booking of establishment cost to the projects during the last five years amounting to ₹ 7.52 crore and ₹ 5.87 crore as compared to the sanctioned strength and norms of the CEA respectively. The Board could have utlised this amount for capacity addition by one MW (on CEA rates).

The Government stated (September 2010) that being hilly terrain the working conditions in the State are much difficult and as such CEA norms can not be adopted. The reply is not based on facts as most of the HEPs are in the hilly states and CEA which is a project approving authority has fixed the norms after considering the conditions prevailing in the Hills.

Execution of additional items

2.1.21 Preparation of DPR is the base for determination of cost and viability of the Project. Therefore, it is necessary that the DPR should be prepared with due care and based on realistic data after thorough investigation. We noticed that in case of intake works of Ghanvi Phase-II, Head Race Tunnel of Larji and Khauli projects expenditure of ₹ 2.89 crore, ₹ 59.34 crore and ₹ 8.37 crore respectively was incurred on execution of additional items due to preparation of DPR on un-realistic data and improper geological explorations. Non-inclusion of the additional items/works in the DPR and execution of the same subsequently at higher rates had resulted in time and cost overrun. In case of Larji project the investigation report of the committee of experts has been handed over to the Chairman of the Board (May 2009) action on same was awaited (July 2010) and in case of Khauli project the extra/higher cost of project was disallowed by the HPERC while fixing generation tariff. Similarly, extra items amounting to ₹ 11.86 lakh was proposed for execution of penstock of Ghanvi II for which there was no provision in the original DPR.

The Government stated (September 2010) that the changes in the items of work and deviation in quantities were mainly due to geological surprises encountered during execution which can not be predicted. The reply points out towards the deficiencies in preparation of DPR and inadequate geological exploration.

Interest During Construction

2.1.22 Revised DPR for Bhaba Augmentation Project (4.5 MW) was cleared by the Board during September 2002 for ₹ 35.60 crore. There was a provision of ₹ 1.52 core for Interest During Construction (IDC) in the approved DPR. We noticed that the field unit booked an amount of ₹ 14.56 crore IDC up to 2008-09 as per the directions of the Board. Thus, there was excess booking of IDC of ₹ 13.04 crore as compared to the DPR. The excess booking as analysed in audit was mainly due to non-capitalisation of cost of tunnel amounting to ₹ 14.03 crore being used for increasing water availability of Bhaba Power Generating Station (120 MW) during lean period, non-writing off the assets worth ₹ 5.44 crore in respect of buried Power Generating Station & switch yard booked in the work in progress (WIP) and delay in completion of the project.

The Government stated (September 2010) that the expenditure incurred on the construction of tunnel is being capitalised and action to write off the loss of assets has now been initiated.

Contract Management

2.1.23 Contract management is the process of efficiently managing contract (including inviting bids and award of work) and execution of work in an effective and economic manner. The works are generally awarded on turn key (Composite) basis to a single party involving civil construction, supplies of machinery and ancillary works.

During review period 13 contracts valuing ₹ 151.97 crore related to civil works, supply of equipment and other miscellaneous works were executed. Of these, contracts valuing ₹ 21.14 crore relating to civil works and ₹ 117.44 crore pertaining to supply of material were scrutinised during audit. Irregularities noticed in execution of four agreements in two projects undertaken during review period are given below.

Non-recovery of steel from contractor

2.1.24 As per clause 10 (F) of contract agreement entered into (November 2005) with the contractor for construction of intake of Ghanvi Phase II project, difference of quantity of steel actually issued to the contractor and theoretical consumption including authorised variation, if not returned by the contractor was to be recovered at four times the stipulated issue rate including storage charges. We noticed that recovery of ₹ 93.67 lakh was not made from the contractor on account of the following:

Non-recovery of steel valuing ₹ 72.94 lakh (54.856 MTs) out of 339.062 MTs from the contractor on rescinding work in October 2008.

6.937 MTs steel was shown utilised twice for chair and supports resulting in short recovery of ₹ 14.50 lakh from the contractor.

Cost of steel found short, excess/ unauthorisedly used was not recovered from the contractor.

Steel weighing 6.953 MTs was stated to have been used by the contractor for infrastructure works i.e. stock yard, workshop, labour colony, *etc*. (without any entry in the measurement book), which were to be constructed by the contractor at his own cost as per (Chapter VIII 8.4 of General Condition) agreement. The Board adjusted 6.953 MT steel at issue rate of ₹ 29,000 per MT instead of applicable four time rate resulting in short recovery of ₹ 6.23 lakh.

The Government stated (September 2010) that the matter is *sub judice* and as such no action could be taken to recover the shortage of material. The reply is not based on facts as the *sub judice* matter relates only to recovery of ₹ 72.94 lakh and no action was taken for the recovery of ₹ 20.73 lakh as pointed out above.

Operational Performance

2.1.25 Operation of Generating Stations is dependent on input efficiency consisting of material and manpower and output efficiency in connection with Plant Load Factor, plant availability, capacity utilisation, outages and auxiliary consumption. These aspects have been discussed below.

Manpower Management

2.1.26 The Board has not fixed norms for working out the manpower required for the operation of power generating stations. However, CEA had recommended 1.79 person per MW of the installed capacity. The position of actual manpower deployed, sanctioned strength & manpower required as per

CEA recommendation for power generating stations is given below:

Sl. No.	Particulars.	2005-06	2006-07	2007-08	2008-09	2009-10
1	Sanctioned strength	2262	2319	2278	2222	2085
2	Manpower as per the CEA recommendations	589	836	836	836	836
3	Actual manpower	1824	1858	1806	1852	1883
4	Expenditure on salaries (₹ in crore)	28.60	30.15	36.75	50.52	50.55
5	Extra expenditure with reference to CEA norms (₹ in crore) [(4/3) x (3–2)]	19.36	16.58	19.74	27.72	28.11

Employee cost in respect of ten projects alone contributed to more than 50 *per cent* of per unit generation cost.

Above table shows that actual manpower under generation wing operating 13 projects was more than the norms of CEA during the years 2005-06 to 2009-10. Further, in spite of reduction in sanctioned strength from 2,262 in 2005-06 to 2,085 in 2009-10 the actual manpower increased from 1,824 to 1,883 during the same period. This resulted in extra expenditure of ₹ 111.51 crore on excess manpower. We observed that during 2009-10 the element of employee cost alone in respect of ten projects was more than 50 *per cent* of *per* unit generation cost as shown in the **Annexure 9.** Overtime was regularly paid to the staff. Our analysis revealed that yearly overtime paid ranged between 2,860 and 53,576 hours which was equivalent to the duty hours of one to 22 employees during 2005-10. The overtime paid by generating stations during the period of review works out to ₹ 2.04 crore. No action was taken by the Board to rationalise its staff strength. We further observed that in three power houses (Ghanvi, Nogli and Khauli) the manpower ranging between seven and 14 was deployed in excess of the sanctioned strength resulting in extra expenditure of ₹ 64 lakh. In addition, in two small power houses (Rukti and Rongtong) under Operation wing of the Board 20 and 21 employees respectively were deployed in excess of the CEA norms resulting in extra expenditure of ₹ 2.90 crore during the review period.

The HPERC in its tariff orders issued from time to time had objected to the high employee cost. The Board admitted before the Commission that the deployment of manpower needed to be rationalised based on the requirements.

The Government while admitting (September 2010) that no norms were fixed for deployment of manpower required for operation of power houses stated that CEA norms can not be applied for small power houses located in remote and tribal areas. The reply is not acceptable as even after operating for more than 38 years the Board failed to fix its own manpower norms. Further, despite assurance given to the HPERC to rationalise manpower deployment so as to reduce employee cost no action was taken so far (September 2010).

Shortfall in generation

2.1.27 The targets for generation of power for each year are fixed by the Board and approved by the CEA. It was observed that the Board was able to generate 8,508.99 MUs of power during 2005-06 to 2009-2010 against the fixed targets of 8,980.20 MUs. This resulted in a net shortfall of 471.21 MUs as tabulated below:

(Figures in MUs)

Year	Target	Actual	Shortfall(-)/Excess (+)
2005-06	1323.65	1332.34	(+) 8.69
2006-07	1939.31	1432.38	(-) 506.93
2007-08	1929.58	1864.97	(-) 64.61
2008-09	1821.77	2075.16	(+) 253.39
2009-10	1965.89	1804.14	(-) 161.75
	8980.20	**8508.99**	**(-) 471.21**

The Government attributed (September 2010) the shortfall in generation to late commissioning of Larji and Khauli Power Generating Stations, capital maintenance, heavy floods/ less rains.

The year-wise details of energy to be generated as per design, actual generation, PLF as per design and actual PLF in respect of the projects commissioned up to March 2010 are given in **Annexure 10.**

The details in the Annexure indicate that:

- The actual generation and actual PLF achieved were far below the energy to be generated and PLF as per design in most of the plants during the five years ending March 2010.
- As against the total designed generation of 10983.39 MUs of energy during the five years ending March 2010 the actual generation was 8508.99 MUs leading to a shortfall of 2474.40 MUs.
- As the PLF had been designed considering the availability of inputs the loss of generation (total 2474.40 MUs) during the period 2005-2006 to 2009-2010 indicated that resources and capacity were not being utilised to the optimum level due to design deficiencies, frequent breakdown of units and delay in rectification of defects as discussed in succeeding paragraphs:

Non-achievement of designed potential

2.1.28 The installed capacity of a Power Generating Station is determined on the basis of availability of water discharge and designed head. Availability of water depends upon the size of catchment area and water source, such as snow covering area while the head is worked out with reference to the gradient of the available fall, *etc*. The power generating equipment of the power house is accordingly designed taking into account the discharge and head. A scheme for Baner Power Generating Station was first approved (1981) by the CWC/CEA for 6 MW only in which the catchment area was calculated 33.28 Km^2 with available discharge of 1.33 Cumecs at 90 *per cent* dependable year and 212 Mtrs. head. This scheme could not be taken up for execution due to financial constraints. In 1984, a land slide occurred near diversion point and the point was shifted 800 Mtrs. upstream. Due to this shifting, the head increased to 329 Mtrs. Accordingly, the installed capacity of the project was revised from 6 MW to 12 MW without visualising the impact of reduction in catchment area. The capacity of the project was increased considering increase in area and discharge of the order of 3.66 Km^2 and 0.25 Cumecs respectively without recording any reason. Not only this, the power generating equipments were also designed for 341 Mtrs. head against actual availability of 329 Mtrs.

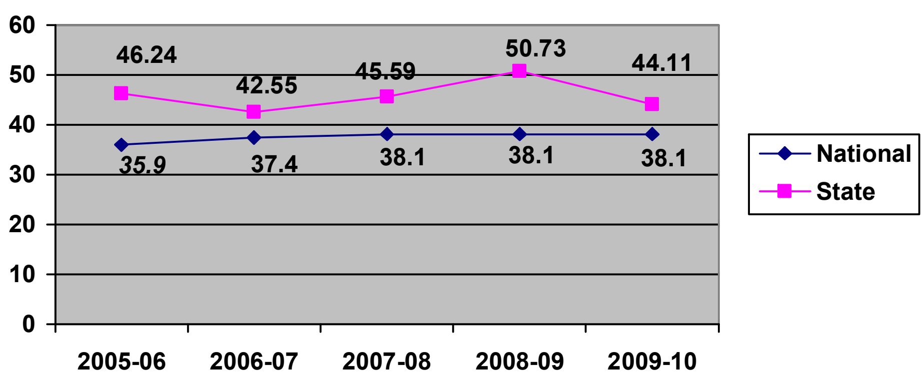
It was further observed that the designed potential of 60 MUs was never achieved since the commissioning of the project (1996). The generation was between 33.09 and 47.23 MUs. The reason for non-achievement of designed potential was that the recorded pressure of 32 Kg/Cm^2 corresponds to net head of 320 Mtrs against the designed head of 341 Mtrs. During the last five years ending March 2010 against the designed potential of 300 MUs the Board fixed generation target of 202 MUs against which actual generation was 201.59 MUs. This indicates that the targets were fixed much below the designed potential (300 MUs).

The Government admitted (September 2010) the fact that the re-assessment of designed potential of Baner Power Generating Station is required.

Low Plant Load Factor

2.1.29 PLF refers to the ratio between the actual generation and the maximum possible generation at installed capacity. According to norms fixed by Central Electricity Regulatory Commission (CERC), the PLF for hydro power generating stations should be 85 *per cent,* against which the national average as per performance report of the CEA was between 35.90 and 38.10[*] *per cent.*

The PLF of Power Generating Stations of the Board was much below the norms fixed by the CERC. However, it was much above the national average PLF for the five years ending March 2010 as shown below in the line graph:



[*] In the absence of data, PLF of 38.10 *per cent* has been considered for the years 2008-09 & 2009-10.

The details of average realisation *vis a vis* average cost per unit, PLF achieved, average realisation at national PLF, PLF at which average cost would have been recovered and the difference of PLF in *per cent* are given in the following table:

Sl.No.	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Average Realisation (₹ per Unit)	0.81	0.97	1.20	1.17	1.18
2.	Average Cost (₹ per Unit)	1.21	1.19	1.20	1.10	1.18
3.	Actual PLF (*Per cent*)	46.24	42.55	45.59	50.73	44.11
4.	Average Realisation at CERC norms (85% PLF) (₹ per Unit)	1.49	1.94	2.24	1.96	2.27
5.	PLF at which average cost stands recovered (*Per cent*) (2/1 X 3)	69.07	52.20	45.59	47.69	44.11
6.	Difference (*per cent*) (5 – 3)	22.83	9.65	-	(+) 3.04	-

It would be seen from the above table that with marginal increase in the PLF and realisation during 2007-08 and 2009-10, the Board was in a position to achieve the break even level. During 2008-09 with significant improvement in PLF Board earned a profit of ₹ 13.77 crore on generation activities. The estimated shortfall in generation works out to 1360.83 MUs due to non-achievement of break even level during 2005-06 & 2006-07 resulting in loss of contribution amounting to ₹ 163.30 crore.

The details of maximum possible generation at installed capacity, actual generation and corresponding PLF achieved in respect of each generating unit for the five years up to 2009-2010 are given in **Annexure 10.** The main reasons for low PLF, as observed in audit were:

- Low plant availability
- Low capacity utilisation
- Major shut downs and delays in repairs and maintenance.

These are discussed in the following paragraphs:

Low plant availability

Average plant availability of power stations was 53.56 *per cent* against CERC norms of *85 per cent.*

2.1.30 Plant availability means the ratio of actual hours operated to maximum possible hours available during certain period. As against the CERC norm of 80 *per cent* plant availability during 2004–2009 and 85 *per cent* during 2010-2014, the average plant availability of power generating stations of the Board was 53.56 *per cent* during the five years up to 2009-10.

The details of total hours available, total hours operated, planned outages, forced outages and overall plant availability in respect of power projects of the Board as a whole are shown below:

Sl.No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Total hours available	306600	316200	351288	350400	350400
2.	Operated hours	158986	172551	210118	188732	167155
3.	Planned outages (in hours)	22790	27078	21413	29749	31467
4.	Forced outages (in hours)	124824	116571	119757	131919	151778
5.	Plant availability (*per cent*)	51.85	54.57	59.81	53.86	47.70

It is evident from the above table that the plant availability in power generating stations ranged between 47.70 and 59.81 *per cent* which was less than the All India Average of 92 *per cent* (2007-08). The low availability was due to longer duration of outages caused by inordinate delays in repair and maintenance, routine maintenance during peak season, non availability of auxiliary power, excessive tripping due to improper maintenance, ineffective trash rack, *etc.* (Refer para no.3.11.4 of C&AG's Report - Commercial for the year 2008-09) and non-availability of required quantity of water. This resulted in generation loss of 151.53 MUs valuing ₹ 45.17 crore.

The Government stated (September 2010) that the plant availability ranged between 61 and 82 *per cent* which is quite reasonable. The reply is not based on facts as the Board worked out the availability on the basis of available discharge and not on total number of machines.

We evaluated the generation data of Bassi Power Generating Station (60 MW) which is a tailrace development of 110 MW Shanan Power Generating Station of PSEB which utlises water from the River Uhl. In case of shut down of Shanan Power Generating Station the power generation of Bassi Power Generating Station is also affected due to non-availability of water. Evaluation of data for the period from April 2005 to March 2010 revealed that Bassi Power Generating Station remained under shutdown for 2457 hours due to non-availability of water from Shanan tail race resulting in generation loss of 36.86 MUs valued at ₹ 4.35 crore. The Board had taken no action to explore the possibility of utilising the spilled water since the commissioning of the project (1970-71) to avoid the generation loss.

The Government admitted (September 2010) the fact that generation of Bassi Power Generating Station is regulated as per discharge available in the tail race of Shanan Power Generating Station and stated that tapping from existing pen stock is not possible. However, the facts remain that the Board failed to explore any possibility to utilise the spilled water in case the Shanan Power Generating Station remains shut down.

Low Capacity Utilisation

2.1.31 Capacity utilisation means the ratio of actual generation to possible generation during actual hours of operation. The capacity utilisation of power generating stations of the Board decreased from 48.94 *per cent* in 2005-06 to 41.76 *per cent* in 2009-10.

Main reasons for the low utilisation of available capacity during 2005-10, as analysed in audit were due to the machines remaining off the bar for various reasons as discussed below:

- One machine (5.65 MW) of Andhra Power Generating Station for 1,129 hours due to grid failure during 2007-08.
- Ghanvi (22.5MW) and Baner (12MW) Power Generating Stations for 191 hours and 234 hours respectively due to excessive trippings of evacuation system during 2005-2010.
- One machine (5.65 MW) of Andhra Power Generating Station for 1,519 hours due to problem in Automatic Voltage Regulator during 2006-07.
- Three units of Bhaba Power Generating Station (120 MW) were under forced shut down for 121 hours for want of repair of Main Inlet Valve during 2006-07.
- Unit No. II of Bhaba Power Generating Station (40 MW) for 743 hours due to sudden application of Pneumatic Breaks.
- Reduced generating capacity of Bassi Power Generating Station from 60 MW to 58 MW due to capacity constraints in water conductor system.

The Government stated (September 2010) that 22 KV combined Ghanvi feeder has now been converted into dedicated feeder to avoid tripping. It was further added that there was no major decline in generation in old generating units. The reply is not based on facts as the Bassi Power Generating Station was operating at reduced capacity of 58 MW. However, no justification was furnished in respect of Andhra, Bhaba, and Baner Power Generating Station.

Outages

2.1.32 Outages refer to the period for which the plant remained closed for attending planned/forced maintenance. We observed following deficiencies in planned and forced outages:

- The total number of hours lost due to planned outages increased from the 22,790 in 2005-06 to 31,467 in 2009-10 i.e. from 7.44 to 8.98 *per cent* of the total available hours in the respective years. The planned outages were more than the All India Average of 5.66 *per cent* (2007-08). Out of above, 4,704 hours were lost due to delay in award of work and completion of capital maintenance of turbines.

Forced outages over and above the CEA norms resulted in generation loss of 2425.23 MUs.

- The forced outages in power generating stations increased from 1,24,824 hours in 2005-06 to 1,51,778 hours in 2009-10 i.e. from 40.71 to 43.32 *per cent* of the total available hours in the respective years.

The forced outages remained more than the norm of 10 *per cent* fixed by CEA in all the five years ending 31 March 2010. Compliance of the CEA norms would have entailed availability of plant for additional 4,77,360 operational hours with consequent generation of 2425.23 MUs valued at ₹ 286.18 crore.

Auxiliary consumption of power

2.1.33 Energy consumed by power stations themselves for running their equipment and common services is called Auxiliary Consumption. HPERC allowed (June 2003) 0.20 to 0.70 *per cent* of the power generated to be used as auxiliary consumption based on design of machines and location of the powerhouse (under ground/surface). However, the actual consumption of 11 power stations of the Board ranged between 0.30 and 8.06 *per cent* resulting in excess consumption of 5.19 MUs valuing ₹ 0.61 crore as detailed in **Annexure 11**, which was sufficient to meet the energy requirement of 1,730 below poverty line households at an average consumption of 50 units per month.

The Government stated (September 2010) that the average auxiliary consumption of all power houses was with in the permissible limit. The reply is not based on fact as 11 Power Generating Stations out of 20 were consuming auxiliary power in excess of the admissible limit.

Repairs & Maintenance

2.1.34 To ensure long term sustainable levels of performance, it is important to adhere to periodic maintenance schedules. The efficiency and availability of equipment is dependent on the strict adherence to annual maintenance and equipment overhauling schedules. Non-adherence to maintenance schedule carries a risk of forced outages which necessitate undertaking repair and maintenance works. These factors lead to increase in the cost of power generation due to reduced availability of equipment which affect the total power generated. Board had suffered generation loss of 123.29 MUs due to maintenance of plants during peak seasons, non-availability of auxiliary power, excessive tripping, non/improper maintenance, delay in repair/maintenance, delay in taking decision for repair, *etc*., as pointed out in the C&AG's Audit Report (Commercial) for the year ending March 2009 (*Refer paragraph 3.11.6*). We further observed that failure of the Board to carry out repair and maintenance of machines in time had resulted in generation loss of 65.29 MUs as discussed below:

Gumma Power Generating Station

2.1.35 Both the units of the Power Generating Station were taking almost half an hour to stop at their own since its commissioning (September 2000) as no braking system was provided on the machines causing frequent damage to thrust pads. Machine No. II broke down (June 2007) and order for spares was placed (March 2008) with BHEL (manufacturer) at a cost of ₹ 82.51 lakh. We observed that the order for maintenance of the machine was placed (October 2009) after receipt of material (September 2009) with completion period of 60 days. The firm actually started the work during February 2010 and which remains incompleted till March 2010. This resulted in generation loss of 24.90 MUs valued at ₹ 2.94 crore. The Board could not recover the generation loss from the supplier as there was no clause in the award letter for imposition of liquidated damages for delay.

We further observed that the water conductor system was not charged since 22 June 2009 due to excessive leakage of water from power channel. As the concreting of power channel constructed at a cost of ₹ 2.37 crore and put to use in August 2000 was not done as per specifications/design. The thickness of concrete in chamfer portion and bottom of channel was between 12 and 14 cms against the designed thickness of 25 cms consequently the concrete eroded in just nine years against the life span of 35 years and the second unit of the Power Generating Station was also inoperative since then, resulting in generation loss of 9.55 MUs valued at ₹ 1.13 crore.

The Government stated (September 2010) that the matter was taken up with BHEL for exploring the provision of braking system. However, no comments were offered in respect of premature failure of water conductor system.

Renovation & Modernisation

2.1.36 Renovation & Modernisation (R&M) and refurbishment activities involve identification of problems of unit, preparation of techno economic viability reports, preparation of DPR to lay down benefits to be achieved from these works.

R&M activities are aimed at overcoming problems in operating units caused due to generic defects, design deficiency and ageing by re-equipping, modifying, augmenting them with latest technology/systems. R&M activities are undertaken in projects operating at PLF of 40 *per cent* and below after assessing the performance and requirement of the units.

Refurbishment activities are aimed at extending economic life of the units by 15 to 20 years which have served for more than 20 years or operating at PLF below 40 *per cent*. Necessary permission and clearance for R&M and Refurbishment activities from State Electricity Regulatory Commission (SERC)/CEA/State Government are obtained. Residual Life Assessment (RLA) studies are also conducted for all Refurbishment activities and in major R&M works. For Refurbishment and R&M activities Power Finance Corporation (PFC) sanctions loan equal to 70 *per cent* of the estimated cost of the activity against guarantee furnished by the State Government and rest of the funds are met from internal sources or loan from the State Government. Out of four plant due (Refer to para 2.1.14 *supra*) only one plant as discussed below has been undertaken for R&M activities.

Bassi Power Generating Station

2.1.37 During the period covered under review the Board had taken up the renovation, life extension and uprating of Bassi Power Generating Station.

Deficiencies noticed in implementation of the scheme are discussed below:

- Four units of 15 MW each of the project were in operation since 1981. The Board had not been able to utilise optimum capacity of the Power Generating Station as envisaged in the sanctioned (November 2000) renovation scheme due to capacity constraints in the water conductors system as tail race system could not discharge full generation draft from the turbines. We observed that due to low efficiency of the turbines, discharge from each of them was on higher side in the order of 6.1 cumecs against the rated full load discharge of 5.37 cumecs. This resulted in obstruction of water in tail race due to excess flow. Resultantly, level of water touched the runners thereby, reducing the effective head and limiting the generation to 58 MW as against designed capacity of 60 MW. This resulted in annual generation loss of 17.52 MUs. This fact was also confirmed by Tata Consulting Engineers (June 2000) in their diagnostic study got conducted by the Board.

Delay in taking up the renovation scheme resulted in cost overrun of ₹ 77.61 crore.

- Further, the water available from Shanan Power Generating Station to Bassi Power Generating Station could not be fully utilised due to above mentioned capacity constraints in the water conductor system. Since the commissioning of the Power Generating Station, generation up to the designed potential of 346 MUs (except 1989-90) could not be achieved. The shortfall in generation during April 2005 to March 2010 was of 488[♣] MUs valued at ₹ 57.58 crore. To overcome the above constraints, a renovation scheme proposed to be completed in April 2002 was sanctioned (November 2000). The scheme was still incomplete (March 2010) due to delay in arranging funds (31 months) and excessive time consumed in finalisation of tenders (43 months). This resulted in cost overrun of ₹ 77.61 crore, besides the benefit of capacity addition of six MW (48 MUs *per annum*) could not be achieved.

The Government stated (September 2010) that unit No. 4 was commissioned during March 2010 and the remaining work will be completed during 2011-12.

Operation & Maintenance

2.1.38 The operation and maintenance (O&M) cost includes expenditure on the employees, repair & maintenance including stores and consumables, consumption of capital spares not part of capital cost, security expenses, administrative expenses, *etc.*, of the Power Generating Stations besides corporate expenses apportioned to each generating station, *etc.*

HPERC in its tariff orders issued during the period from July 2005 to 2009-10 had allowed O&M expenses to the extent of ₹ 824.92 crore (exclusive of return on equity and actual expenditure for the year 2005-06 and 2006-07 trued up in the multi year tariff 2008-11). Against this, the Board incurred total expenditure of ₹ 956.25 crore. We observed that O&M expenses were higher by ₹ 131.33 crore than the expenses allowed by HPERC due to high employee cost,

♣ Including the annual generation loss of 17.52 MUs mentioned in the preceding sub-para.

operation of unviable projects and unproductive assets such as schools and hospitals, *etc. (Refer para 3.11.9 of the C&AG's Report- Comml for the year 2008-09)*. Consequently, expenses amounting to ₹ 131.33 crore incurred over and above the expenses allowed by the HPERC during the review period added to the loss of the Board.

The Government stated (September 2010) that the HPERC had determined the O&M expenses as per the methodology based on the last five year data. Where such data was not available, the Commission escalated the average expenses by four *per cent*. The reply is not relevant to our observation wherein it has been pointed that the Board incurred higher expenses on O&M as compared to the expenses allowed by the HPERC in the tariff orders.

Financial Management

2.1.39 Efficient fund management is need of the hour in any organisation. This also serves as a tool for decision making, for optimum utilisation of available resources and borrowings at favourable terms at appropriate time.

The Board should, therefore, streamline their systems and procedures to ensure that:

- Outstanding advances are adjusted/recovered promptly,
- Funds are not borrowed in advance of actual need, and

The main sources of funds were realisations from sale of power, subsidy from State/Central Governments, loans from State Government/Banks/Financial Institutions (FI), *etc*. These funds were mainly utilised to meet payment of power purchase bills, debt servicing, employee and administrative costs, and system improvement works.

Details of sources and utilisation of resources on actual basis by the Board for the review period are given below:

(₹ in crore)

Sl.No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10 (Provisional)
Sources						
1.	Net Profit/(loss)	20.48	1.88	(25.38)	32.31	(152.82)
2.	Add: adjustments	54.13	58.14	88.42	97.20	106.50
3.	Funds from operations (1+2)	74.61	60.02	63.04	129.51	(46.32)
4.	Cash deficit (9-3)	241.61	-	159.44	-	360.83
5.	Total (3+4)	316.22	60.02	222.48	129.51	314.51
Utilisation						
6.	Capital expenditure	469.35	271.69	(-)0.94	605.83	415.70
7.	Increase in working capital	(-)153.13	(-)254.60	223.42	(-)831.58	(-) 101.19
8.	Cash surplus (3-(6+7))	-	42.93	-	355.26	-
9.	Total	316.22	60.02	222.48	129.51	314.51

Dependence on borrowed funds increased the operational cost by ₹ 784.64 crore during 2005-10.

The cash deficit was overcome mainly by increased borrowings in the form of cash credit/loans from commercial banks/financial institutions. Main reasons for cash deficit identified by audit were poor/delays in recovery of power supply bills, heavy interest commitment on loans, locking up of funds in inventory not required immediately and heavy capital expenditure without adequate returns. It was observed in audit that dependence on borrowed funds increased to ₹ 2234.26 crore during 2009-10 as compared to ₹ 1940.39 crore during 2008-09. This entailed interest burden of ₹ 784.64 crore during review period ultimately increasing the operating cost of the Board. Therefore, there is an urgent need to optimise internal resource generation by enhancing the PLF to national level and vigorous pursuance of outstanding dues relating to subsidy. This would have enabled increased availability of funds to the extent of ₹ 174.21 crore.

As per the Generation Regulations issued by the HPERC, power generating stations have to maintain spares equivalent to 40 *per cent* of one month repair and maintenance expenses. Accordingly, the value of spares to be maintained by the Board worked out to ₹ 0.22 crore, against which the Generation Wing held a stock of spares valuing ₹ 2.51 crore at the end of March 2010 resulting in holding of spares in excess of norms by ₹ 2.29 crore. This further resulted in locking up of borrowed funds and corresponding loss of interest (at 12 *per cent*) of ₹ 0.27 crore for one year alone.

The Government stated (September 2010) that the spares include mandatory spares provided by the original manufacturers. The reply is not correct as the mandatory spares stand already capitalized and are not included in the above mentioned stock.

Avoidable interest burden

2.1.40 A loan of ₹ 20 crore was got sanctioned (June 2003) from the PFC for the renovation of Bassi Power Generating Station. As per condition No.10 of the sanction, interest was to be paid at the rate prevailing on the date of each disbursement. The completion date of work was December 2005 and closing date of drawal of loan was June 2006. The rate of interest in the sanction was quoted at 10 *per cent per annum*. The Board awarded the work in August 2007 and on its request (December 2007), the PFC extended (February 2008) the date of drawal of loan with interest rate of 10.9 *per cent*. The Board actually availed (February 2008 onwards) the loan of ₹ 12.85 crore at varying rates of interest ranging between 11.5 and 13.75 *per cent*. This would result in extra payment of interest of ₹ 1.18 crore during the moratorium and loan repayment period of 10 years.

The Government stated (September 2010) that due to inflation and additional scope of items, the expenditure for execution of scheme has exceeded the financial limit. The reply does not address the issue of the extra payment of interest due to delay in award of work.

2.1.41 The REC sanctioned (January 2004) a loan of ₹ 32.15 crore for the construction of Ghanvi Phase II project at interest rate of 10.5 *per cent per annum*. Rebate of 0.5 *per cent* was available on successful completion of the scheme within the time schedule (three years). We observed that due to delay of one year in award of works after sanction of loan, slow progress of civil works and further delay in award of work for electro-mechanical equipment resulted in non-completion of the project within the agreed time schedule for drawal of loan (January 2008). Thus, the Board was deprived of the benefit of rebate of ₹ 0.69 crore on interest during moratorium and loan repayment period of 10 years.

Due to slow pace of work, the Board could avail a loan of ₹ 20.81 crore up to March 2009 which included ₹ 5.29 crore availed after the proposed date (March 2008) of completion. Because of variable rate of interest, REC charged interest at the rate of 14.5 *per cent* on this amount instead of at the highest rate of 12.25 *per cent* applicable during the stipulated completion period. Thus, there would be extra payment of interest of ₹ 0.55 crore till the repayment of loan in 10 years.

The Government stated (September 2010) that the delay in completion was mainly due to flash floods during July 2005, strike by the labour (May, June 2008 and September 2008 to March 2009) for non release of wages by contractor and agitation by the local villagers demanding compensation for damages to their houses due to blasting. The reply is not based on facts as most of the works were awarded after the flash floods and the strike took place much after the scheduled period for the drawal of loan (January 2008). Moreover, the Board was not liable to pay compensation to the villagers for damages done by the contractor.

Short availing of subsidy

2.1.42 The GOI, Ministry of Non-conventional Energy Sources, formulated (1993) an incentive policy to encourage the hydro power generation as a non-conventional energy source. As per policy, subsidy was available from the GOI to the Board for this purpose. The subsidy sanctioned by the GOI and amount of subsidy actually received by the Board for the execution of its various projects up to March 2010 are given in **Annexure 12.**

Scrutiny of records revealed that the Board had not claimed the balance subsidy of ₹ 10.91 crore from the GOI so far (March 2010). According to the Finance and Accounts wing of the Board, the execution of Bhaba Augmentation project (revised scheme for 4.5MW) was not considered due to financial crisis but the Project wing of the Board got the project approved on the grounds that as per new policy additional subsidy of ₹ 4.75 crore would be available. The Board had, however, not taken any action to get the subsidy enhanced from GOI. This was indicative of lack of monitoring at Board's level.

The Government stated (September 2010) that the subsidy in respect of Ghanvi Phase-II amounting to ₹ 8.44 crore was received, subsidy claims in respect of Bhaba and Khauli stand submitted to the GOI and subsidy claim in respect of Gumma is being submitted. However, Board was unable to produce any detail in support of receipt of subsidy of ₹ 8.44 crore for Ghanvi Phase-II project.

Tariff Fixation

2.1.43 The Board is required to file the application for approval of Tariff for each year 120 days before the commencement of the respective year or such other date as may be directed by the HPERC. The Commission accepts the application filed by the Board with such modifications /conditions as may be deemed just and appropriate after considering all suggestions and objections from public and other stakeholders, issue an order containing targets for controllable items and tariffs for the year within 120 days of the receipt of the application. The Commission also issued directives to improve the efficiency of generating units, reduce the generation cost, optimum utilisation of design potential, dispense with the operation of unproductive assets and un-viable projects, *etc.* Any financial loss on account of underperformance is not passed on to be recovered through tariffs.

We noticed that due to non/short capitalisation of expenditure and failure of the Board to justify the higher cost of various projects the Board failed to recover ₹ 44.06 crore through tariff during review period as discussed in the succeeding paragraphs:

Non/short claims

2.1.43.1 As per Generation Regulations issued by the CERC (March 2004) and HPERC (October 2007) for filing of tariff petition depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on *pro rata* basis. We observed that the 1st unit of the Larji power generating station was commissioned during September 2006. The civil and mechanical components costing ₹ 768 crore were put to use for generation of 177.85 MUs during 2006-07. Board while filing tariff petition for the year 2007-08 had not claimed *pro rata* depreciation amounting ₹ 9.87 crore as true-up expenses for the year 2006-07. The same has not been claimed by the Board so far (March 2010).

2.1.43.2 Bhaba Augmentation Scheme, envisaged to increase the water availability for Bhaba project (120 MW) during the lean period by diverting the water of Shango khad, through a tunnel. The tunnel was completed in May 2002 at a cost of ₹ 14.03 crore and was put to use. However, this expenditure has not been capitalised so far. As such, depreciation to the extent of ₹ 1.80 crore up to March 2010 could not be claimed through the tariff during the period covered under review. The Board agreed (September 2010) to capitalise the same now.

2.1.43.3 In the following cases, benefit of depreciation of ₹ 32.39 crore could not be availed through tariff either due to capital cost disallowed by HPERC or expenses non/short claimed by the Board:

(₹ in crore)

Sl. No.	Name of project	Amount of depreciation	Capital cost disallowed/expenses short claimed
1	Larji	21.09	Capital cost of ₹ 273.60 crore was not allowed by the HPERC in the absence of documentary evidence in support thereof.
2	Khauli	4.38	Cost of ₹ 56.99 crore was disallowed by HPERC.
3	Bhaba and Ghanvi Phase-I	0.91	Expenditure of ₹ 11.86 crore on capital maintenance not claimed through tariff petitions.
4	Bassi	1.70	Renovation expenses of ₹ 33.02 crore were short claimed.
5	Six projects♠	4.31	Capital cost of ₹ 83.93 crore disallowed by HPERC due to difference in cost in the books of generation and accounts wing.
	Total	**32.39**	

The Government stated (September 2010) that the cost of renovation work of Power Generating Station at Bassi amounting to ₹ 109.98 crore consists of electromechanical works of ₹ 71.38 crore exclusive of taxes, civil works employee cost, IDC and misc. expenses. Therefore, question of short claim amounting to ₹ 33.02 crore does not arise. In respect of Sr. No. 5, the Board stated that no such depreciation amounting to ₹ 4.31 crore was disallowed by the HPERC. The reply is not convincing as all the expenses excluded from the claim in respect of Sr. No. 4 are of capital nature. Reply in respect of Sr. No. 5 is also not based on facts as the HPERC in its tariff order directed the Board not to capitalise this difference of cost in future.

Non-recovery of interest during construction (IDC) through tariff

2.1.43.4 Regulation 28 of the Generation Tariff Regulations (October 2007) formulated by the HPERC provides that in case of non-commissioning of project as set out in the first approval of the State Government or the techno-economic clearance of the authority, as applicable, IDC for the period of delay shall not be allowed to be capitalised for determination of tariff, unless the delay is on account of natural calamities or geological surprises. We observed that in case of Ghanvi Ph-II and Bhaba Augmentation projects (BAP), the delay in execution was due to ill planning and non-synchronisation of construction activities. As such, an amount of ₹ 17.03 crore on account of IDC for 2005-10 (Ghanvi 2007-08 onwards and BAP 2005-06 onwards) did not qualify for tariff determination and is likely to be excluded from the capital cost by the HPERC.

♠ Giri, Bhaba, Thirot, Gaj, Baner and Ghanvi Ph-I.

The reasons for delay in completion of projects were indicative of deficient monitoring by the Board.

The Government stated (September 2010) that the delay was due to natural calamities and geological surprises. The reply is not based on facts as no such reason in respect of Ghanvi Ph-II was mentioned in the reply furnished against para 2.1.41 *supra* and reasons for delay in BAP were delay in award of work and execution of agreement (Refer para 2.1.18 *supra*)

Environment Issues

The Board failed to register its five projects of 166.50 MW capacity for sale of CER credits.

2.1.44 To minimise the adverse impact on the environment, the GOI had enacted various Acts and statutes. At the State level, Himachal Pradesh State Pollution Control Board (SPCB) is the regulating agency to ensure compliance with the provisions of these Acts and statutes. Ministry of Environment and Forests (MoE&F), GOI and Central Pollution Control Board (CPCB) are also vested with powers under various statutes.

Audit scrutiny relating to compliance with the provisions of various environmental statues/instructions revealed the following:

Kyoto protocol was signed by the developed and developing countries to save the environment and to curtail the emission of green house gases. Hydro Power is a non-polluting renewable source of energy and by generating through hydro projects pollution can be reduced which otherwise had to be generated through Thermal and Nuclear power projects. As per provisions contained in Kyoto Protocol the owner of the Hydro Project is entitled to sell the Carbon Emission Reduction (CER) Credits. Since the CER credits are invisible and intangible, their existence needs to be established and verified by Clean Development Mechanism (CDM) Board. Once quantified CER credits have their financial value and can be sold to generate finances for the owner of the project. For sale of CER, registration of the project is required as a CDM project with United Nations Framework Convention on Climate Change (UNFCCC). The power plants that commenced operations on or after 1 January 2000 are eligible for registration by submitting the request with Designated National Authority (DNA), which is the MoE&F. We observed that the Board did not take any initiative for registration of its five plants having installed capacity of 166.50 MW, which commenced operation after the cut off date i.e. after 1.1.2000 for sale of CER credits. The Government stated (September 2010) that necessary agreement was executed with Energy Infratec, Gurgaon for availing the consultancy services for carbon credits in respect of Ghanvi Ph-II and BAP.

MIS data and monitoring of service parameters

2.1.45 Board plays an important role in the economy of the State. For such a big organisation to succeed in operating economically, efficiently and effectively, there should be documented management system of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such the achievement of which would make an organisation self-reliant. Review of the system existing in this regard revealed the following:

- The Board set the targets for generation but the basis for the same were not available on record.
- The Board did not develop a system with the help of specialised organisations to predict water availability in forthcoming seasons to ensure fixation of realistic targets.
- The Board had not developed an MIS system to compile data in respect of total hours available, operated hours, planned outage and plant availability in respect of small hydro projects.
- The Board did not develop any system to periodically review the overall performance of project generation and related problems, monitoring of plant-wise availability factor for peak and lean seasons separately and to re-assess the power potential of various projects despite the HPERC direction of November 2008.
- The tariff petition was filed incomplete and belatedly by Board with the HPERC.
- There exists no mechanism to review the operational performance of each generating unit from time to time at Board's level so as to initiate timely action to improve efficiency of the projects.

The Government stated (September 2010) that the Standard of performance regulations devised by the HPERC is already implemented. Further, under the restructured APDRP, a centralized system is being implemented at central level at data centre, centralized data will be managed and MIS will be available at all level after implementation. As regards the review of overall performance of generation projects and related problems the Board stated that a high level committee had been constituted and two meetings had already been held.

Conclusion

The projects of the Board were not completed in time resulting in time and cost overrun. Most of the Power Generating Station were operated at low PLF and low capacity utilisation. Delay in receipt of subsidy claims from Govt. agencies was noticed resulting in non-utilisation of available financial resources to the optimum level. Filing of Tariff Petitions on unrealistic and incomplete data also resulted in widening of revenue gap. Proper MIS did not exist in the Board to evaluate the execution of projects and operational performance of power houses.

Recommendations

- **Timely completion of the ongoing projects should be ensured to avoid time and cost overruns.**
- **Reasons for low plant load factor and low availability of machines need to be addressed immediately when noticed.**
- **Generation targets are required to be fixed on the basis of realistic data.**
- **Optimum utilisation of available resources through efficient funds management needs to be ensured.**
- **Complete filing of Tariff Petitions is required to be ensured to avoid accumulation of revenue gap.**
- **Development of MIS to compile and collate data on crucial parameters needs attention.**

2.2 Information Technology Audit of Loan Monitoring System in Himachal Pradesh Financial Corporation

Executive Summary

Himachal Pradesh Financial Corporation provides term loans to small and medium scale industries. The Corporation has sanctioned loan of ₹ 727 crore to 4,518 units since its inception up to 31 March 2010. The Information Technology review was conducted to assess the performance of the Computerised Loan Accounting System implemented in the Corporation.

Objectives of computerisation

The integrated system was developed for facilitating automatic flow of transaction data from financial accounting system to loan accounting system, generation of loan ledgers and related reports.

Non-achievement of Objectives

System is not being used for generating loan accounting ledgers and other related reports as these outputs does not depict correct balances. Besides the system is not able to calculate interest automatically. Resultantly, the loan ledgers have to be maintained manually.

General Controls

The Corporation has not framed any IT policy for IT security, passwords, segregation of duties, etc. which lead to inadequate physical access and environmental controls, inadequate network security controls and inadequate logical access controls. There is no system for online backups.

Application Controls

Accounts Module

The system is redundant with inadequate input and processing controls leading to incomplete and vague data.

Voucher Module

The system does not assign voucher number in seriatim for the complete financial year. Further, there is no provision to generate receipts by the system. Hence, receipts are being issued manually. Inadequate controls have led to acceptance of duplicate receipt numbers.

Output controls

Management Information System missing

The computers installed at management level, are not linked with loan monitoring system.

Conclusion and recommendations

The utility of application is restricted to calculate interest and generation of demand notices only. The inaccurate, incomplete and erroneous data has rendered the system useless for generation of annual returns and for effective MIS. The Corporation should get the lacunae in the system removed to facilitate generation of loan accounting ledgers. The data may be captured fully so that reports produced by the system are useful for MIS, for reports annexed to Balance Sheet and for other reporting. To ensure business continuity, online backup system should be in place. As per quality policy, the Corporation may provide online information to the customers, whereby customers can know their loan status on web.

Introduction

2.2.1 Himachal Pradesh Financial Corporation (Corporation) was established in April 1967 with the main objective of promoting industrial growth in the State by providing term loans to small and medium scale industries. The affairs of the Corporation are managed by the Board of Directors consisting of nine Directors including the Chairman and the Managing Director. The Corporation's headquarters is in Shimla and branch offices at Nahan, Dharamshala, Mandi and Jharmajri. The Corporation has sanctioned loan of ₹ 727 crore to 4,518 units since its inception up to 31 March 2010.

The Information Technology (IT) activities in the Corporation commenced in 1989 with installation of 10 computers and development of a loan accounting software in 1992. It was finally implemented in January 1996 on a server with 16 nodes. For complete computerization, client server technology with relational data base software was got developed in 2003 with Oracle as backend and Visual Basic as frontend. For its implementation, the Corporation purchased off the shelf software and hardware in April 2004 at a total cost of ₹ 9.72 lakh. The Corporation has incurred an expenditure of ₹ 14.50 lakh on re-writing of software and purchase of hardware between June 1999 and implementation of the application in 2007, against the approved expenditure of ₹ 28.00 lakh. At present the Corporation has IT assets of ₹ 20.57 lakh which comprise of 41 computer systems, out of which 9 systems are being used for loan accounting system.

Scope and Methodology of Audit

2.2.2 The integrated system comprises of Financial Accounting, Loan Accounting and Pay Roll. The present IT review conducted during June to August 2010 covers the performance of the Loan Accounting System. The review mainly deals with Planning, Implementation of the Project, Financial Management, Operational Performance, and Monitoring by Top Management. The audit examination involved analysis of output by the system, scrutiny of complete data and scrutiny of data relating to select cases (by random selection) with reference to manual records maintained at the Head Office.

The methodology adopted for attaining the audit objectives consisted of explaining audit objectives to management, scrutiny of data, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussions of audit findings with the management and issue of draft review to the management for comments.

The database as at the end of June 2010 was analysed using Computer Aided Audit Tools – Interactive Data Extraction and Analysis (IDEA) for examining the completeness, availability and integrity of the data. The existence and adequacy of general IT controls was also assessed. Further, findings in respect of cases selected through statistical sampling were cross checked with source documents/ manual records.

Audit objectives

2.2.3 The objectives of the information technology audit were to assess whether:

- the implementation of the system was preceded by a systematic planning and adequate assessment of operational requirements and needs;

- proper input, validation and process control existed in the system to ensure that the data captured was authentic, reliable, complete and accurate;
- data generated follows the business rules of the Corporation; and
- the system resources viz. hardware and software are procured timely and in a cost effective manner and utilised optimally.

Audit criteria

2.2.4 The audit criteria adopted for accessing the achievement of the objectives stated above were:

- standard procedures regarding planning and implementation of IT projects;
- procurement of hardware and software with reference to actual implementation of the computerised system;
- generation of outputs in consonance with business rules of the Corporation and the guidelines of Government and Small Industries Development Bank of India (SIDBI);
- existence of adequate validation controls in the system and security policy of the Corporation;
- internal audit procedures and Management Information System (MIS) requirements.

Objectives of development of the system

2.2.5 The new multi-user integrated financial and loan accounting system with relational data base on window platform was designed to replace the financial loan accounting package on Cobol platform, payroll package and loan accounting package developed in dBase IV on Unix platform. The new system was to be developed in such a manner as to facilitate future integration of data and software package. User requirements identified by the Corporation for Loan Accounting System were as under:

- Calculation and posting of interest as per schedule of repayments;
- Generation of demand notices on the basis of mercantile basis/ freezed accounts depending upon the nature of case and generation of calculation details;
- Generation of loan ledger from time to time;
- To take transaction data from financial accounting package on day to day basis;

- Generation of transaction receipts and maintenence of shadow accounts i.e. mercantile accounts, freezed accounts, accounts on different rates, simple as well as compounding basis, *etc.*;
- Generation of receipt list, due list and default list as per requirement;
- Generation of list/grouping of loan balances for balance sheet/ annual closing depending upon the classification of loan accounts and generation of standard certificates such as interest charged, *etc.*;
- Accounts statements from day to day basis; and
- Audit trail/ security of accounts/reconciliation statements.

Audit findings

2.2.6 The audit findings are given in the succeeding paragraphs.

Absence of Corporate Policy on implementation of IT

2.2.7 The Corporation has not formulated and documented an IT Policy so far. Policy has also not been framed for IT security, passwords, segregation of duties, *etc*. This has led to serious shortcomings as discussed in succeeding paragraphs.

Undue delay in implementation

There was considerable delay of 39 months in implementation of the multi-user integrated packages.

2.2.8 The Board of Directors approved the proposal for purchase of additional hardware and to develop multi-user integrated packages for computerisation of financial and loan accounting in 1999 with total cost of approximately ₹ 28.00 lakh. The work was awarded (September 2003) to M/s OST Electronics Limited, Chandigarh on the basis of the lowest bid of ₹ 1.48 lakh. As per work order, software was to be implemented from April 2004. First payment of 10 *per cent* of contract value amounting to ₹ 14,800 was made in November 2003 and final payment was released to the firm in October 2007. It was found in audit that final implementation report was submitted by the firm in July 2007. Thus, there was considerable delay of 39 months in implementation of the project.

Completeness of the system

Non-achievement of objectives

2.2.9 It was noticed in audit that the objectives of development of the system could not be achieved. Following shortcomings were noticed in the desired output of the system *vis-a-vis* planning.

- The system is not able to calculate and post interest automatically. For generating each demand notice, opening balance is to be fed in the computer, taking the figure from ledgers maintained manually.

- The loan ledgers generated by the system does not depict correct balances. Resultantly, the loan ledgers have to be maintained manually. As such basic purpose of computerisation of loan accounting was defeated.
- Though the system generates receipt list, due list and default list, it is not generating correct figures.
- It is mandatory for State Financial Corporations to classify the accounts as per Guidelines on Asset Classification and Provisioning issued by SIDBI. The system is unable to generate correct reports for list/grouping of loan balances.
- System is able to generate statement of account, party-wise, district-wise, however, generated figures are not correct and do not match with manual record.
- Statistical reports viz. Constitution wise report, Arrear report, *etc.* generated by the system do not depict correct figures.

Thus, the Management could not utilise the developed system to its full extent, as it failed to get the flaws in the system removed for its proper functioning.

System Integrity

General Controls

Review of general controls revealed the following:

Physical Access and Environmental Controls

2.2.10 The server is kept in a room which is occupied by a non-IT Manager. There is no security to restrict physical access to the server. The room is paneled with fire susceptible materials and the server is not protected in fire proof cabinet. Fire extinguishing devices have also not been provided in the room. Further, only one server is installed which may result in disruption of business on crash of the system.

Inadequate Network Security Controls

2.2.11 The Loan Accounting System is installed on a server with eight terminals interconnected through a Local Area Network (LAN). It was noticed that terminals have no firewall and their USB ports were not disabled. A program for installation of various security patches issued by the makers of the operating system was not established. No Anti-Virus has been installed making the system vulnerable to attack of viruses/malicious programs. The system went down at least once during the currency of audit due to virus attack. Since logs regarding mal-functioning of the system has not been maintained, number of failures of the system could not be vouched in audit.

Logical Access Controls

2.2.12 Logical access controls protect the programmes and data files from unauthorized access, modification, copying and deletion. There is no documented and approved policy statement comprehensively covering all aspects of logical security. The users module of the application has provision to capture information like, user ID, Login ID, user name, designation, office address, home address, e-mail address, phone numbers, *etc.* Login IDs of 18 users were on record. Following shortcomings were noticed:

There is no documented and approved policy statement comprehensively covering all aspects of logical security so as to protect the programmes and data files from unauthorised access.

- Complete details were not captured in all the records except one.
- During currency of audit, it was found that two officials, not having own login IDs, were operating the system using others IDs.
- Six users had never worked in the Corporation and four users had left the Corporation. One user had been internally transferred to other unit. Thus, 11 unauthorised users having access to the system were detected. It was further noticed that these users enjoyed most of the rights to add, modify or delete data.
- One ID is of ADMIN, but in segregation of duties as to who shall use this ID has not been documented.
- The rights to create or remove users have not been defined.

Thus, security aspects have not been properly attended to while implementing the system. The Management in its reply stated (September 2010) that there exists login IDs of developers and testers and that their passwords stand expired automatically with the passage of time. On being pointed out in Audit the Corporation got the rights amended from the system developer.

Audit trail not provided

2.2.13 Adequate audit trails are required to be incorporated in the IT system for detecting security violations and tracing the flow of transactions and analysis of all incidents. It was noticed in audit that no such module was incorporated in the system whereby an administrator could trace the flow of transactions.

There is no system in place for taking online backups or mirror imaging in the server so as to avoid disruption of business due to crash of the system.

Business continuity and Disaster Recovery Plan

2.2.14 The Corporation does not have a documented business continuity and disaster recovery plan. Weekly back ups on CDs are kept in a bank locker. Since it is a mission critical system, crash of the system would result in disruption of business and consequent loss to the Corporation.

Application controls

Input and processing controls

2.2.15 A review of input and processing controls in various modules revealed the following:

Accounts modules

2.2.16 The Accounts Modules in the application deal with input of Accounts in the System. It has provision for capturing the name of the employee adding and approving the record and date and time of addition and approval as per ID of the employee logged in. Also, there is provision for capturing two addresses, post office, city, tehsil, district code and station of the accountee. Audit analysis revealed the following deficiencies:

Incomplete and vague data

Lack of controls in the system to ensure that all the mandatory data is captured.

2.2.17 It was noticed that there were no controls in the system to ensure that all the mandatory data is captured as substantiated by the following findings:

- Out of a total 32,742 records, in 28,530 cases the name of employee entering the record was not captured resulting in absence of audit trail as to who had entered the data into the account. It was further seen that information in fields like approved by, approved on date, *etc*., were not captured by the system which shows applications deficiency to that extent. In 8,572 records date of adding the record was blank.
- No provision has been made for capturing vital information like telephone numbers and e-mail addresses of the accounts holder.
- In 14,500 records the addresses were not captured and in 4,746 cases out of 18,242 records where these were captured, they contained "-" i.e. dashes, in 105 cases it contained ".." and in 16 cases it contained ‘,” i.e. comma. Similarly, the details of Station (16,851 records), post office (9,981 records) and City details (10,200 records) had not been captured.

Since addresses of loanees have not been captured properly, computerised record will be of no help in case of loss of manual record due to any disaster. Also, segregation/ compilation of data with reference to city, tehsil, post office, station, *etc.*, is not possible for MIS.

Further, non-incorporation of fields for telephone number, fax number, pin code and e-mail addresses of the loanees, is a serious shortcoming in the application. Due to non–capturing of these data the computerised information is of no use for serving of recovery notices, recovery and follow-up process.

Further, capturing whole addresses in one column only is indicative of the fact that necessary validation checks have not been incorporated in the application relating to filling of data, resulting in inputting of unorganised data.

2.2.18 At feeding stage, "Loan Account Detail screen" is unable to generate figures for the opening amount of principal, interest, miscellaneous, total amount and credit or debit position.

The Management in its reply stated (September 2010) that the records showing no audit trails might be in respect of the records which were added to system during development and is not application deficiency. Reply is not tenable as the data pertained to the year 2003 and thereafter.

Voucher modules

2.2.19 The voucher capturing modules in the application deals with input of vouchers in the System, which again has provision for capturing the names of the employee adding, approving and modifying the record, date and time of addition, approval or modification as per ID of the employee logged in. There were 97,519 records pertaining to voucher feeding. Audit analysis revealed the following deficiencies:

Inadequate audit trail

2.2.20 System creates two types of voucher numbers i.e. temporary number and permanent number. While printing voucher for approval, a temporary voucher number is generated by the system. The voucher is then sent for approval to AGM Accounts. On approval the system generates a permanent voucher number which does not appear on the voucher and voucher numbers are assigned manually by the Accounts wing which is different from the number generated by the system. Thus, the very purpose of generating the number by the system was defeated and audit trail was not possible.

Inability to generate unique voucher number

2.2.21 The system does not assign voucher number in *seriatim* for the complete financial year. The same voucher number is generated for each day. A test check revealed that in May 2010 voucher number five was generated twenty times.

2.2.22 Application deficiencies

- Since same voucher number is repeated each day hence it is not possible to retrieve a voucher through application by voucher number alone. One has to feed the voucher date to retrieve particular voucher.
- System was unable to capture voucher feeding time, though a provision was made in the system to capture the same.
- There is no provision to generate receipts by the system. Hence, receipts are being issued manually.

2.2.23 Deficiency in system for approval of vouchers

In most of the cases ID of the persons adding, approving or modifying the data were either missing or inoperative.

- In 17,592 records entered between March 2004 and October 2006, details of persons adding, approving or modifying the data were missing. This indicates that either the data was captured at backend, or the controls in capturing the ID of persons entering the data were not operative.
- In 96,933 records i.e. 99.39 *per cent* of the total records, the details of dates and officials adding data were not captured. Out of these records, the details of person approving the voucher were captured in 79,341 records. Thus, it is evident that the system accepts the data at approval levels also. Further, it was also noticed that out of these 79,341 vouchers, a total of 66,867 vouchers were approved by cashiers only, either with their own ID or with the ID of ADMIN.

Absence of controls and data validation

2.2.24 It was noticed that there were no controls in the system to ensure that all the mandatory data is captured and validated at feeding stage. This led to accumulation of incomplete and inconsistent data, as would be evident from the following:

- In 459 records involving ₹ 34.32 crore, vouchers were prepared and credit given to the loanees even when cheques were of subsequent dates ranging between 1 and 751 days. Similarly, in 219 records of ₹ 57.63 lakh, cash receipts were shown issued after the date of voucher. The difference in dates ranged between 1 and 61 days. This is indicative of the fact that post dated cheques are being accepted and the cash receipts are being issued in advance.
- In 10,694 records, the receipt dates were available but receipt numbers were not captured. In absence of receipt numbers these transactions could not be vouched in audit.
- In 44 cases the narration contains the wording "By Cash", for which receipt numbers and dates, were missing.

Out of 50,945 records cheque number and cheque dates were also not captured in 36,899 records involving total transaction of ₹ 1740.35 crore.

- The module has a provision for capturing details like cheque number and date, cheque time, issue branch, drawee branch, whether cheque or demand draft, issue station, drawee station, *etc.* In 50,945 records where payments were received by cheques or demand drafts, the details of banks were not available except in one record. Out of above in 36,899 records, for total transaction of ₹ 1740.35 crore, cheque number and cheque dates were also not captured.

- There were cases of non-capturing of complete narrations of the parties (55 records), voucher drawing time though a field has been created for this purpose,

- Receipt number were also found entered as "0", "12328 TO 1", "12,335,336"; "13070/71", "13624-25", "17494" and "0.017598". Similarly, Cheque numbers were found entered like 093150.00, 188297-089, and 987968-7-.

- In 110 records, same person modified the vouchers who had added the voucher.

Duplicate receipt numbers on different dates

In 38 records/vouchers having total transactions of ₹ 10.76 lakh, same receipt numbers were captured with different dates which may result in misappropriation of revenue.

2.2.25 On receipt of cash, a cash receipt is issued manually which should have a unique number. Receipt number is supposed to be fed in each voucher. In 38 records/vouchers having total transactions of ₹ 10.76 lakh, same receipt numbers were captured with different dates. With the existence of same receipt numbers of different dates, misappropriation of revenue cannot be ruled out.

Missing receipt numbers

2.2.26 An analysis of data revealed that 1,557 receipts of different numbers were missing in data. A test check carried out to ascertain the reasons for missing receipt numbers, revealed that money was actually accounted for in cash book maintained manually and the receipts numbers were not fed in the system. Allowing accounting of cash without receipt number may lead to leakage of revenue and misappropriation of funds.

Duplicate cheque numbers having different issue dates

Same cheque numbers were having different cheque issue dates in 1,049 records involving transactions of ₹ 40.94 crore.

2.2.27 In 1,049 records involving transactions of ₹ 40.94 crore same cheque numbers were having different cheque issue dates. With the existence of same cheque numbers with different dates misappropriation of revenue cannot be ruled out.

Borrowers & Security Modules

2.2.28 The Borrowers and Security Modules in the application deals with input of details regarding Borrowers and related security obtained. Following shortcomings were noticed:

Gaps in data

2.2.29 The system is supposed to generate serial number for each borrower. It was noticed that there is gap in generation/ existence of this number at 96 places. It indicates that either the serial numbers are not being generated systematically by the application, or deletion is allowed from the master data which is not acceptable.

2.2.30 There is provision for capturing Designation in the Module which has no details in any of the records. Thus, planning and designing of module was not effective leading to existence of vague fields in the files.

2.2.31 Security module has just 945 records against 2,767 recorded loan cases in Borrowers Module. It indicates that details of securities regarding all the loanees is not captured which may lead to loss to the Corporation if at any time it has to rely only on computerised data. It was also noticed that, in 22 records, nature of security was not mentioned, while address of security, Guarantor was missing in all the cases. Against, name of guarantor, records contained particulars like vehicle or building. Thus, data captured is vague.

Insurance Module

2.2.32 The Insurance Module deals with input of insurance details in respect of taken over assets. It was noticed that there were no controls in the system to ensure completeness and validation, as substantiated by the following findings:

- There is no provision to guide the data entry operator regarding figures in which insurance amount is to be filled in. In 125 records figures for insurance amount captured is less than four digits (e.g. 1,636), that is presumably in lakhs or crores, while in 45 records figures are in 8 digits, presumably in rupees.
- In 9 records the date of insurance was after the date of downloading of data.
- Though insurance is a time specific matter, in none of the records, insurance time was captured.
- There is no provision for capturing policy number.
- In 65 cases day on which insurance was made happened to be Sunday which is a closed holiday.

Since Insurance Master file is not complete and contains vague data, it cannot be used for effective MIS and can lead to loss to the Corporation as timely steps to get insurance cannot be taken.

Loan and segmentation modules

2.2.33 The loan module facilitates capturing of details regarding amount of loan, sanctioning authority, type of repayment viz. half yearly, quarterly, *etc.*, date and time of agreement, sanctioning, decree, suite filling, *etc*. There is also provision for capturing segmentation details regarding sector type viz. tiny, *etc.*; constitution type viz. cooperatives, partnership firm, *etc.*; client type viz. service, SSI, *etc.*; loan purpose viz. diversification, modernisation, *etc.*;

industry segment viz. Chemicals, Food Manufacturing, *etc.* The data analysis revealed the following:

Incomplete and inconsistent data

There were no control in the system to ensure that all the mandatory data is captured and validated at feeding stage.

2.2.34 It was noticed that there were no control in the system to ensure that all the mandatory data is captured and validated at feeding stage, as substantiated by the following findings:

- In two records agreement dates were 10-01-9197, 21-09-9200 which shows there were no input validations checks.
- Logically date of sanction cannot be after date of agreement. In 287 records date of sanction was after date of agreement, the difference ranging from 1 day to 8,633 days.
- Against sanctioning authority, the data contained dates, absurd alphabets or figures.
- In just six records dates regarding decree, suit filing, *etc.* were captured. Out of these in two records, date of agreement was same as date of decree and date of filling suite which is not logically possible.
- All the segmentation modules contained a vague code 0 which stood for "Not to Del". Out of 3,952 records in data, 0 code was captured in 2,569 records against sector code, in 2,550 records against constitution code, in 2,570 records against client code, in 3,445 records against loan purpose code, in 1,933 records against industry segment. Thus, segmentation details were missing in data, resulting in inability of the system to produce reliable desired reports.

Incorrect data

2.2.35 Segmentation details of loanees viz. client type, loan purpose code, *etc.* in the data did not tally with manual records in number of cases test checked.

Interest Modules

2.2.36 The modules for interest rates, repayment schedules, *etc.* has provision for capturing name of the employee adding, approving or modifying the record, interest rates, date of effectiveness of particular rate, repayment schedule, *etc.* Data analysis of a total of 4,312 records revealed the following:

Systems inability to capture login IDs

2.2.37 The system fails to capture the name of official adding, approving or modifying the record.

Incomplete and vague data

2.2.38 It was noticed that there were no controls in the system to ensure that all the mandatory data is captured and validated as substantiated by the following findings:

- In 131 records rate of interest were 0. Data contained logically incorrect date of effectiveness of rate of interest such as 1/11/1900, 10/3/2024, 31/12/9999 and in 5 records rates of interest were vague such as 0.1,0.5,1.03,1.3.
- While capturing repayment schedule same person added approved and modified the record.
- A test check of selected cases with respect to manual record revealed that in two cases penal interest and in one case rebate rate did not match.
- Balance figures in repayment schedule modules did not match with manual record.
- Interest tax was withdrawn w.e.f. 1st April, 2000. However, in 37 records where date of effectiveness of interest rate was after this date, interest tax rate was captured in the range between 0.5 and 9 *per cent*.

Output controls

Management Information System missing

2.2.39 The computers installed with management level, are not linked with loan monitoring system. The system is not installed at branch offices and hence not linked with head office. Thus, the Corporation has failed to develop the MIS features in the system.

Non-fulfillment of quality policy of the organisation

2.2.40 As per quality policy issued in July 2007, the Corporation shall strive to achieve excellence in all its operations by improving the systems and their effectiveness, developing and upgrading human resources, utilising efficiencies of Information Technology, adopting a proactive approach in anticipating customer needs and expectations and providing higher degree of customer satisfaction. The Corporation could not fulfill the following objectives of the quality policy:

- it has failed to maintain computerised loan accounting ledgers so as to avoid human errors in computation and posting, and
- it has failed to provide facility for online information of loan status on web to its customers.

Conclusion

Multi user integrated package for computerisation was installed for complete computerisation of the organisation. However, the utility of application is restricted to calculate interest and generation of demand notices only. Most of the records relating to loan accounting are maintained manually. Lack of input validation controls resulted in various irregularities such as acceptance of incorrect, incomplete, inaccurate and unreliable data. In the absence of logical access controls, unauthorised alteration of data could not be ruled out. The inaccurate, incomplete and erroneous data has rendered the system useless for generation of annual returns and for effective MIS. Disaster Recovery System is not adquate as backups are taken in a week's gap.

Recommendations

- **Though the Corporation is effectively using the system for financial accounting, yet loan accounting part is not fully functional. The Corporation should get the lacunae in the system removed so that the system is able to generate loanee accounting ledgers.**
- **The data may be captured fully so that reports produced by the system are useful for MIS and for reports annexed in Balance Sheet and for other reporting.**
- **The Corporation should ensure adequate logical access controls so that the safety and security of data is not compromised. Besides, adequate validation checks should be embedded in the software systems to avoid data manipulations and erroneous data entries.**
- **To ensure business continuity the Corporation should strengthen the Disaster Recovery System with online backups.**
- **As per quality policy, the Corporation may provide online information to the customers, whereby customers can know their loan status on web.**

CHAPTER III

3 Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies/corporations are included in this Chapter.

Government companies

Himachal Pradesh Power Corporation Limited

3.1 Avoidable payment of interest

Failure of the Company to timely exercise the option available for repayment of loan resulted in avoidable payment of interest of ₹ 98.27 lakh at higher rate.

The Power Finance Corporation Limited (PFC) sanctioned (March 2005) a loan of ₹ 453 crore in favour of Pabbar Valley Power Corporation Limited (PVPCL) for the construction of 3 x 36.37 MW[♣] Sawara Kuddu Hydro Electric Project. PVPCL was merged in July 2007 with Himachal Pradesh Power Corporation Limited (HPPCL). The PFC and PVPCL signed (March 2005) a Memorandum of Agreement for the purpose. As per clause 2.1 of the terms and conditions of sanction, the PVPCL was required to pay interest at the rate prevailing on the date of each disbursement. The rate of interest prevailing at the time of sanction was 8.25 *per cent per annum*. Further, as per clause 2.2, the PFC had a right to reset the rate of interest, at its discretion, at the end of third year beginning with the date of first disbursement. The interest reset was to be applied from the date immediately following the end of third year period. The borrower had the option to repay the entire loan on the date of reset if the interest reset was not acceptable.

Against the sanctioned loan of ₹ 453 crore, the PVPCL/HPPCL availed a loan of ₹ 28.02 crore (₹ 15 crore on 15 April 2005, ₹ 9.50 crore on 15 October 2007 and ₹ 3.52 crore on 15 January 2008). As the first instalment of ₹ 15 crore was availed on 15 April 2005, the date for reset of interest by PFC was 15 April 2008. The PFC reset the interest rate at 12 *per cent per annum* and intimated (25 March 2008) the HPPCL. The PFC requested the PVPCL/HPPCL to repay the entire outstanding amount within 15 days from 25 March 2008 or by 15 April 2008, whichever was later or to accept the reset rate of interest. The HPPCL, however, failed to repay the loan by 15 April

♣ MW: Mega Watt.

2008. It, however, intimated (19 April 2008) the PFC that new reset rate of interest was not acceptable and hence, it was interested in liquidating the entire outstanding loan of ₹ 28.02 crore. The PFC refused (21 August 2008) to accept the request of HPPCL on the ground that it failed to exercise its option for repayment of loan before 15 April 2008. The loan of ₹ 28.02 crore was accordingly reset at the interest rate of 12 *per cent* per annum with effect from 15 April 2008. Thus, the HPPCL had to make avoidable payment of interest of ₹ 98.27 lakh up to 14[©] January 2010. The total avoidable payment of interest till the final repayment schedule of 15 April 2021 worked out to ₹ 4.55 crore.

The Government *inter alia* stated (May 2010) that letter of PFC regarding resetting of interest was received by the Company on 16 April 2008 *i.e*. after the last date (15 April 2008) of repayment of loan/resetting of interest. It further stated that the HPPCL took up the matter for repayment of loan with the PFC but the PFC did not agree despite repeated requests. The reply is not convincing because the terms and conditions of sanction of loan and also the fact that the loan was due for resetting of interest on 15 April 2008, were known to the management. Besides, the Company had sufficient surplus funds parked in fixed deposits at interest rate of ten *per cent per annum*. Hence, instead of waiting for a communication from the PFC regarding resetting of interest, the Management should have itself enquired from the PFC about the factual position in this regard well before the crucial date of 15 April 2008. Such a step could have facilitated repayment of loan well in time and the loss of ₹ 98.27 lakh could have been avoided.

The Management should consider fixing of responsibility for the lapse and streamline its financial management system to avoid such lapse in future.

Beas Valley Power Corporation Limited

3.2 Loss due to avoidable payment

Failure of the Company to handover the quarry sites to the contractor in time resulted in a loss of ₹ 33.18 lakh due to avoidable payment on account of higher cost of concreting material arranged from the open market.

Himachal Pradesh State Electricity Board (Board) awarded (April 2003) construction of 8,477 metre long and 4.15 metre finished dia Modified Horse Shoe Shaped Head Race Tunnel for Uhl-III Hydroelectric Project (2x50 MW) to SSJV Projects Pvt. Ltd. (contractor) for ₹ 69.58 crore with completion date of April 2007. As per Clauses 8.3 and 8.4 contained in Chapter-VIII (Additional Conditions of Contract), the contractor was required to make

[©] Interest is payable quarterly on 15 April, 15 July, 15 October and 15 January every year.

arrangement for opening of quarries and rehandling of material at his own cost. The land required for the work was to be handed over to the contractor free of cost. The project was transferred to Himachal Pradesh Jal Vidyut Vikas Nigam Limited (February 2004) which was renamed (November 2006) as Beas Valley Power Corporation Limited.

We observed (February 2009) that the Board/Company obtained (August 2004) approval of the Ministry of Environment and Forests (MOE&F), Government of India for diversion of 19.4478 hectares of forest land for the construction of above project. They, however, failed to take up simultaneously the matter with the MOE&F for diversion of 18.1840 hectares of forest land for quarry sites as required under sub-section 1.6 (iii) of Section 6 of the Forest (Conservation) Act, 1980 and instead the case for the said purpose was initially taken up (February 2000) with the Industries Department (Mining) of the State Government. The Conservator of Forests concerned of the State Government directed (January 2004) the Company to comply with the provisions of the Forest (Conservation) Act, 1980 before starting the work and the Company started pursuing the case with the MOE & F. The requisite approval from the MOE&F was received in November 2007 and the sites were handed over to the contractor thereafter.

Due to delay in handing over the quarry site, the contractor arranged (July 2003 to September 2007) concreting[♦] material from the open market and claimed an amount of ₹ 33.18 lakh from the Company on account of higher cost of concreting material when compared to the cost from the quarry sites. The Company paid the said amount to the contractor in January 2008. The delay in handing over the quarry sites to the contractor resulted in avoidable payment of ₹ 33.18 lakh.

The Management stated (July 2009) that the matter for reserving quarry sites was taken up (February 2000) with the Mining Officer, Mandi. As nothing was heard from that office, it was presumed that the sites were reserved for the purpose. The Management, however, admitted that the case for diversion of forest land for quarry purpose was processed after mid 2004 when the Conservator of Forests concerned directed the Company to comply with the provisions of Forests (Conservation) Act, 1980 before starting the work. The reply confirms that the Board/Company failed to approach the MOE & F in time for diversion of forest land for quarry purpose. They also failed to pursue the matter with the Industries (Mining) Department of the State Government after February 2000 and waited for four years to receive direction from the Conservator of Forests concerned to comply with the provisions of Forest (Conservation) Act, 1980. In fact, all requisite approvals of the MOE & F should have been obtained before award of work to the contractor.

♦ Aggregate (bajri) and sand.

The Management should strengthen internal control mechanism to ensure that such lapse is not repeated in future.

The matter was referred to the Government/Company in April 2010; their reply is awaited (September 2010).

3.3 Loss due to undue favour to the contractor

The Company suffered a loss of ₹ 8.18 crore due to its failure to recover penalty of ₹ 6.96 crore imposed on the contractor and payment of inadmissible price escalation of ₹ 1.22 crore.

The Himachal Pradesh State Electricity Board (Board) awarded (April 2003)♠ the work of construction of Modified Horse Shoe Shaped Head Race Tunnel of Uhl-III Hydroelectric Project (project) to SSJV Projects Pvt. Ltd. (contractor) for ₹ 69.58 crore with completion period of 48 months (30 April 2007). According to clause 10 I (b) (ii), (ii) the price variation clause was applicable only for the work carried out within the stipulated completion period and for authorised extended time for which no compensation had been levied on the contractor.

We noticed that the progress of work was very slow from the very beginning. The contractor did not achieve the first and second milestones fixed for April 2004 and April 2005 and a penalty of ₹ six lakh was recovered (February and July 2005) from the contractor. Provisional extension of time was also granted (June 2007) to the contractor up to 30 April 2008 subject to the condition that the contractor would achieve progress of excavation of 200 mtrs. per calendar month. However, the contractor could not achieve the targets set for underground excavation and concrete lining within the extended time *i.e.* 30 April 2008. Therefore, the contract was rescinded (April 2008) after imposing a further penalty of ₹ 6.96 crore for delay in completion of work. The Company had not taken action for recovery of the aforesaid penalty of ₹ 6.96 crore so far (March 2010). As penalty had been imposed on the contractor for delay in completion of work, price escalation was not payable during the extended period of the contract. The Company, however, paid (August 2007) price escalation of ₹ 1.22 crore to the contractor for the work done after the stipulated date of completion of work. Violation of terms and conditions of the contract agreement resulted in undue benefit to the contractor. The loss due to wrongful payment of escalation and penalty not recovered thus worked out to ₹ 8.18 crore.

♠ The Project was later on (February 2004) transferred to the Himachal Pradesh Jal Vidyut Vikas Nigam Limited which was renamed (November 2006) as Beas Valley Power Corporation Limited.

The Management admitted (August 2009) that the payment of escalation beyond April 2007 was inadmissible and stated that the payment so made had been included in the counter claim filed (August 2009) by the Company before the Arbitral Tribunal appointed by the High Court of Himachal Pradesh to deal with the case. The facts are indicative of the inept and inefficient approach on the part of the management leading to financial loss to the Company. Further developments of the case are awaited (September 2010).

The Management should fix the responsibility for making undue payment towards price escalation to the contractor beyond the scope of the contract. Besides, internal control mechanism should also be strengthened to avoid recurrence of such lapses in future.

The matter was referred to the Government/Company in May 2010; their reply is awaited (September 2010).

Himachal Pradesh State Forest Development Corporation Limited

3.4 Avoidable payment of value added tax

Failure of the Company to deduct rebate/cash discount on sale of timber according to the provision of the Himachal Pradesh Value Added Tax Act, 2005 resulted in avoidable payment of value added tax amounting to ₹ 2.31 crore.

The Company sells timber through its Himkashtha Sale Depots (HSDs) in open auction. As per the terms and conditions of sale/auction, the offers of bidders are inclusive of taxes. The sale of timber and taxes to be paid/deposited are worked out by the Company after auction. The terms and conditions of sale/auction also provide for rebate of five, four and three *per cent* for payment within 15, 30 and 45 days respectively from the date of auction. According to the Himachal Pradesh Value Added Tax Act, 2005, which came into force with effect from 1 April 2005, the value added tax (VAT) is payable on sale/turnover and the sum allowed as cash discount according to ordinary trade practices is not to be included in the turnover.

We observed that during the last five years ended March 2010 since the application of VAT, the Company allowed rebate/cash discount of ₹ 18.50 crore[♣] for payment received within 15, 30 and 45 days as mentioned above. While working out the amount of VAT payable, the Company, however, failed to deduct the amount of rebate/cash discount from the turnover/sale amount. Thus, failure of the Company to deduct the element of rebate before arriving at turnover for computation of VAT resulted in avoidable payment of VAT on rebate amounting to ₹ 2.31 crore.

[♣] 2005-06: ₹ 3.41 crore, 2006-07: ₹ 3.79 crore, 2007-08: ₹ 3.81 crore, 2008-09: ₹ 3.84 crore and 2009-10: ₹ 3.65 crore.

The Management should take up the matter with the authority concerned for obtaining refund of VAT paid in excess. Besides, it should also be ensured that henceforth VAT on turnover/sale is paid according to the provisions of the Himachal Pradesh Value Added Tax Act, 2005.

The matter was referred to the Government/Company in April 2010; their reply is awaited (September 2010).

Statutory corporations

Himachal Pradesh State Electricity Board

3.5 Loss due to non-recovery of survey and investigation cost

Lackadaisical approach of the Board resulted in a loss of ₹ 1.63 crore due to non-recovery of expenditure incurred on survey and investigation work of a project from a private party.

The State Government allotted 300 MW project for execution to Jaiprakash Industries Limited (JIL), an Independent Power Producer; now Jaiprakash Hydro Power Private Limited (JPHL). As per clause 19 of the Implementation Agreement (IA), executed between the Government of Himachal Pradesh and JIL during the year 1992, JIL was required to reimburse to the Board the expenditure incurred on survey and investigation work of the project. The reimbursement of the expenditure along with compound interest at the rate of 16 *per cent per annum* was to be made by way of adjustment towards sale of power from the project starting immediately after its commissioning. The project was commissioned in June 2003.

Audit noticed (March 2009) that the Board failed to ascertain actual expenditure incurred on survey and investigation of the Project after reconciling it between different wings of the Board till October 2008. Even after reconciliation of the expenditure worked out to ₹ 1.63 crore, no efforts were made to adjust this amount from the payments released to the JIL (later renamed as JPHL) on account of purchase of power as per the terms and conditions of the agreement *ibid*. The total recoverable amount after compounding of interest at the rate of 16 *per cent per annum* worked out to ₹ 87.41 crore (principal: ₹ 1.63 crore and interest: ₹ 85.78 crore) as of March 2010.

On this being pointed out in audit (March 2009) the Government admitted (July 2010) the fact regarding reimbursement of ₹ 1.63 crore to the Board as per the agreement but stated that if recovery of ₹ 87.41 crore on account of survey and investigation charges including interest accrued till date is effected, the company shall necessarily incorporate the said amount in the capital cost of the project which in turn shall become due to the said company and the tariff chargeable to HPSEB shall increase accordingly. Since tariff of the project is worked out on cost plus system, the entire burden of any increase in capital cost shall pass on to the consumers and may result in benefit to the company in the long run. In view of this non recovery at this stage was considered better option.

The plea put forth by the Government for not recovering the survey and investigation cost from a private party is a complete disregard of the specific provisions of the agreement *ibid* and the Hydro Power Policy 2006 issued by the State Government which provides for recovery of such cost incurred on various projects by the Board along with compound interest from all private parties to whom the projects have been allotted. Therefore, non recovery of said cost is a direct loss to the Board and this situation could have been avoided had the Board taken action to recover/adjust the amount due immediately after commissioning of the Project during 2003.

The responsibility for abnormal delay in adjustment/recovery of the amount should also be fixed. Besides, effective internal control mechanism should be put in place to avoid recurrence of such lapses in future.

3.6 Avoidable liability due to violation of statutory provision

Failure of the Board to devise a suitable procedure for deduction of tax at source on interest payment in conformity with the provisions of Income Tax Act, 1961 resulted in additional liability of ₹ 0.48 crore.

As per Regulation 4 of Himachal Pradesh Electricity Regulatory Commission (Security Deposit) Regulations, 2005, the consumers of the Board shall at all times maintain an amount equivalent to consumption charges for the billing cycle period, as security during the period the agreement for supply of energy to such consumers remains in force. Regulation 7 further provides that the licensee shall, with effect from the month succeeding the date on which the security amount is deposited, pay simple interest on security deposit of the consumer at the Bank Rate (as on 1 April of every year) as notified by the Reserve Bank of India or such higher rate as may be fixed by the Commission from time to time. The licensee shall duly show the amount becoming due to the consumer towards interest in the bills raised and due after 30th June.

According to Section 194 A of the Income Tax Act, 1961, the Board is responsible for deduction of tax at source at the rate of 10 *per cent* (individual) and 20 *per cent* (companies) on interest exceeding ₹ 5,000 each. In addition to above, surcharge and education cess as applicable is also to be deducted. Failure to deduct tax at source attracts penalty equivalent to a sum equal to the amount of tax deductible at source. In addition, interest at the rate of one *per cent per* month is also payable on the defaulted tax payment.

During test check of records (December 2008 to December 2009) in ten[♣] Electrical Sub-Divisions (ESDs) of the Board, we observed that the Chief Engineer (Commercial) of the Board had directed (December 2005) all the field officers concerned to comply with the above mentioned Regulations. He, however, failed to direct them to deduct tax at source on interest in conformity with the provisions of the Income Tax Act, 1961. Resultantly, three[•] out of ten test checked ESDs failed to comply with the Regulations in as much as they did not credit the interest to the consumers' accounts annually. While ESD, Barotiwala (2005-06) and ESD, Nalagarh No. I (2004-05 and 2006-07) delayed crediting of interest by one year each, ESD, Baddi delayed it by one year (2005-06) to two years (2004-05). This resulted in denial of timely benefit to the consumers. Further, all the ten ESDs failed to deduct income tax of ₹ 1.89 crore as tax at source at the rate of 20 per cent on interest of ₹ 9.45 crore credited to High Tension and Extra High Tension consumers as interest on security deposits during July 2005 to September 2009 though the interest payment exceeded ₹ 5,000 each. The absence of suitable procedure and internal control mechanism to ensure compliance of the Regulations and provisions of Income Tax Act resulted in additional liability of the Board to pay interest of ₹ 0.48 crore calculated up to March 2010 on the amount of tax not deducted at source.

The Government stated (July 2010) that detailed instructions had been issued (June 2010) to field units to deduct income tax along with surcharge and education cess on interest exceeding ₹ 5000/- for the year 2009-10 and to adjust the income tax, not deducted from such interest paid for previous years, from the interest to be released on security deposit for 2009-10; to be paid in 2010-11. We noticed that the recovery had not been made as of August, 2010. Further, even if the taxes are deducted now with retrospective effect, the Board will have to deposit the same with tax authorities along with simple interest at the rate of one per cent per month on the amount of such tax from date on which such tax was deductible to the date on which taxes is actually paid in terms of Section 201 (1A) of Income Tax Act, 1961.

The Board needs to consider fixing of responsibility for non-compliance of the Regulations and provisions of the Income Tax Act. Besides, it should also lay down requisite procedure and internal control mechanism to avoid such lapse in future.

[♣] Electrical sub-divisions Barotiwala, Paonta, Nalagarh No. I, Dalhousie, Baddi, ESD No 1&II, Bilaspur, ESD, Ganguwal, ESD, Kala Amb and ESD, Dhaulakuan.

[•] Electrical sub-divisions Barotiwala, Nalagarh No.I and Baddi.

3.7 Avoidable loss of revenue

Failure of the Board to recover energy charges from a consumer in accordance with the prescribed procedure resulted in revenue loss of ₹ 28.25 lakh.

As per Regulation 4 (1) of the Himachal Pradesh Electricity Regulatory Commission (Security Deposit) Regulations, 2005, every consumer should maintain with the Board an amount equivalent to consumption charges for the billing cycle period, as security during the period of agreement for supply of energy. The security should be in the form of cash/demand draft drawn in favour of the Board. Where the security payable exceeds ₹ five lakh, the same can be in the form of a bank guarantee. Section 56 (1) of the Electricity Act, 2003 further provides that where any person neglects to pay any charges for electricity due from him, the Board may after giving not less than 15 clear days' notice in writing, to such person, cut off the supply of electricity.

We observed that the Board sanctioned (November 2005) a load of 960 KW[*] to M/s Tigaksha Mettalics Pvt. Ltd. (consumer), Shogi, (Shimla). The consumer had deposited (August 2005) security deposit of ₹ 9.60 lakh and was being billed monthly. It was noticed that monthly energy charges exceeded the security deposit of ₹ 9.60 lakh in February 2006. The monthly bill varied considerably and it ranged between ₹ 2.24 lakh and ₹ 28.77 lakh during the period from February 2006 to February 2008. The sub-division concerned, however, failed to ensure that the consumer maintained with it security deposit equal to the monthly bills. The consumer did not pay the bill of ₹ 21.42 lakh up to June 2008. He also did not pay the bills for subsequent months and the total recoverable amount rose to ₹ 45.85 lakh in January 2010. The Board also did not follow the provision of the Electricity Act, 2003 regarding disconnection of supply of energy to the consumer when he defaulted in payment of the bill up to June 2008. The Board finally disconnected the supply of energy to the consumer in June 2009. Action to adjust the security deposit and to recover the balance amount of ₹ 36.25 lakh had also not been taken as of February 2010. Thus, failure of the Board to follow the prescribed procedure resulted in revenue loss of ₹ 36.25 lakh due to non-recovery of energy charges to that extent.

The Government stated (July 2010) that a sum of ₹ 8.00 lakh had been recovered between February and May 2010 and efforts were being made to recover the balance amount of ₹ 28.25 lakh. Further, necessary provisions are being made in a computer billing system software of the Board to provide facilities of comparison of security deposit and billed amount in future so that

[*] KW: Kilo Watt.

if the bill of any consumer exceeds security deposit, the list of such consumers could be prepared and notice served to them to increase the security deposit in time. The Board, however, could not make any recovery thereafter. The fact remains that the Board failed to comply with the laid down provisions and put itself in difficult situation to recover the dues.

The Board should initiate immediate action to recover the outstanding amount immediately. It should also put in place the requisite internal control mechanism to ensure that such lapses are not repeated in future.

3.8 Extra payment of excise duty to suppliers

Failure of the Board to insert the standard clause as per the prevailing practice for payment of taxes and duties on actual basis enabled the suppliers to take extra benefit of ₹ 1.51 crore on subsequent reduction in rates of excise duty.

The Board floated (11 July 2008) a tender enquiry for the procurement of Compact Florescent Lamps (CFL) under "*Atal Bijli Bachat Yojna*". In response, seven firms offered their bids which were opened on 10 October 2008. After evaluation, rates of ₹ 396 per pack (four CFL) quoted by M/s HPL Socomec Private Limited, New Delhi were found to be the lowest (L1) and M/s Phoenix Lamps Limited, Noida was second lowest (L2) with its rates of ₹ 473.15 per pack. After negotiation, the rates were brought down to ₹ 387 per pack and this was also accepted by the L2 firm. Accordingly, the purchase orders amounting to ₹ 63.08 crore were placed (October 2008) on M/s Phoenix Lamps Limited, Noida (6,30,000 packs) and M/s HPL, Socomec (P) Limited, New Delhi (10,00,000 packs) at ₹ 387 per pack. These rates were inclusive of 8 *per cent* Excise Duty and 3 *per cent* cess thereon.

Audit scrutiny revealed that the Finance Wing (F&A) of the Board while according the financial concurrence to the purchase proposal submitted by the Chief Engineer (MM) *inter alia* observed that as per the requirement of NIT, FOR prices were required to be split up so as to derive the basic price of each firm with a view to comparing the rates and for placing the purchase orders. Further, it was also emphasised that payment of duties and taxes be made against production of documentary proof and the purchase order issued after splitting up the basic prices and taxes accordingly. These recommendations of the F&A wing were accepted by the CE (MM) in the note ratified by the Member (O) and Member (F&A) before submitting the purchase proposal for the approval of the Board. However, while issuing the purchase order, the standard clause regarding the payment of taxes and duties against production of documentary proof was not inserted in the purchase orders.

Audit scrutiny further revealed that the rates of the excise duty were reduced from 8 *per cent* to 4 *per cent* on CFL with effect from 7 December 2008. Since the clause regarding payment of taxes and duties on actual basis was not inserted in the purchase orders, the benefit of this reduction in duties could not be availed in respect of 15,03,546 packets of CFL received after the reduction in duties. The suppliers charged ₹ 3.02 crore excise duty on these packets on the basis of agreed FOR rates against the actual payment of ₹ 1.51 crore made by them.

Thus, failure of the Board to insert the standard clause regarding payment of taxes and duties on actual basis as per the prevailing practice resulted in extra payment of excise duty of ₹ 1.51 crore to the suppliers.

The Government stated (July 2010) that in order to ensure successful completion of procurement and distribution of CFLs it was decided to seek one firm FOR rate on average basis inclusive of all taxes/duties and the clause to this effect was inserted in the tender document. Accordingly, the bidder submitted their bids and the clause was also incorporated in the purchase orders. Thus, any variation in taxes/duties was to be borne by the firms.

The reply does not address the core issue regarding non-insertion of appropriate clause regarding payment of taxes and duties against documentary proof only despite assurance of the Chief Engineer (MM) on the recommendations of the Member (Finance) before submitting the proposal to the Board for approval. Besides, the exception was made in this case only even though there is a practice and there are provisions in the Purchase Manual of the Board to pay taxes and duties only against presentation of original payment vouchers.

The Board should investigate the reasons for non-insertion of appropriate clause in the purchase orders despite specific recommendations of the F&A wing. Besides, internal control mechanism should also be strengthened so as to avoid recurrence of such lapses in future.

3.9 Non-recovery of lease rent of property rented out to a Private Company

Failure on the part of the Board to initiate effective steps to recover the lease rent of its property rented out to Jaiprakash Hydro Power Private Limited led to non-recovery of lease rent amounting to ₹ 3.95 crore since January 1993.

For the execution of 300 MW Baspa Hydro Electric Project, Stage II (Baspa), an agreement was executed (October 1992) between the Government of Himachal Pradesh and Jaiprakash Industries Limited, now Jaiprakash Hydro Power Private Limited (JPHL). Before transfer, the project was being executed by the Himachal Pradesh State Electricity Board (Board) which had purchased three patches of land measuring 6-35-52 *Hectares* at Sholtu and

Kuppa villages in Kinnaur District. In addition to this, the Board had also constructed residential accommodation having four sets of one room, one set of three rooms at Sholtu, a repair shop and a store shed at Kuppa. In terms of the clause 19 of the *ibid* agreement, the Company (JPHL) agreed to reimburse the money spent by the Board on the investigation and infrastructure works of the Project alongwith compound interest at the rate of 16 *per cent per annum*. This reimbursement was to be effected by the Company to the Board by way of adjustment towards sale of power to the Board immediately after commissioning of the Project. Accordingly, land as mentioned above was handed over to JPHL between January 1993 and September 1998. Residential accommodation and store shed at Sholtu were handed over in February 1993 and repair shop at Kuppa in April 1993. As per the undertaking furnished in February 1993, the JPHL further agreed to accept the terms and conditions to be decided by the Government of H.P. and the Board. In case the final terms and conditions were not acceptable to them the property was to be vacated within one month.

The Board fixed the total rent of ₹ 7.52 lakh *per annum* in May 2001 in respect of all these assets transferred to the JPHL and requested them to sign a supplementary lease deed for this rent. This was not accepted by the JPHL who insisted for assessing the lease rent on the basis of rates circulated by the Deputy Commissioner (DC), Kinnaur. Despite series of meetings held between the Board and JPHL no final settlement could be arrived at. However, JPHL paid ₹ 76.91 lakh to the Board between October 1993 and February 2004 on account of *interim* lease charges and no payment has been released thereafter. Since then no concrete steps have been taken by the Board to recover the outstanding lease rent. It was only in August 2007 when the Board constituted a High Powered Committee which assessed total rent of ₹ 2.43 crore recoverable from the JPHL up to 31 December 2008 and recommended (August 2009) the same for the consideration of the Board. The Managing Committee of the Board in its meeting held on 29 January 2010 did not approve this and decided to re-examine the issue in the light of lease rules of Himachal Pradesh. Meanwhile, the total recoverable amount including interest increased to ₹ 3.95 crore as per the bill issued by the Board to JPHL in February 2010.

The Baspa HEP has been commissioned in the year 2003 and the Board is regularly purchasing power from this project. Despite this, neither lease deed was executed nor adjustment of rent out of the power purchased from the JPHL as per the provisions of clause 19 of the *ibid* agreement had been made by the Board so far. Thus, lease rent amounting to ₹ 3.95 crore including interest (up to December 2009) remained un-recovered from a private Company since 1993.

The Government stated (July 2010) that a high powered committee constituted by the Board for this purpose in August 2007 decided (January 2010) that the issue be examined in the light of Lease Rules of Himachal Pradesh Government. However, the matter is still under process.

The reply points towards the fact that there was abnormal delay in finalisation of lease deed and recovery of lease rent. The Board should initiate immediate action to finalise the lease rent and execute lease deed with the JPHL so that lease rent due for recovery since 1993 could be recovered.

3.10 Loss due to non-recovery of contract demand violation charges

Failure of the Board in detecting non revision of Contract Demand by two large supply consumers after up gradation of power factor value to 0.90 from 0.85 resulted in non-recovery of contract demand violation charges amounting to ₹ 97.97 lakh.

Power Factor is the base for determination of contract demand, energy consumption (KVAh) and quantum of demand (KVA) of the consumer. The Board revised the limit of power factor (to be maintained by the consumer) from 0.85 to 0.90 in August 1998. After the introduction of two part tariff (November 2001) consumers are to be billed on the basis of KVAh tariff as applicable to the relevant category under the Schedule of Tariff. In addition to the KVAh charges, the demand charges per month per KVA on recorded maximum demand were also leviable. In the event the maximum demand recorded exceeds the contract demand the consumer shall be charged Contract Demand Violation Charges at the rates specified in the schedule of tariff. The Board provided an opportunity in February 2004 (further clarified in September 2004) to all the consumers either to enter into fresh contract demand or to revise the same in cases contracted prior to introduction of two part tariff.

Audit noticed that two industrial consumers having connected load of 1785 KW (Regency Carbide Private Limited, Paonta) and 1275 KW (Venkteshwara Ferro Alloy Private Limited, Paonta) with contract demand of 2100 KVA and 1500 KVA respectively were released connections by the Board in 1989 considering power factor of 0.85 applicable at that time. After revision of power factor value to 0.90; sanctioned load of both the consumers worked out to 1983 KVA and 1417 KVA instead of 2100 KVA and 1500 KVA respectively. Despite giving opportunity by the Board both the consumers did not revise their contract demand and continued to draw load according to their old contract demand, which was in excess of the maximum demand admissible at the sanctioned load on revised power factor. The Board had neither asked specifically these consumers to revise their contract demand nor charged contract demand violation charges as per the provisions of the Schedule of Tariff applicable from time to time.

Thus, failure of the Board to take action as per the provisions of the Schedule of Tariff resulted in short recovery of contract demand violation charges amounting to ₹ 97.97 lakh for the period from March 2004 to March 2010.

The Board stated (May 2010) that the concerned Division had been directed to issue notices to these consumers to revise their contract demands by taking into account power factor of 0.90 instead of 0.85 otherwise action would be initiated as per the provisions of the schedule of tariff.

The reply of the Board does not redress the issue but points out towards its failure to initiate timely action for revision of contract demand. Even if the contract demand is revised by the consumers now the Board would be able to recover the demand charges from the date of sanction of the contract demand which cannot be made applicable to make good the loss already suffered on this account.

The Board should investigate the reasons for this omission and initiate immediate action to recover the contract demand violation charges as per the provisions of the Schedule of tariff applicable from time to time. Besides, internal control mechanism should also be strengthened so as to avoid recurrence of such lapses in future.

The matter was referred to the Government in June 2010; their reply is awaited (September 2010).

3.11 Follow-up action on Audit Reports

Explanatory Notes outstanding

3.11.1 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 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 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 were presented to the State Legislature in April 2005, 2006, 2007, 2008, February 2009 and April 2010 six departments did not submit explanatory notes on 37 out of 100 paragraphs/reviews, as of

September 2010, as indicated below:

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
2003-04	15	3
2004-05	13	4
2005-06	19	3
2006-07	21	4
2007-08	17	11
2008-09	15	12
Total	**100**	**37**

Department wise analysis is given below:

Name of department	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Power	-	-	-	-	10	7
Horticulture	-	-	-	1	-	-
Forest	-	-	-	1	-	-
Industries	-	-	-	-	-	1
Transport	-	-	-	-	-	1
Finance	3	4	3	2	1	3
Total	**3**	**4**	**3**	**4**	**11**	**12**

Those largely responsible for non-submission of explanatory notes were the Power and Finance departments. They did not submit explanatory notes to 33 out of 37 paragraphs/reviews and did not even respond to reviews highlighting important issues like avoidable extra expenditure due to non-comparison of rates received with the rates already available, non-finalisation of requirement in time, non-placement of repeat supply orders, rejection of lowest offer and non-finalisation of design of sub-stations, *etc*.

Compliance to Reports of Committee on Public Undertakings (COPU)

3.11.2 The Action Taken Notes on the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Replies to 29 paragraphs pertaining to 11 Reports of the COPU, presented to the State Legislature between December 2008 and March 2010 had not been received as of September 2010 as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2008-09	5	12
2009-10	6	17
Total	**11**	**29**

***Response to inspection reports, draft paras and* reviews**

3.11.3 Audit observations made 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 2010 pertaining to 21 PSUs disclosed that 4,035 paragraphs relating to 880 inspection reports remained outstanding at the end of September 2010. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2010 is given in **Annexure 13**.

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. It was, however, observed that five draft paragraphs forwarded to three departments between April 2010 and October 2010 as detailed in **Annexure 14** had not been replied to so far (October 2010).

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 the prescribed time schedule and (c) the system of responding to audit observations is revamped.

The matter was reported to the Government in October 2010; their reply had not been received (October 2010).

Shimla	**(RITA MITRA)**
The	**Principal Accountant General (Audit)**
	Himachal Pradesh

Countersigned

New Delhi	**(VINOD RAI)**
The	**Comptroller and Auditor General of India**

Annexure 1
(Refer paragraph 1.7)
Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2010 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6 (c) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. Working Government companies													
AGRICULTURE & ALLIED													
1.	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	Septem-ber 1970	9.84	1.96	-	11.80	1.11	0.40	-	1.51	0.13:1 (0.13:1)	216
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	31.19	1.50	6.07	38.76	-	-	-	-	- (0.61:1)	428
3.	Himachal Pradesh State Forest Development Corporation Limited	Forest	March 1974	11.71	-	-	11.71	-	-	152.42	152.42	13.02 (13.31:1)	2594
Sector wise total				**52.74**	**3.46**	**6.07**	**62.27**	**1.11**	**0.40**	**152.42**	**153.93**	**2.47:1 (4.16:1)**	**3238**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	Social Justice & Empowerment	January 1994	10.18	-	-	10.18	-	-	8.70	8.70	0.85:1 (0.82:1)	16
5.	Himachal Pradesh Mahila Vikas Nigam	Social Justice & Empowerment	April 1989	5.65	0.10	-	5.75	-	-	-	-	-	6
6.	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice & Empowerment	Septem-ber 1996	5.79	-	0.18	5.97	-	-	11.73	11.73	1.96:1 (2:07:1)	15
Sector wise total				**21.62**	**0.10**	**0.18**	**21.90**	**-**	**-**	**20.43**	**20.43**	**0.93:1 (0.93:1)**	**37**
INFRASTRUCTURE													
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public Works	June 1999	25.00	-	-	25.00	-	-			- (4.05:1)	3
8.	Himachal Pradesh State Industrial Development Corporation Limited	Industries	Novem-ber 1966	29.59	-	-	29.59	-	-	-	-	-	145
Sector wise total				**54.59**	**-**	**-**	**54.59**	**-**	**-**	**-**	**-**	**- (1.86:1)**	**148**

(Figures in column 5 (a) to 6 (c) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURE													
9.	Himachal Pradesh General Industries Corporation Limited	Industries	Novem-ber 1972	7.04	-	0.12	7.16	2.97	-	-	2.97	0.41:1 (0.41:1)	180
Sector wise total				**7.04**	**-**	**0.12**	**7.16**	**2.97**	**-**	**-**	**2.97**	**0.41:1 (0.41:1)**	**180**
POWER													
10.	Beas Valley Power Corporation Limited	MPP & Power	March 2003	-	-	173.03	173.03	-	-	298.95	298.95	1.73:1 (1.35:1)	298
11.	Himachal Pradesh Power Corporation Limited	MPP & Power	Decem-ber 2006	461.64	-	174.53	636.17	62.34	-	50.52	112.86	0.18:1 (0.17:1)	856
12.	Himachal Pradesh Power Transmission Corporation Limited	MPP & Power	August 2008	48.70	-	8.00	56.70	-	-	-	-	-	79
13	Himachal Pradesh State Electricity Board Limited	MPP & Power	Decem-ber 2009	Newly Incorporated Company-									
Sector wise total				**510.34**	**-**	**355.56**	**865.90**	**62.34**	**-**	**349.47**	**411.81**	**0.48:1 (0.53:1)**	**1233**
SERVICE													
14.	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Supplies	Septem-ber 1980	3.51	-	-	3.51	14.09	-	-	14.09	4.01:1 (4.01:1)	893
15.	Himachal Pradesh State Electronics Development Corporation Limited	Industries	October 1984	3.72	-	-	3.72	1.95	-	-	1.95	0.52:1 (0.52:1)	76
16.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Industries	March 1974	8.72	0.03	-	8.75	0.50	-	-	0.50	0.06:1 (0.06:1)	118
17.	Himachal Pradesh State Small Industries and Export Corporation Limited	Industries	October 1966	2.46	-	-	2.46	-	-	-	-	-	22
18.	Himachal Pradesh Tourism Development Corporation Limited	Tourism & Civil Aviation	Septem-ber 1972	12.30	-	-	12.30	-	-	-	-	- (0.03:1)	1745
Sector wise total				**30.71**	**0.03**	**-**	**30.74**	**16.54**	**-**	**-**	**16.54**	**0.54:1 (0.54:1)**	**2854**
Total A (All sector wise working Government companies)				**677.04**	**3.59**	**361.93**	**1042.56**	**82.96**	**0.40**	**522.32**	**605.68**	**0.58:1 (0.89:1)**	**7690**

(Figures in column 5 (a) to 6 (c) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
B. Working Statutory corporations													
FINANCING													
1.	Himachal Pradesh Financial Corporation	Industries	April 1967	92.98	-	6.59	99.57	-	-	178.46	178.46	1.79:1 (3.60:1)	93
Sector wise total				**92.98**	**-**	**6.59**	**99.57**	**-**	**-**	**178.46**	**178.46**	**1.79.:1 (3.60:1)**	**93**
POWER													
2.	Himachal Pradesh State Electricity Board	MPP & Power	Septem-ber 1971	396.53	-	-	396.53	77.49	-	1673.71	1751.20	4.42:1 (5.21:1)	21460
Sector wise total				**396.53**	**-**	**-**	**396.53**	**77.49**	**-**	**1673.71**	**1751.20**	**4.42:1 (5.21:1)**	**21460**
SERVICE													
3.	Himachal Road Transport Corporation	Transport	Septem-ber 1974	366.33	21.52	-	387.85	-	-	114.71	114.71	0.30:1 (0.41:1)	8787
Sector wise total				**366.33**	**21.52**	**-**	**387.85**	**-**	**-**	**114.71**	**114.71**	**0.30:1 (0.41:1)**	**8787**
Total B (All sector wise working Statutory corporations)				**855.84**	**21.52**	**6.59**	**883.95**	**77.49**	**-**	**1966.88**	**2044.37**	**2.31:1 (2.97:1)**	**30340**
Grand Total (A + B)				**1532.88**	**25.11**	**368.52**	**1926.51**	**160.45**	**0.40**	**2489.20**	**2650.05**	**1.38:1 (2.02:1)**	**38030**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	Agro Industrial Packaging India Limited	Horticulture	February 1987	16.75	-	0.97	17.72	22.13	-	-	22.13	1.25:1 (1.25:1)	5
Sector wise total				**16.75**	**-**	**0.97**	**17.72**	**22.13**	**-**	**-**	**22.13**	**1.25:1 (1.25:1)**	**5**

(Figures in column 5 (a) to 6 (c) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURE													
2.	Himachal Worsted Mills Limited	Industries	October 1974	-	-	0.92	0.92	-	-	-	-	-	-
3.	Nahan Foundry Limited	Industries	October 1952	3.50	-	-	3.50	-	-	-	-	-	8
Sector wise total				**3.50**	**-**	**0.92**	**4.42**	**-**	**-**	**-**	**-**	**-**	**8**
Total C (All sector wise non working Government companies)				**20.25**	**-**	**1.89**	**22.14**	**22.13**	**-**	**-**	**22.13**	**1.00:1 (1.00:1)**	**13**
Grand Total (A + B + C)				**1553.13**	**25.11**	**370.41**	**1948.65**	**182.58**	**0.40**	**2489.20**	**2672.18**	**1.37:1 (2.00:1)**	**38043**

Notes:

Above includes one Section 619-B company at Sr. No. A-10.

$ Paid-up capital includes share application money.

** Loans outstanding at the close of 2009-10 represent long-term loans only.

Annexure 2

(Refer paragraph 1.15 and 1.36)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed^∆^	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Himachal Pradesh Agro Industries Corporation Limited	2008-09	2010-11	(-)2.51	0.06	0.10	(-)2.67	24.85	(-)7.93	11.80	(-)13.12	(-)3.36	(-)2.61	-
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2008-09	2009-10	(-)2.47	0.23	0.64	(-)3.34	27.27	(-)9.00	17.80	(-)46.34	(-)5.89	(-)3.11	-
3.	Himachal Pradesh State Forest Development Corporation Limited	2006-07	2010-11	(-)1.39	3.13	0.46	(-)4.98	129.80	(-)23.29	12.08	(-)49.76	151.23	(-)1.85	-
		2007-08	2010-11	2.62	2.94	0.46	(-)0.78	129.30	Under audit	11.71	(-)50.54	150.34	2.16	1.44
Sector wise total				**(-)2.36**	**3.23**	**1.20**	**(-)6.79**	**181.42**	**(-)16.93**	**41.31**	**(-)110.00**	**141.09**	**(-)3.56**	**-**
FINANCING														
4.	Himachal Backward Classes Finance and Development Corporation	2007-08	2010-11	0.74	0.29	0.02	0.43	1.35	-	8.40	3.58	18.98	0.72	3.79
5.	Himachal Pradesh Mahila Vikas Nigam	2008-09	2010-11	0.16	-	-	0.16	0.29	(-)0.33	4.67	0.09	4.63	0.16	3.46
6.	Himachal Pradesh Minorities Finance and Development Corporation	2008-09	2010-11	0.20	0.22	0.02	(-)0.04	0.32	(-)0.23	4.89	(-)2.36	12.77	0.18	1.41
Sector wise total				**1.10**	**0.51**	**0.04**	**0.55**	**1.96**	**(-)0.56**	**17.96**	**1.31**	**36.38**	**1.06**	**2.91**

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employedΔ	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	**(2)**	**(3)**	**(4)**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
INFRASTRUCTURE														
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2009-10	2010-11	-	-	-	***	-	-	25.00	-	321.58	-	-
8.	Himachal Pradesh State Industrial Development Corporation Limited	2009-10	2010-11	1.38	-	0.14	1.24	8.28	-	29.59	12.77	53.08	1.24	2.34
Sector wise total				**1.38**	**-**	**0.14**	**1.24**	**8.28**	**-**	**54.59**	**12.77**	**374.66**	**1.24**	**0.33**
MANUFACTURE														
9.	Himachal Pradesh General Industries Corporation Limited	2008-09	2009-10	(-)0.87	0.16	0.12	(-)1.15	18.81	(-)0.38	7.16	(-)1.74	8.63	(-)0.99	-
Sector wise total				**(-)0.87**	**0.16**	**0.12**	**(-)1.15**	**18.81**	**(-)0.38**	**7.16**	**(-)1.74**	**8.63**	**(-)0.99**	**-**
POWER														
10.	Beas Valley Power Corporation Limited	2008-09	2009-10	-	-	-	**	-	-	146.84	-	344.80	-	-
		2009-10	2010-11	-	-	-	**	-	-	173.03	-	471.27	-	-
11.	Himachal Pradesh Power Corporation Limited	2008-09	2010-11	-	-	-	**	-	-	464.13	-	502.95	-	-
		2009-10	2010-11	-	-	-	-	-	-	636.17	-	746.31	-	-
12.	Himachal Pradesh Power Transmission Corporation Limited	2008-09	2009-10				**			11.00		12.23		
13	Himachal Pradesh State Electricity Board Limited	First accounts awaited	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total					**-**	**-**	**-**	**-**	**-**	**820.20**	**-**	**1229.81**	**-**	**-**

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed△	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICE														
14	Himachal Pradesh State Civil Supplies Corporation Limited	2009-10	2010-11	3.73	0.03	0.83	2.87	1024.59	(+)0.21	3.51	16.65	41.60	2.90	6.97
15.	Himachal Pradesh State Electronics Development Corporation Limited	2009-10	2010-11	0.29	-	0.06	0.23	21.97	(-)1.77	3.72	0.33	5.61	0.23	4.10
16.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2008-09	2009-10	(-)6.16	-	0.05	(-)6.21	11.57	(+)0.78	8.75	(-)17.98	(-)8.52	(-)6.21	-
17.	Himachal Pradesh State Small Industries and Export Corporation Limited	2009-10	2010-11	0.07	-	0.03	0.04	14.48	Under audit	2.46	(-)1.12	2.22	0.04	180
18.	Himachal Pradesh Tourism Development Corporation Limited	2008-09	2009-10	(-)5.14	0.04	1.57	(-)6.75	51.52	-	12.30	(-)21.62	(-)6.93	(-)6.71	-
Sector wise total				**(-)7.21**	**0.07**	**2.54**	**(-)9.82**	**1124.13**	**(-)0.78**	**30.74**	**(-)23.74**	**33.98**	**(-)9.75**	-
Total A (All sector wise working Government companies)				**(-)7.96**	**3.97**	**4.04**	**(-)15.97**	**1334.60**	**(-)18.65**	**971.96**	**122.59**	**1824.55**	**(-)12.00**	
B. Working Statutory corporations														
FINANCING														
1.	Himacal Pradesh Financial Corporation	2009-10	2010-11	17.97	18.67	0.09	(-)0.79	16.35	(-)0.22	99.57	(-)102.84	258.12	17.88	6.93
Sector wise total				**17.97**	**18.67**	**0.09**	**(-)0.79**	**16.35**	**(-)0.22**	**99.57**	**(-)102.84**	**258.12**	**17.88**	6.93

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed∆	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
POWER														
2.	Himachal Pradesh State Electricity Board	2008-09	2009-10	301.52	172.25	96.96	32.31∆∆	2915.38	(-)141.55	372.23	(-)230.36	2349.52	204.56	8.71
Sector wise total				**301.52**	**172.25**	**96.96**	**32.31**	**2915.38**	**(-)141.55**	**372.23**	**(-)230.36**	**2349.52**	**204.56**	**8.71**
SERVICE														
3.	Himachal Road Transport Corporation	2009-10	2010-11	(-)8.83	12.31	16.36	(-)37.50	375.90$	Under audit	387.85	(-)549.73	(-)21.76	(-)25.19	-
Sector wise total				**(-)8.83**	**12.31**	**16.36**	**(-)37.50**	**375.90$**		**387.85**	**(-)549.73**	**(-)21.76**	**(-)25.19**	**-**
Total B (All sector wise working Statutory corporations)				**310.66**	**203.23**	**113.41**	**(-)5.98**	**3307.63**	**(-)141.77**	**859.65**	**(-)882.93**	**2585.88**	**197.25**	**7.63**
Grand Total (A + B)				**302.70**	**207.20**	**117.45**	**(-)21.95**	**4642.23**	**(-)160.42**	**1831.62**	**(-)760.34**	**4410.43**	**185.25**	**4.20**
C. Non working Government companies														
AGRICULTURE 7 ALLIED														
1.	Agro Industrial Packaging India Limited	2009-10	2010-11	(-)1.48	-	0.13	(-)1.61	-	Under audit	17.72	(-)76.18	2.46	(-)1.61	-
Sector wise total				**(-)1.48**	**-**	**0.13**	**(-)1.61**	**-**		**17.72**	**(-)76.18**	**2.46**	**(-)1.61**	**-**

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed^Δ	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURE														
2.	Himachal Worsted Mills Limited	2000-01	2001-02	(-)0.01	-	-	(-)0.01	-	-	0.92	(-)5.44	(-)0.64	(-)0.01	-
3.	Nahan Foundry Limited	2009-10	2010-11	0.04	-	-	0.04	-	-	3.50	(-)4.77	(-)1.28	0.04	-
Sector wise total				**0.03**	**-**	**-**	**0.03**	**-**	**-**	**4.42**	**(-)10.21**	**(-)1.92**	**0.03**	**-**
Total C (All sector wise non working Government companies)				**(-)1.45**	**-**	**0.13**	**(-)1.58**	**-**	**-**	**22.14**	**(-)86.39**	**0.54**	**(-)1.58**	**-**
Grand Total (A + B + C)				**301.25**	**207.20**	**117.58**	**(-)23.53**	**4642.23**	**(-)160.42**	**1853.76**	**(-)846.73**	**4410.97**	**183.67**	**4.16**

\# Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

Δ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

** Companies (serial no. A-10, 11, 12 and 13) have not started commercial activities.

*** Excess of expenditure over income is reimbursable by the State Government.

$ Includes subsidy of ₹ 69.12 crore received during the year on account of issue of free/concessional passes and running buses on uneconomic routes.

ΔΔ Before taking into account the subsidy/subvention from Government (₹ 0.02 crore).

Annexure 3

(Refer paragraph 1.10)

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2010

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Himachal Pradesh Agro Industries Corporation Limited	-	-	-	2.00	-	2.00	-	-	-	-	-	-
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	3.50	-	-	-	-	-	5.00	4.21	-	17.46	-	17.46
3.	Himachal Pradesh State Forest Development Corporation Limited	-	-	-	-	-	-	-	148.95	-	-	-	-
Sector wise total		**3.50**	**-**	**-**	**2.00**	**-**	**2.00**	**5.00**	**153.16**	**-**	**17.46**	**-**	**17.46**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	0.68	-	-	-	-	-	15.00	8.70	-	-	-	-
5.	Himachal Pradesh Mahila Vikas Nigam	1.08	-	-	0.01	-	0.01	-	-	-	-	-	-

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
6.	Himachal Pradesh Minorities Finance and Development Corporation	1.08	-	-	0.02	-	0.02	18.00	11.73	-	-	-	-
Sector wise total		**2.84**	**-**	**-**	**0.03**	**-**	**0.03**	**33.00**	**20.43**	**-**	**-**	**-**	**-**
INFRASTRUCTURE													
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	-	-	-	141.00	-	141.00	-	-	-	-	-	-
Sector wise total		**-**	**-**	**-**	**141.00**	**-**	**141.00**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
8.	Himachal Pradesh Power Corporation Limited	140.61	-	-	-	-	-	-	-	-	-	-	-
9.	Himachal Pradesh Power Transmission Corporation Limited	45.70	-	-	45.70	-	45.70	-	-	-	-	-	-
Sector wise total		**186.31**	**-**	**-**	**45.70**	**-**	**45.70**	**-**	**-**	**-**	**-**	**-**	**-**
SERVICE													
10.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	-	-	0.27	1.20	-	1.47	0.60	0.60	-	-	-	-
11.	Himachal Pradesh Tourism Development Corporation Limited	-	-	8.88	0.65	0.01	9.54	-	-	-	-	-	-
Sector wise total		**-**	**-**	**9.15**	**1.85**	**0.01**	**11.01**	**0.60**	**0.60**	**-**	**-**	**-**	**-**
Total A (All sector wise working Government companies)		**192.65**	**-**	**9.15**	**190.58**	**0.01**	**199.74**	**38.60**	**174.19**	**-**	**17.46**	**-**	**17.46**

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
B. Working Statutory corporations													
FINANCING													
1.	Himachal Pradesh Financial Corporation	51.00	-	-	-	-	-	3.00	89.58	-	-	-	-
Sector wise total		**51.00**	**-**	**-**	**-**	**-**	**-**	**3.00**	**89.58**	**-**	**-**	**-**	**-**
POWER													
2.	Himachal Pradesh State Electricity Board	24.30	-	124.65	140.00	-	264.65	-	1273.81	-	-	-	-
Sector wise total		**24.30**	**-**	**124.65**	**140.00**	**-**	**264.65**	**-**	**1273.81**	**-**	**-**	**-**	**-**
SERVICE													
3.	Himachal Road Transport Corporation	42.18	19.42^	-	*	-	-	-	-	-	-	-	-
Sector wise total		**42.18**	**19.42^**	**-**	*****	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B (All sector wise working Statutory corporations)		**117.48**	**19.42**	**124.65**	**140.00**	**-**	**264.65**	**3.00**	**1363.39**	**-**	**-**	**-**	**-**
Grand Total (A + B)		**310.13**	**19.42**	**133.80**	**330.58**	**0.01**	**464.39**	**41.60**	**1537.58**	**-**	**17.46**	**-**	**17.46**

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
C. Non-working Government companies													
AGRICULTURE & ALLIED													
1.	Agro Industrial Packaging India Limited	-	0.86#	-	0.39	-	0.39	-	-	-	-	-	-
Sector wise total		**-**	**0.86#**	**-**	**0.39**	**-**	**0.39**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A + B +C)		**310.13**	**20.28**	**133.80**	**330.97**	**0.01**	**464.78**	**41.60**	**1537.58**	**-**	**17.46**	**-**	**17.46**

@ Figures indicate total guarantees outstanding at the end of the year.

* State Government released a subsidy of Rs. 69.12 crore during 2009-10 for bridging the gap of losses sustained by the Corporation on account of free/concessional facilities provided to the various section of society and running buses on uneconomic routes. Subsidy so provided has been taken as passenger income instead of subsidy.

^ Short term loan received from State Government was repaid before 31 March 2010 by the Corporation.

Short term loan.

Annexure 4

(Refer paragraph 1.25)

Statement showing investment made by the State Government in PSUs whose accounts are in arrears

Sl. No.	Name of PSU	Year up to which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Equity	Loan	Grants/subsidy	Others
Working companies/corporations			₹ in crore				
1	Himachal Pradesh Agro Industries Corporation Limited	2008-09	11.80	-	-	2.00	-
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2008-09	17.80	20.96	-	-	-
3	Himachal Backward Classes Finance and Development Corporation	2007-08	8.40	1.10 (2008-09) 0.68 (2009-10)	-	-	-
4	Himachal Pradesh Mahila Vikas Nigam	2008-09	4.67	1.08	-	-	-
5	Himachal Pradesh Minorities Finance and Development Corporation	2008-09	4.89	1.08	-	-	-
6	Himachal Pradesh Power Transmission Corporation Limited	2008-09	11.00	45.70	-	45.70	-
7	Himachal Pradesh State Handicrafts and Handloom corporation Limited	2008-09	8.75	-	-	1.20	-
8	Himachal Pradesh Tourism Development Corporation Limited	2008-09	12.30	-	-	0.65	-
	Total		**79.61**	**70.60**	**-**	**49.55**	**-**

Annexure 5

(Refer paragraph 1.15)

Statement showing financial position of Statutory corporations

(₹ in crore)

1	**Himachal Pradesh State Electricity Board**			
	Particulars	**2006-07**	**2007-08**	**2008-09**
A	**Liabilities**			
	Equity capital	282.11	334.00	372.23
	Loans from Government	20.13	18.40	92.64
	Other long-term loans (including bonds)	2098.30	2281.87	1847.75
	Reserves and surplus	1261.36	1333.86	1530.08
	Current liabilities and provisions	2341.99	2423.12	3049.61
	Total-A	**6003.89**	**6391.25**	**6892.31**
B	**Assets**			
	Gross fixed assets	3556.07	3564.76	4271.34
	Less: Depreciation	464.98	552.91	649.56
	Net fixed assets	3091.09	3011.85	3621.78
	Capital works-in-progress	1108.16	1098.53	997.79
	Deferred cost	81.92	104.81	135.72
	Current assets	784.64	1091.80	779.56
	Investments	695.18	815.66	1121.04
	Miscellaneous expenditure	5.62	5.93	6.06
	Deficits	237.28	262.67	230.36
	Total-B	**6003.89**	**6391.25**	**6892.31**
C	**Capital employed**[#]	**2641.90**	**2779.06**	**2349.52**
2	**Himachal Road Transport Corporation**			
	Particulars	**2007-08**	**2008-09**	**2009-10 (Provisional)**
A	**Liabilities**			
	Capital (including capital loan & equity capital)	308.11	339.60	387.85
	Borrowings (Government) (Others)	- 141.73	- 140.01	- 114.71
	Funds[=]	51.71	38.29	25.41
	Trade dues and other current liabilities (including provisions)	142.52	155.74	181.57
	Total-A	**644.07**	**673.64**	**709.54**
B	**Assets**			
	Gross block	199.12	214.93	234.05
	Less: Depreciation	123.74	128.24	135.03

[#] Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

[=] Excluding depreciation funds.

	Net fixed assets	75.38	86.69	99.02
	Capital works-in-progress (including cost of chassis)	3.68	2.11	1.77
	Current assets, loans and advances	86.97	72.61	59.02
	Accumulated losses	478.04	512.23	549.73
	Total-B	**644.07**	**673.64**	**709.54**
C	**Capital employed***	**23.51**	**5.67**	**(-)21.76**
3	**Himachal Pradesh Financial Corporation**			
	Particulars	**2007-08**	**2008-09**	**2009-10**
A	**Liabilities**			
	Paid-up capital(including share application money)	28.57	48.57	99.57
	Reserve funds and other reserves and surplus	4.97	4.97	4.97
	Borrowings:	-	-	-
	Bonds and debentures	101.32	91.06	89.58
	Industrial Development Bank of India and Small Industries Development Bank of India	87.85	76.10	80.28
	Others (including State Government)	6.90	8.38	12.76
	Other liabilities and provisions	73.20	71.84	73.47
	Total-A	**302.81**	**300.92**	**360.63**
B	**Assets**			
	Cash and Bank balances	31.82	12.20	18.91
	Investments	0.01	20.05	71.05
	Loans and Advances	172.12	163.71	165.21
	Net fixed assets	1.00	0.96	0.90
	Dividend deficit account	0.79	0.79	0.79
	Other assets	1.34	1.16	0.93
	Profit and loss account	95.73	102.05	102.84
	Total-B	**302.81**	**300.92**	**360.63**
C	**Capital employed@**	**229.52**	**229.35**	**258.12**

* Capital employed represents net fixed assets (including works-in-progress) plus working capital.

@ Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

Annexure 6

(Refer paragraph 1.15)

Statement showing working results of Statutory corporations

(₹ in crore)

1	**Himachal Pradesh State Electricity Board**			
	Particulars	**2006-07**	**2007-08**	**2008-09**
1	(a) Revenue receipts	1962.19	2352.48	2966.04
	(b) Subsidy/Subvention from Government	96.08	-	0.02
	Total	**2058.27**	**2352.48**	**2966.06**
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	1784.34	2135.45	2645.21
3	Gross surplus (+)/deficit (-) for the year (1-2)	273.93	217.03	320.85
4	Adjustments relating to previous years	(-)76.70	(+)23.05	(-)19.31
5	Final gross surplus(+)/deficit(-) for the year (3+4)	197.23	240.08	301.54
6	Appropriations:			
	(a) Depreciation (less capitalised)	57.14	87.99	96.96
	(b) Interest on Government loans	2.33	2.12	1.97
	(c) Interest on others, bonds, advances etc. and finance charges	233.01	248.34	245.67
	(d) Total interest on loans and finance charges (b+c)	235.34	250.46	247.64
	(e) Less: Interest capitalised	97.13	72.99	75.39
	(f) Net interest charged to revenue (d-e)	138.21	177.47	172.25
	(g) Total appropriations (a+f)	195.35	265.46	269.21
7	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6 (g)-1(b)}	(-)94.20	(-)25.38	(+)32.31

8	Net surplus(+)/deficit(-) {5-6(g)}	1.88	(-)25.38	(+)32.33
9	Total return on capital employed*	140.09	152.09	204.56
10	Percentage of return on capital employed	5.30	5.46	8.71
2	**Himachal Road Transport Corporation**			
	Particulars	**2007-08**	**2008-09**	**2009-10 (Provisional)**
	Operating (a) Revenue	323.48	371.00	395.09
	(b) Expenditure	358.14	397.33	421.78
	(c) Surplus(+)/Deficit(-)	(-)34.66	(-)26.33	(-)26.69
	Non-operating (a) Revenue	1.24	1.18	1.50
	(b) Expenditure	6.68	9.03	12.31
	(c) Surplus(+)/Deficit(-)	(-)5.44	(-)7.85	(-)10.81
	(a) Revenue	324.72	372.18	396.59
	(b) Expenditure	364.82	406.36	434.09
	(c) Net profit (+)/Loss (-)	(-)40.10	(-)34.18	(-)37.50
	Interest on capital and loans	6.68	9.03	12.31
	Total return on Capital employed	(-)33.42	(-)25.15	(-)25.19
	Percentage of return on capital employed	-	-	-

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

3	**Himachal Pradesh Financial Corporation**			
	Particulars	**2007-08**	**2008-09**	**2009-10**
1	**Income** (a) Interest on Loans (b) Other income	 18.22 9.49	 16.49 0.15	 17.62 5.38
	Total-1	**27.71**	**16.64**	**23.00**
2	**Expenses** (a) Interest on long-term and short-term loans (b) Other expenses	 16.26 4.71	 15.93 4.87	 18.67 5.12
	(c) Provision for non-performing assets	-	2.16	-
	Total-2	**20.97**	**22.96**	**23.79**
3	Profit(+)/loss (-) before tax (1-2)	6.74	(-)6.32	(-)0.79
4	Provision for tax	-	-	-
	Profit(+)/Loss(-) after tax (3-4)	6.74	(-)6.32	(-)0.79
5	Other appropriations (special reserve for the purpose of Section 36 (I) (viii) of the Income Tax Act, 1961 and general reserve)	-	-	-
6	Amount available for dividend	-	-	-
7	Dividend paid/payable	-	-	-
8	Total return on Capital employed[@]	23.00	9.61	17.88
9	Percentage of return on Capital employed	10.02	4.19	6.93

[@] For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss at disclosed in the profit and loss account.

Annexure 7
(Refer paragraph 2.1.10)
Statement showing operational performance of the Board

Sr No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Installed capacity (MW)	328.95	466.95	466.95	466.95	466.95
(a)	Thermal					
(b)	Hydel	328.95	466.95	466.95	466.95	466.95
(c)	Gas					
(d)	Other					
	Total	**328.95**	**466.95**	**466.95**	**466.95**	**466.95**
2	Normal Maximum Demand (MW)	768	873	1065	1055	1151
	Percentage Increase/decrease (-)over previous year	14.45	13.67	22.99	(-) 0.93	9.09
3	Power generated (MUs)					
(a)	Thermal					
(b)	Hydel	1332.34	1432.38	1864.97	2075.16	1804.14
(c)	Gas					
(d)	Other					
	Total	**1332.34**	**1432.38**	**1864.97**	**2075.16**	**1804.14**
	Percentage Increase/decrease (-)over previous year	2.85	7.50	30.19	11.27	(-)13.05
4	LESS: Auxiliary consumption (MUs)					
(a)	Thermal					
	(Percentage)					
(b)	Hydel	5.02	6.08	5.94	6.07	5.59
	(Percentage)	0.37	0.42	0.31	0.29	0.30
(c)	Gas					
	(Percentage)					
	Total	**5.02**	**6.08**	**5.94**	**6.07**	**5.59**
	(Percentage)	**0.37**	**0.42**	**0.31**	**0.29**	**0.30**
5	LESS: Govt. Share (MUs)	-	35.58	95.57	102.06	92.65
6	Net power generated (MUs) (3-(4+5))	1327.32	1390.72	1763.46	1967.03	1705.90
7	**Total demand (In MUs)**	**6302.31**	**6579.68**	**7340.97**	**8041.53**	**8500.87**
8	Deficit (-)/ Surplus (+) power (InMUs) (7-6)	(-)4974.99	(-)5188.97	(-)5577.51	(-)6074.50	(-)6794.97
9	Power purchased (in MUs)	4918.96	5056.95	5425.76	6047.49	6616.35
10	Total power available for sale (6+9)	6246.28	6447.67	7189.22	8014.52	8322.25
11	Power sold (in MUs Excluding losses)					
(a)	Within the State					
	(1)Government	305.29	324.88.	334.97	389.33	414.87
	() Private	3263.40	3975.56	4683.46	5071.18	5399.45
(b)	Other States	1722.53	1255.27	1198.62	1498.21	1284.02
	Total Power Sold	**5291.22**	**5555.71**	**6217.06**	**6958.72**	7098.34
12	T&D Losses (10-11)	955.06	891.96	972.16	1055.80	1223.91
13	Power cuts (in MUs)	56.03	132.02	151.75	27.01	178.62

Annexure 8

(Refer paragraphs 2.1.19)

Statement showing component-wise details of works, financial progress, present status, *etc*. of Ghanvi project

Name of work	Name of contractor	Awarded amount (₹ In lakh)	Month of award	Completion period (in months)	Expenditure up to February 2010 (₹ in lakh)	Present status
Power House	Himalayan	348.63	July 2006	20 (March 2008)	230.05	Work in progress
Tail Race Tunnel	Himalayan	146.76	June 2005	6 (December 2005)	91.44	Work in progress
Intake	SSJV	867.92	November 2005	20 (July 2007)	277.61	Work rescinded & re-awarded to M.S. Hydro for ₹ 1222.92 lakh
Head Race Tunnel	Himalayan	583.18	January 2005	21 (October 2006)	398.42	Work in progress
Penstock	Pilot Engg.	168.14	September 2006	15 (December 2007)	137.95	Work in progress
Total		**2114.63**			**1135.47**	

Annexure 9
(Refer paragraph 2.1.26)

Statement showing detail of per unit generation cost, per unit employees cost and percentage of employee cost to generation cost.

Name of project	2005-06			2006-07			2007-08			2008-09			2009-10		
	Per unit Generation cost (₹)	Per unit employees cost (₹)	%age of employees cost to generation cost	Per unit Generation cost	Per unit employees cost	%age of employees cost to generation cost	Per unit Generation cost	Per unit employees cost	%age of employees cost to generation cost	Per unit Generation cost	Per unit employees cost	%age of employees cost to generation cost	Per unit Generation cost	Per unit employees cost	%age of employees cost to generation cost
Giri	0.65	0.30	46.15	0.47	0.32	68.09	0.48	0.34	70.83	0.43	0.30	69.77	1.10	0.70	63.63
Andhra	1.74	0.38	21.84	0.75	0.42	56.00	0.64	0.33	51.56	0.66	0.35	53.03	1.25	0.67	53.60
Gumma	4.63	0.44	9.50	2.22	0.70	31.53	2.91	1.36	46.74	3.44	1.88	54.65	44.79	26.00	58.04
Bhaba	0.74	0.12	16.22	0.32	0.13	40.63	0.40	0.17	42.50	0.33	0.15	45.45	0.33	0.16	48.48
Nogli	6.82	1.91	28.01	1.59	0.75	47.17	1.43	0.65	45.45	3.42	1.52	44.44	2.87	1.50	52.26
Ghanwi	3.60	0.28	7.78	2.15	0.34	15.81	1.28	0.28	21.88	1.39	0.34	24.46	1.46	0.42	28.76
Chaba	1.07	0.78	72.90	1.23	1.05	85.37	1.47	1.09	74.15	1.33	0.93	69.92	2.22	1.84	82.88
Binwa	1.45	0.65	44.83	1.05	0.71	67.62	1.00	0.67	67.00	1.45	0.94	64.83	1.58	1.19	75.31
Bassi	0.41	0.18	43.90	0.26	0.18	69.23	0.28	0.18	64.29	0.50	0.31	62.00	0.81	0.42	51.85
Gaj	2.47	0.38	15.38	1.11	0.48	43.24	1.10	0.45	40.91	1.35	0.66	48.89	1.76	0.81	46.02
Baner	2.74	0.42	15.33	1.08	0.43	39.81	1.15	0.48	41.74	1.34	0.66	49.25	1.93	1.03	53.36
Rukti	6.77	3.63	53.62	4.60	3.15	68.48	2.75	2.07	75.27	4.59	3.70	80.61	10.09	7.40	73.33
Rongtong	14.59	1.35	9.25	5.63	1.77	31.44	5.86	2.00	34.13	9.69	7.20	74.30	5.15	1.40	27.18
Chamba	1.80	0.11	6.11	2.98	2.18	73.15	4.20	3.16	75.24	13.37	10.69	79.95	8.60	6.00	69.70
Sal-II	4.04	0.03	0.74	2.03	0.46	22.66	1.51	0.35	23.18	1.72	0.45	26.16	1.81	0.48	26.52
Holi	9.59	0.41	4.28	1.36	0.16	11.76	0.92	0.16	17.39	1.51	-	-	1.20	0.39	32.50
Killar	11.95	1.04	8.70	4.20	1.95	46.43	4.61	1.11	24.08	4.74	1.11	23.42	14.05	4.87	34.66
Thirot	28.73	1.51	5.26	3.26	0.56	17.18	2.87	0.57	19.86	4.60	0.76	16.52	2.76	-	-
Khauli	-	-	-	-	-	-	2.64	0.26	9.85	3.06	0.69	22.55	3.53	0.37	10.48
Larji	-	-	-	-	-	-	2.16	0.07	3.24	1.82	0.13	7.14	1.62	0.15	9.26

Annexure 10

(Refer paragraph 2.1.27 and 2.1.29)

Statement showing the details of installed capacity, designed potential, plant load factor and actual generation

Sr. No.	Name of the HEP	Installed capacity (MW)	Designed potential (MU)	Maximum possible generation (MU)	Plant Load Factor as per design (per cent)	Actual Generation (MUs)					Plant Load Factor (per cent)				
						2005-06	2006-07	2007-08	2008-09	2009-10	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Bhaba	120.00	637	1051.20	60.60	574.25	510.94	452.47	605.36	625.12	54.62	48.60	43.04	57.58	59.46
2.	Bassi	60.00	346	525.60	65.82	259.46	271.34	284.77	227.63	189.12	49.36	51.62	54.18	43.30	35.98
3.	Giri	60.00	289.55	525.60	55.08	193.52	169.71	177.21	244.79	110.06	36.81	32.29	33.71	46.57	20.94
4.	Ganvi	22.50	93.34	197.10	47.35	69.85	59.47	77.78	81.78	70.40	35.43	30.17	39.46	41.50	35.72
5.	Andhra	16.95	87.30	148.48	58.80	62.52	60.97	65.98	72.22	40.39	42.10	41.06	44.43	48.63	27.20
6.	Baner	12.00	60.67	105.12	57.71	43.43	44.25	43.14	38.78	32.00	41.31	42.09	41.03	36.89	30.44
7.	Gaj	10.50	38.31	91.98	41.65	51.37	47.01	46.04	39.17	35.93	55.84	51.10	50.05	42.58	40.15
8.	Binwa	6.00	29.25	52.56	55.65	33.58	30.04	32.06	27.26	25.54	63.88	57.17	60.99	51.86	48.59
9.	Thirot	4.50	8.75	39.42	22.20	3.15	8.51	8.61	7.21	8.03	7.99	21.58	21.84	18.26	20.37
10.	Gumma	3.00	18.11	26.28	68.91	12.52	7.89	7.90	7.13	0.68	47.64	30.02	30.06	27.13	2.59
11.	Holi	3.00	26.20	26.28	99.70	4.48	9.62	10.84	8.32	10.62	17.04	36.56	41.24	31.65	40.41
12.	Nogli	2.50	14.70	21.90	67.12	3.82	8.83	10.55	5.03	7.20	17.44	40.31	48.17	22.96	32.87
13.	Rongtong	2.00	8.72	17.52	49.77	1.94	1.71	1.62	1.44	1.52	11.07	9.76	9.24	8.21	8.67
14.	Sal-II	2.00	12.52	17.52	71.46	6.95	5.30	5.54	4.76	4.43	39.66	30.25	31.62	27.16	25.28
15.	Chaba	1.75	7.67	15.33	50.03	7.47	6.60	6.16	9.20	5.95	48.72	42.98	40.18	60.07	38.81
16.	Rukti	1.50	9.18	13.14	69.86	1.03	1.21	1.79	1.13	0.50	7.83	9.20	13.62	8.60	3.80
17.	Larji	126.00	586.82	1103.76	53.16	-	178.53	586.25	651.35	602.05	-	-	53.11	57.89	54.54
18.	Khauli	12.00	49.94	105.12	47.50	-	8.73	44.96	41.41	33.47	-	-	42.77	39.39	31.84
19.	Chamba	0.45	-	3.94	-	1.84	0.65	0.40	0.20	0.31	46.70	16.50	10.15	5.08	7.87
20.	Killar	0.30	-	2.62	-	1.16	1.08	0.90	0.99	0.82	44.27	41.22	34.35	37.79	31.30
	Total		**2324.03**			**1332.34**	**1432.38**	**1864.97**	**2075.16**	**1804.14**					

Annexure 11

(Refer paragraph 2.1.33)

Statement showing excess auxiliary consumption of 11 projects

(in MUs)

Sl. No.	Name of project	Admissible Percentage	2005-06		2006-07		2007-08		2008-09		2009-10	
			Actual consumption (Percentage)	Excess consump-tion	Actual consumption (Percentage)	Excess consump-tion	Actual consumption (Percentage)	Excess consump-tion	Actual consumption (Percentage)	Excess consum-ption	Actual consumption (Percentage)	Excess consum-ption
1.	Giri	0.20	0.47	0.5225	1.03	1.4086	0.59	0.6911	0.37	0.4161	0.66	0.5063
2.	Binwa	0.20	0.38	0.0605	0.40	0.0601	0.32	0.0385	0.32	0.0327	0.39	0.0485
3.	Thirot	0.20	1.20	0.0316	1.36	0.0987	0.79	0.0508	0.87	0.0483	0.84	0.0514
4.	Gumma	0.20	0.39	0.0238	0.54	0.0268	0.54	0.0269	0.53	0.0235	1.24	0.0057
5.	Holi	0.20	1.09	0.0399	0.54	0.0327	0.42	0.0238	0.56	0.0300	0.47	0.0287
6.	Rongtong	0.50	1.03	0.0103	0.99	0.0084	0.74	0.0039	0.49	-	0.45	-
7.	Sal-II	0.20	1.05	0.0591	1.30	0.0583	0.98	0.0432	1.07	0.0414	1.17	0.0385
8.	Rukti	0.50	3.69	0.0329	3.14	0.0320	2.41	0.0341	3.46	0.0334	8.06	0.0378
9.	Chamba	0.20	0.98	0.0143	1.99	0.0117	4.03	0.0152	5.08	0.0096	3.59	0.0105
10.	Killar	0.20	0.52	0.0037	0.46	0.0028	0.55	0.0032	0.30	0.0010	0.44	0.0020
11.	Khauli	0.20	-	-	0.49	0.0253	0.40	0.0899	0.58	0.1574	0.45	0.0837
	Total			**0.7986**		**1.7654**		**1.0206**		**0.7934**		**0.8131**
	Average per unit Rate (₹)			1.21		1.19		1.20		1.10		1.18
	Amount (₹ in lakh)			**9.66**		**21.01**		**12.25**		**8.73**		**9.59**

Total excess auxiliary consumption : 5.1911 MUs
Total revenue loss : ₹ 0.61crore

Annexure 12

(Refer paragraph 2.1.42)

The details of subsidy sanctioned by Government of India and amount of subsidy actually received by the Board up to March 2010

(₹ in crore)

Name of project	Capacity (in MW)	Subsidy sanctioned	Month of sanction	Subsidy received	Balance receivable	Present status
Bhaba Augmen-tation	3.00	4.25	March 1993	2.97	1.28	Incomplete
Khauli	12.00	15.00	March 2003	13.50	1.50	Completed in April 2007
Gumma	3.00	5.40	March 1995	4.86	0.54	Completed in May 2003
Ghanvi-II	10.00	11.25	August 2005	3.66	7.59	Incomplete
Total					**10.91**	

Annexure 13

(Refer paragraph 3.11.3)

Statement showing the department wise outstanding Inspection Reports (IRs) and paragraphs

Sl. No.	Name of Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Years from which outstanding
1	Horticulture	3	9	76	2005-06
2	Industries	7	19	48	2005-06
3	Forest	1	4	33	2005-06
4	Pubic Works	1	1	1	2008-09
5	Welfare	3	6	16	2007-08
6	Food and Supplies	1	1	1	2008-09
7	Tourism and Civil Aviation	1	11	32	2005-06
8	MPP and Power	3	730	3,358	2005-06
9	Transport	1	99	470	2006-07
	Total	**21**	**880**	**4,035**	

Annexure 14

(Refer paragraph 3.11.3)

Statement showing the department wise draft paragraphs/reviews replies to which are awaited

Sl. No	Name of Department	No. of draft paragraphs	Period of issue
1	MPP & Power	3	April, May and June 2010
2	Forest	1	April 2010
3	Finance	1	October 2010
	Total	**5**	