Report of the
Comptroller and Auditor General of India

on

Public Sector Undertakings
(Social, General and Economic Sectors)
for the year ended 31 March 2016

Government of Haryana

Report No. 6 of the year 2016

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GOVERNMENT OF HARYANA

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PREFACE

This report deals with the results of audit of Government companies and Statutory corporations for the year ended 31 March 2016.

The accounts of Government companies (including companies deemed to be government companies as per the provisions of the Companies Act, 2013) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of the Companies Act as amended from time to time. The accounts certified by the statutory auditors (Chartered Accountants) appointed by the Comptroller and Auditor General are subject to supplementary audit by officers of the CAG and CAG gives his comments or supplements the reports of the statutory auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government company or corporation are submitted to the Government by CAG for laying before State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2015-16 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 2015-16 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

This Report contains 14 paragraphs and a performance audit on 'Tariff, Billing and Collection of Revenue' in Uttar Haryana Bijli Vitran Nigam Limited involving financial implications of `3,755.23 crore relating to avoidable expenditure, loss of interest and non-safeguarding of the financial interests. Some of the major findings are mentioned below:

1. About the State Public Sector Undertakings

The State of Haryana had 23 working PSUs (21 companies and two Statutory corporations) and six non-working companies which employed 29,246 employees. As on 31 March 2016, the investment (capital and long-term loans) in 29 PSUs was `41,068.02 crore. Out of the total investment in State PSUs, 99.93 *per cent* was in working PSUs and the remaining 0.07 *per cent* in non-working PSUs. The total investment consisted of 25.22 *per cent* towards capital and 74.78 *per cent* in long-term loans. Power sector accounted for over 91.22 *per cent* of the total investment. The State Government contributed `8,383.81 crore towards equity, loans and grants/ subsidies in 15 PSUs during 2015-16.

(Paragraphs 1.1, 1.6, 1.7 and 1.8)

Performance of Public Sector Undertakings

Out of 23 working PSUs, 17 PSUs submitted their 21 accounts up to September 2016. Of these, 14 accounts reflected profit of `306.69 crore and seven accounts reflected losses of `2,125.53 crore. Further, as per the dividend policy of the State Government, all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital contributed by the State Government. Out of the profit making PSUs, only three PSUs declared dividend of `5.64 crore.

(Paragraph 1.16)

Arrears in finalisation of accounts

22 working PSUs had arrears of 39 accounts as of 30 September 2016. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

(Paragraphs 1.10 and 1.11)

2. Performance audit of Government Companies

A performance audit of 'Tariff, Billing and Collection of Revenue' in Uttar Haryana Bijli Vitran Nigam Limited brought out under recovery of service charges and rent, avoidable interest loss and excess supply of power that adversely impacted the financial position of the Company. The important audit findings are as under:

The Company recovers Service Connection Charges from consumers to recover the cost incurred while releasing electricity connections. Non-revision of rates after January 2001 resulted in under-recovery of `124.24 crore from consumers during the period from 2011-12 to 2014-15.

(Paragraph 2.6.1.1)

Haryana Electricity Regulatory Commission (HERC) allowed recovery of Regulatory Assets (RAs) of `114.49 crore out of accumulated RAs of `254.42 crore as a part of tariff for 2013-14. The Company had not taken up the matter of recovery of balance RAs of `139.93 crore with HERC while filing Annual Revenue Requirements (ARRs) under the Multi Year Tariff (MYT) framework for 2014-17.

(Paragraph 2.6.1.3)

The Company supplied 15,952.82 MUs of power against HERC approval of 15,233.50 MUs during 2011-15 to agricultural pump set consumers resulting in short receipt of subsidy of `425.97 crore due to excess supply of 719.32 MUs of power.

(Paragraph 2.6.1.5(i))

The Company had to bear a holding cost of `137.86 crore due to delay in filing of claim for Fuel Surcharge Adjustments.

(Paragraph 2.6.1.7)

The Company had to suffer interest loss of `30.60 crore due to non-revision of Advance Consumption Deposit.

(Paragraph 2.7.6)

Under-charging of meter rent, delay in issue of first bills to consumers and non-adherence to the periodicity of billing led to loss of `12.73 crore. The loss of revenue was potentially higher due to increase in unauthorised use of load and delay in replacement of defective/damaged meters and of electromechanical meters with static meters.

(Paragraph 2.7.8)

The Company also had to sustain loss of `1,729.75 crore due to its failure to contain transmission and distribution losses as per the prescribed norms of HERC.

(Paragraph 2.7.9)

3. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of State Government Companies and Statutory Corporation, which had serious financial implications. Important findings are as under:

Haryana Vidyut Prasaran Nigam Limited

- Lack of timely action to enforce terms of Notice Inviting Tender relating to validity of security bid coupled with issue of purchase orders before signing of contract resulted in firm backing out from contract after being declared the lowest bidder. The Company has yet to recover the bid security of `48 lakh.

(Paragraph 3.1)

- Failure of Company to fully encash a bank guarantee on default of contractor resulted in non-recovery of `36.36 lakh.

(Paragraph 3.2)

- The Company breached the confidentiality of bid evaluation process and had to incur an extra expenditure of `2.02 crore in re-tendering of work.

(Paragraph 3.3)

Uttar Haryana Bijli Vitran Nigam Limited

- Procurement of cables without considering actual consumption led to blocking of funds of `7.70 crore and avoidable interest thereon of `1.68 crore.

(Paragraph 3.4)

- Release of payment without first ascertaining physical progress of work resulted in excess payment of `1.04 crore.

(Paragraph 3.5)

- Non-encashment of the performance bank guarantee resulted in Company suffering loss of `1.17 crore besides loss of `0.60 crore on account of interest on borrowed funds. Damaged transformers valuing `1.95 crore have remained unutilised for long periods.

(Paragraph 3.6)

Dakshin Haryana Bijli Vitran Nigam Limited

- Non-compliance with provisions of Electricity Act, 2003 and HERC Regulations 2014 by the Company led to non recovery of `84.14 lakh.

(Paragraph 3.7)

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

- Implementation of R–APDRP suffered from delays as well as unfruitful expenditures. Towns were declared ‘Go Live’ though they did not fulfill the criteria for being declared ‘Go Live’. Expenditure of `6.89 crore incurred on consultants proved unfruitful as the detailed project report prepared by them remained unutilised. Delay in updating of software to incorporate revised tariff resulted in delay in realisation of `299.96 crore.

(Paragraph 3.8)

- Transformer repair workshops were low on efficiency leading to accumulation of unrepaired distribution transformers which impacted the maintenance of distribution networks. The percentage of repaired distribution transformers to damaged distribution transformers decreased from 57 *per cent* to 31 *per cent* in UHBVNL and from 70 *per cent* to 22 *per cent* in DHBVNL during the three year period till 2015-16. This was attributable to delay in finalisation of tender for repair and failure of Companies to provide the required raw materials and space to the firms.

(Paragraph 3.9)

Haryana Mass Rapid Transport Corporation Limited

- HUDA entered into a concession contract assuming 80 *per cent* of liabilities of concessionaire in the event of termination of the contract and default of the concessionaire without full visibility as to the costing of the project and the extent of its potential liabilities. HUDA and its successor HMRTC failed to enforce the terms of the concession contract which resulted in non-recovery of interest of `1.57 crore for delayed payment of connectivity charges and charging of excess passenger fares amounting to `11.84 crore by the concessionaire.

(Paragraph 3.10)

Haryana Financial Corporation

- Corporation suffered loss of `10.43 crore in 15 accounts due to violation of the guidelines of One Time Settlement Schemes. The Corporation could not recover outstanding dues of `38.29 crore due to non-availability of security or defective title of the security and had to write off this amount.

(Paragraph 3.11)

Haryana Forest Development Corporation Limited

- The Company could neither achieve the profit targets fixed by it nor could it ensure the expected return from felled timber and forest produce. The Company also suffered a loss of `3.27 crore due to less recovery compared to norms of minimum 50 *per cent* fixed for the recovery of round timber and faulty planning in respect of plantation project on unsuitable land.

(Paragraph 3.12)

Haryana Agro Industries Corporation Limited

- Failure to comply with instructions of supply of wheat directly to Food Corporation of India resulted in the Company having to bear carryover charges of `2.29 crore.

(Paragraph 3.13)

Chapter-1

Functioning of State Public Sector Undertakings

Chapter 1

Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) are established to carry out activities of a commercial nature and occupy an important place in the State's economy. As on 31 March 2016, there were 29 PSUs. Of these, one Corporation[1] was listed on the Bombay Stock Exchange (BSE). During the year 2015-16, no PSU was incorporated and one[2] PSU was dissolved. Two[3] PSUs ceased their operations and became non-working. The details of the State PSUs as on 31 March 2016 are given in table 1.1 below:

Table 1.1: Total number of PSUs as on 31 March 2016

Type of PSUs	Working PSUs	Non-working PSUs[4]	Total
Government Companies	21	6	27
Statutory Corporations	2	Nil	2
Total	**23**	**6**	**29**

The working PSUs registered a turnover of `34,109.41 crore as per their latest finalised accounts as of 30 September 2016. This turnover was equal to 6.92 *per cent* of the State's Gross Domestic Product (GDP) for 2015-16. The working PSUs incurred loss of `1,770.50 crore as per their latest finalised accounts as of 30 September 2016. They had 29,246 employees as at the end of March 2016.

Accountability framework

1.2 Audit of Government Companies is governed by Section 143(6) of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s) and includes a subsidiary company of a Government company. Further, as per Section 143(7) of the Act, in case of any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments, the Comptroller and Auditor General of India (CAG), may, by an order, cause test audit to be conducted of the accounts of such Company and provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to such test audit. Audit of the financial statements in respect of the financial years that commenced earlier than 1 April 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

[1] Haryana Financial Corporation.
[2] Haryana Coal Company Limited.
[3] HARUP Coal Corporation Limited and Yamuna Coal Company Private Limited.
[4] Non-working PSUs are those which have ceased to carry on their operations.

Statutory Audit

1.3 The financial statements of Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Companies Act, 2013. As per provisions of Section 143(6) of the Act, *ibid*, these financial statements are also subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under Section 143 (5).

Audit of Statutory corporations, is governed by their respective legislations. The audit of Haryana State Warehousing Corporation (HSWC) and Haryana Financial Corporation (HFC) is conducted by Chartered Accountants and supplementary audit by CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature within three months of their finalisation or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Haryana

1.5 The State Government has substantial financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans:** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support:** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees:** State Government also guarantee the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2016, the investment (capital and long-term loans) in

29 PSUs was `41,068.02 crore as given in table 1.2 below:

Table 1.2: Total investment in PSUs

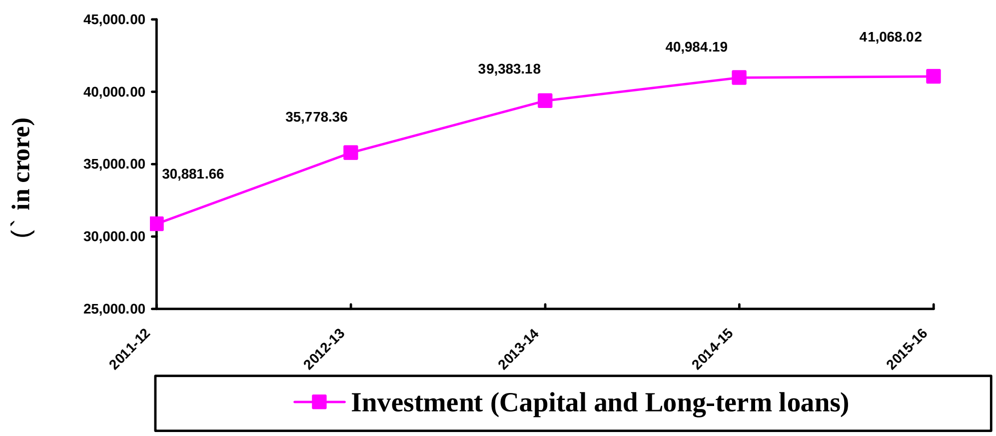
(` in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	10,125.17	30,651.91	40,777.08	213.50	49.40	262.90	41,039.98
Non-working PSUs	19.32	8.72	28.04	-	-	-	28.04
Total	**10,144.49**	**30,660.63**	**40,805.12**	**213.50**	**49.40**	**262.90**	**41,068.02**

Source: Information collected from PSUs

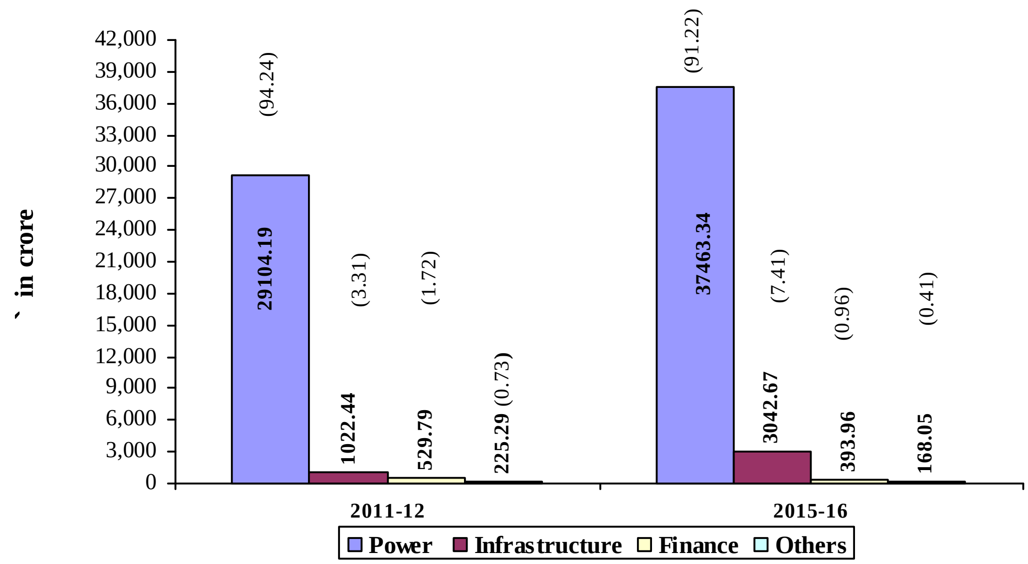
As on 31 March 2016, of the total investment in State PSUs, 99.93 *per cent* was in working PSUs and the remaining 0.07 *per cent* in non-working PSUs. This total investment consisted of 25.22 *per cent* towards capital and 74.78 *per cent* in long-term loans. The investment has grown by 32.99 *per cent* from `30,881.66 crore in 2011-12 to `41,068.02 crore in 2015-16 as shown in chart 1.1 below:

Chart 1.1: Total investment in PSUs



1.7 The investment in four significant sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated in chart 1.2 below. The thrust of PSU investment was mainly in the power sector. Though the investment in power sector increased from `29,104.19 crore to `37,463.34 crore during 2011-12 to 2015-16, its share in overall investment declined marginally in percentage terms from 94.24 *per cent* to 91.22 *per cent.*

Chart 1.2: Sector wise investment in PSUs



(Figures in brackets show the percentage of sectoral investment to total investment)

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect of State PSUs are given in table 1.3 below for three years ended 2015-16.

Table 1.3: Details regarding budgetary support to PSUs

(` in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	6	102.92	7	68.22	9	1,638.53
2.	Loans given from budget	1	6.48	2	153.25	2	156.83
3.	Grants/Subsidy from budget	11	10,639.10	9	5,357.76	12	6,588.45
4.	**Total Outgo (1+2+3)**	**13**	**10,748.50**	**13**	**5,579.23**	**15**	**8,383.81**
5.	Waiver of loans and interest	-	-	1	81.24	-	-
6.	Guarantees issued	5	10,425.04	6	3,966.62	7	4,380.42
7.	Guarantee Commitment	9	25,074.45	8	28,746.85	9	15,447.21

Source: Information collected from PSUs

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee subject to limits prescribed by the Constitution of India for which a guarantee fee is charged. The State Government charged guarantee fee at the rate of 0.125 *per cent* to two *per cent* depending upon the PSUs. The guarantee commitment decreased to `15,447.21 crore during 2015-16 from `25,074.45 crore in 2013-14. During 2015-16, five PSUs paid guarantee fee of `32.32 crore.

There were four PSUs which did not pay guarantee fee during the year and the accumulated/ outstanding guarantee fee thereagainst was `8.77 crore as on 31 March 2016. The major defaulter was Haryana State Warehousing Corporation (`5.26 crore). The other defaulters were Haryana Agro Industries Corporation Limited (`3.23 crore), Haryana Backward Classes and Economically Weaker Section Kalyan Nigam (`0.26 crore) and Haryana Scheduled Castes Finance and Development Corporation (`0.02 crore).

Reconciliation with Finance Accounts

1.9 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 2016 is given in table 1.4 below:

Table 1.4: Equity, loans, guarantees outstanding as per finance accounts v*is- a- vis* records of PSUs

(` in crore)

Outstanding in respect of	Amount[5] as per Finance Accounts	Amount as per records of PSUs*	Difference
Equity	8,903.66	9,170.82	267.16
Loans	13,426.44[6]	1,316.53	12,109.91
Guarantees	14,845.17	15,447.21	602.04

*Source: Information collected from PSUs

Audit observed that the differences occurred in respect of 16 PSUs and some of the differences were pending reconciliation since 2004-05. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end, in accordance with Section 96 (1) read with Section 129 (2) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act *ibid*. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

[5] Provisional figures.

[6] This includes loan of `12,110 crore advanced to Haryana DISCOMs on 31 March 2016 under UDAY Scheme.

Table 1.5 below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2016.

Table 1.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of Working PSUs	22	24	24	25	23
2.	Number of accounts finalised and received for supplementary audit during the year	22	18	23	22	21
3.	Number of accounts in arrears	29	34	35	36	39
4.	Number of Working PSUs with arrears in accounts	17	19	19	19	22
5.	Extent of arrears (numbers in years)	1 to 4	1 to 4	1 to 4	1 to 5	1 to 5

PSUs having arrears of accounts need to take effective measures for early clearance of backlog and to make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised so as to restrict further accumulation of arrears.

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 Finance Department was informed quarterly by the Principal Accountant General (Audit), Haryana, of the arrears in finalisation of accounts, adequate remedial measures were not taken. As a result, the net worth of these PSUs could not be assessed in audit.

1.11 The State Government had invested `8,543.36 crore in 16 PSUs {equity: `1,648.03 crore (10 PSUs), loans `156.83 crore (two PSUs), grants: `4,139.16 crore (seven PSUs) and subsidy `2,599.34 crore (six PSUs)} during the years for which accounts have not been finalised as detailed in ***Appendix 1***. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested was achieved or not. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of six non-working PSUs, two[7] were in the process of liquidation whose accounts were in arrears for 14 to 17 years. Of remaining four non-working PSUs[8], Yamuna Coal Company Private Limited had no arrear of accounts. The HARUP Coal Corporation Limited had arrear of accounts for the years 2014-15 and 2015-16 while the Haryana Minerals Limited and Haryana State Minor Irrigation and Tubewell Corporation Limited had arrear of accounts for the year 2015-16.

[7] Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

[8] Haryana Minerals Limited, Haryana State Minor Irrigation and Tubewell Corporation, HARUP Coal Corporation Limited and Yamuna Coal Company Private Limited.

Placement of Separate Audit Reports

1.13 Table 1.6 below depicts the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature.

Table 1.6: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Haryana Financial Corporation	2014-15	-	-
2.	Haryana State Warehousing Corporation	2012-13	2013-14	Under printing
			2014-15	Yet to be placed before AGM

Impact of non-finalisation of accounts

1.14 Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2015-16 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of Government companies and Statutory Corporations are detailed in ***Appendix 2***. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table 1.7 below provides the details of turnover of working PSUs and State GDP for a period of five years ending 2015-16.

Table 1.7: Details of working PSUs turnover *vis-a-vis* State GDP

(` in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover[9]	21,465.56	22,384.88	25,262.69	36,608.23	34,109.41
State GDP[10]	3,00,755.57	3,50,406.61	3,95,747.73	4,41,864.26[11]	4,92,656.90[12]
Percentage of Turnover to State GDP	7.13	6.38	6.38	8.28	6.92

Source: Information collected from PSUs and State GDP Data

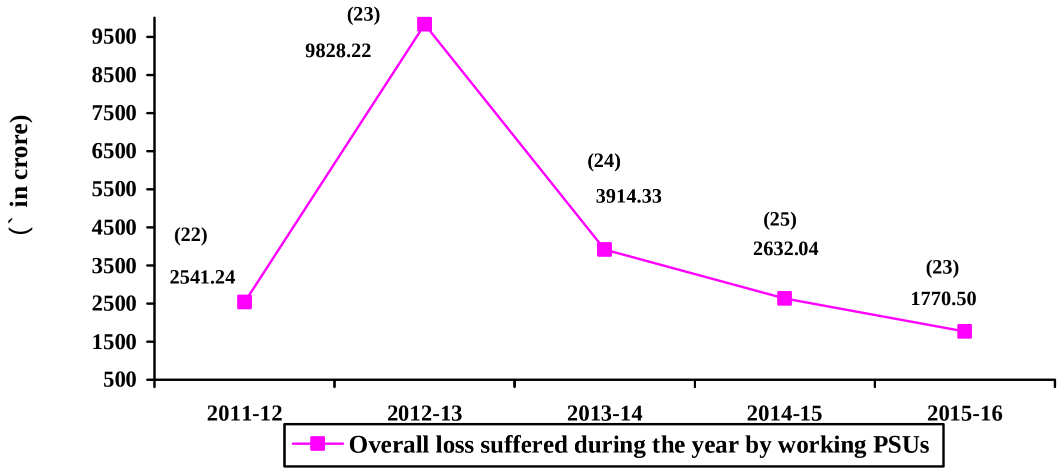
The turnover of State PSUs to the State GDP in percentage terms decreased from 7.13 *per cent* in 2011-12 to 6.92 *per cent* in 2015-16.

1.16 Overall losses incurred by State working PSUs during 2011-12 to

[9] Turnover as per the latest finalised accounts as of 30 September 2016.
[10] At current prices.
[11] Quick Estimates.
[12] Advance Estimates.

2015-16 are given in a chart 1.3 below:

Chart 1.3: Loss of working PSUs



(Overall loss is net effect of accumulated profit/ loss during the year for which accounts were finalised and figures in brackets show the number of working PSUs in respective years)

The summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised are given in ***Appendix 2***. During the period from 01 October 2015 to 30 September 2016, 21 accounts were received in respect of 17 working PSUs. Of these, 14 accounts reflected profit of `306.69 crore and seven accounts reflected loss of `2,125.53 crore. One working PSU *viz* Haryana Medical Services Corporation Limited have not prepared its first accounts. The major contributors to profit were Haryana State Industrial and Infrastructure Development Corporation Limited (`143.75 crore), Haryana Power Generation Corporation Limited (`108.21 crore) and Haryana Financial Corporation (`51.83 crore). Heavy losses were incurred by Uttar Haryana Bijli Vitran Nigam Limited (`1,480.57 crore) and Dakshin Haryana Bijli Vitran Nigam Limited (`636.16 crore).

1.17 Some other key parameters of PSUs are given in table 1.8 below:

Table 1.8: Key Parameters of State PSUs

(` in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed (*per cent*)	-	-	2.01	6.96	8.35
Debt	21,838.13	27,231.91	30,739.75	37,847.90	42,712.65
Turnover[13]	21,465.61	22,384.88	25,262.69	36,608.23	34,109.41
Debt/ Turnover Ratio	1.02:1	1.22:1	1.22:1	1.03:1	1.25:1
Interest Payments	2,445.50	3,526.20	4,361.24	4,411.32	3,960.52
Accumulated losses	8,622.09	21,210.01	23,813.48	24,043.86	28,338.17

Source: As per latest finalised Annual Accounts of PSUs

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

[13] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2016.

The percentage of return on capital employed of all PSUs increased from 2.01 in 2013-14 to 8.35 in 2015-16. The ratio of the debts to the turnover which was 1.02:1 in 2011-12 increased to 1.22:1 in 2012-13 and 2013-14 and thereafter decreased to 1.03:1 in 2014-15. It, however, increased to 1.25:1 in 2015-16.

1.18 The State Government had formulated (October 2003) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital of the State Government. As per their latest finalised accounts, 13 PSUs earned an aggregate profit of `408.57 crore but only three[14] PSUs declared a dividend of `5.64 crore. The remaining ten PSUs did not declare dividend despite earning profit of `238.69 crore.

Winding up of non-working PSUs

1.19 There were six non-working PSUs (all companies) as on 31 March 2016. Of these, two PSUs[15] have commenced liquidation process.

During 2015-16, non-working PSUs incurred an expenditure of `0.40 crore towards salary and establishment expenditure. This expenditure was managed through interest on FDR.

1.20 The stages of closure in respect of non-working PSUs are given in table 1.9 below:

Table 1.9: Closure of Non-working PSUs

Sl. No.	Particulars	Companies
1	Total No. of non-working PSUs	6
2	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	-
(b)	Voluntary winding up (liquidator appointed)	2
(c)	Closure, *i.e.* closing orders/ instructions issued but liquidation process not yet started.	4

One non-working company, namely Haryana Coal Company Limited, was dissolved (November 2015) during the year 2015-16. Two companies have taken the route of voluntary winding up under the Companies Act and were under liquidation for a period ranging from 12 to 17 years. Remaining four companies were under closure, *i.e.* closing orders/ instructions had been issued but liquidation process had not yet started.

Accounts Comments

1.21 Sixteen working companies forwarded their 19 audited accounts to Principal Accountant General (PAG) during the period October 2015 to

[14] Haryana Forest Development Corporation – 30 *per cent*; Haryana State Warehousing Corporation – 10 *per cent* and Haryana State Industrial and Infrastructure Development Corporation Limited – 10 *per cent*.

[15] Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

September 2016. Of these, 14 accounts of 11 companies were selected for supplementary audit. Besides, six accounts of six companies which were under finalisation as on 30 September 2015 were also finalised during the above period. 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 in table 1.10 below:

Table 1.10: Impact of audit comments on working Companies

(` in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in profit	10	29.51	5	2.83	9	122.69
2.	Increase in loss	2	1,081.47	6	1,074.35	9	1,067.77
3.	Non-disclosure of material facts	6	254.86	4	3,805.09	7	2,448.82
4.	Errors of classification	3	667.14	5	5,979.35	11	1,239.19

During the year, the statutory auditors gave unqualified certificates for four accounts, qualified certificates for 12 accounts and adverse certificates (*i.e.* accounts do not reflect a true and fair position) for three accounts. Qualifications by statutory auditors had the effect of increasing the reported loss (`636.16 crore) of DHBVNL[16] by `478.28 crore for the year 2014-15. In addition to the above, after taking into consideration the effect of CAG's qualifications on the accounts of DHVBNL, the loss for the year 2014-15 (after statutory auditor's qualification) of `1,114.44 crore would increase to `1,204.40 crore. Similarly, qualifications by statutory auditors and of the CAG had the effect of turning the reported profit (`3.51 crore) of HARTRON[17] for the year 2014-15 into a loss of `7.72 crore. The compliance of companies with the Accounting Standards remained poor. There were 66 instances of non-compliance in 18 accounts during the year.

1.22 Similarly, out of two working statutory corporations, Haryana State Warehousing Corporation forwarded its two accounts for the years 2014-15 and 2015-16 for supplementary audit during the period October 2015 to September 2016. The comments for the year 2014-15 have been finalised and for the year 2015-16 are under process as on 30 September 2016. Besides, accounts of Haryana Financial Corporation for the year 2014-15 which were under finalisation as on 30 September 2015 were also finalised during the above period. The Audit Reports of statutory auditors and supplementary audit of CAG indicated the need to improve the quality of maintenance of the accounts. The details of aggregate money value of comments of statutory auditors and CAG on the accounts audited during the last three years are

[16] Dakshin Haryana Bijli Vitran Nigam Limited.
[17] Haryana State Electronics Development Corporation Limited.

given in table 1.11 below:

Table 1.11: Impact of audit comments on Statutory Corporations

(` in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in profit	1	3.78	1	2.28	3	7.49
2.	Increase in loss	1	4.55	-	-	-	-
3.	Non-disclosure of material facts	1	40.81	-	-	2	7.07
4.	Errors of classification	-	-	2	4.39	2	28.82

During the period October 2015 to September 2016, two accounts of Haryana State Warehousing Corporation for the year 2014-15 and 2015-16 were received and both received qualified certificate by the statutory auditors.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2016, two performance audits and 18 compliance audit paragraphs were issued to the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of three compliance audit paragraphs were awaited from the State Government as of September 2016.

Follow up action on Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The State Finance Department, Government of Haryana, issued (July 1996) instructions to all administrative departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature. However, explanatory notes were not received in 50 *per cent* of the performance audits and 71 *per cent* of the audit paragraphs as on 30 September 2016 as depicted in table 1.12 below:

Table No.1.12: Explanatory notes not received (as on 30 September 2016)

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	04.09.2015	2	9	-	3
2014-15	14.03.2016	2	15	2	14
Total	**-**	**4**	**24**	**2**	**17**

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2016 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as given in table 1.13 below:

Table No.1.13: Reviews/ Paras appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2016

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2012-13	2	10	-	2
2013-14	2	9	-	-
2014-15	2	15	-	-
Total	**6**	**34**	**-**	**2**

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATN) to 35 paragraphs pertaining to seven Reports of COPU presented to the State Legislature between February 2009 and March 2016 had not been received (30 September 2016) as indicated in table 1.14 below:

Table No.1.14: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2008-09	1	14	1(Para No. 14)
2010-11	1	10	1(Para No. 8)
2011-12	1	8	2(Para No. 3 & 5)
2012-13	1	16	3(Para No. 4, 5 &7)
2013-14	1	10	5(Para No.3 to 6 &10)
2014-15	1	12	9 (Para No. 4 to 12)
2015-16	1	16	14 (Para No. 1 to 4, 6 to 10 and 12 to 16
Total	**7**	**86**	**35**

These Reports of COPU contained recommendations in respect of paragraphs pertaining to nine departments[18] which appeared in the Reports of the CAG of India for the years 2003-04 to 2011-12.

It is recommended that the Government may ensure sending of replies to inspection reports/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule, recovery of loss/ outstanding advances/ overpayments within the prescribed period and revamping of the system of responding to audit observations.

Disinvestment, Restructuring and Privatisation of PSUs

1.27 The State Government did not undertake the exercise of disinvestment, privatisation and re-structuring of any of its PSUs during 2015-16.

[18] Agriculture, Forest, Home, Industries, Power, PWD (B&R), SC and BC Welfare, Transport and Tourism.

Coverage of this Report

1.28 This Report contains 14 paragraphs and one Performance Audit *i.e.* 'Tariff, Billing and Collection of Revenue in Uttar Haryana Bijli Vitran Nigam Limited' involving financial implications of `3,755.23 crore. The management did not reply to one paragraph while the response of the Government of Haryana was awaited to three paragraphs and to the performance audit.

Chapter-2

Performance Audit relating to Government Companies

Chapter 2

2 Performance Audit relating to Government Companies

Tariff, Billing and Collection of Revenue by Uttar Haryana Bijli Vitran Nigam Limited

The Uttar Haryana Bijli Vitran Nigam Limited (Company) was incorporated on 15 March 1999 for distribution of power in the northern parts of Haryana. The objectives of the Company are to develop and maintain an efficient, coordinated and economical distribution system and to supply electricity to the consumers in accordance with the provisions of the Electricity Act, 2003. A performance audit of the activities of the Company relating to tariff, billing and collection of revenue covering the period 2011-12 to 2015-16 *inter-alia* brought out under recovery of service charges, under charging of rent and excess supply of power which adversely impacted the financial position of the Company. Some of the significant findings are as under:

Highlights

The Company recovers Service Connection Charges from consumers to recover the cost incurred while releasing electricity connections. Non-revision of rates after January 2001 resulted in under-recovery of `124.24 crore from consumers during the period from 2011-12 to 2014-15.

(Paragraph 2.6.1.1)

Haryana Electricity Regulatory Commission (HERC) allowed recovery of Regulatory Assets (RAs) of `114.49 crore out of accumulated RAs of `254.42 crore as a part of tariff for 2013-14. The Company had not taken up the matter of recovery of balance RAs of `139.93 crore with HERC while filing Annual Revenue Requirements (ARRs) under the Multi Year Tariff (MYT) framework for 2014-17.

(Paragraph 2.6.1.3)

The Company supplied 15,952.82 MUs of power against HERC approval of 15,233.50 MUs during 2011-15 to agricultural pump set consumers resulting in short receipt of subsidy of `425.97 crore due to excess supply of 719.32 MUs of power.

(Paragraph 2.6.1.5(i))

The Company had to bear a holding cost of `137.86 crore due to delay in filing of claim for Fuel Surcharge Adjustments.

(Paragraph 2.6.1.7)

The Company had to suffer interest loss of `30.60 crore due to non-revision of Advance Consumption Deposit.

(Paragraph 2.7.6)

Under-charging of meter rent, delay in issue of first bills to consumers and non-adherence to the periodicity of billing led to loss of `12.73 crore. The loss of revenue was potentially higher due to increase in unauthorised use of load and delay in replacement of defective/ damaged meters and of electromechanical meters with static meters.

(Paragraph 2.7.8)

The Company also had to sustain loss of `1,729.75 crore due to its failure to contain transmission and distribution losses as per the prescribed norms of HERC.

(Paragraph 2.7.9)

2.1 Introduction

The Uttar Haryana Bijli Vitran Nigam Limited (Company) was incorporated on 15 March 1999 for distribution of power in the northern parts of Haryana. The objectives of the Company are to develop and maintain an efficient, coordinated and economical distribution system and to supply electricity to the consumers in accordance with the provisions of the Electricity Act, 2003.The Company controls transmission and distribution system up to 33 Kilo Volt (KV). The tariff is fixed by the Haryana Electricity Regulatory Commission (HERC) based on Annual Revenue Requirement (ARR) submitted by the Company.

2.2 Organisational set up

The activity of sale of power to all categories of consumers is under Director (Operations) of the Company who also monitors erection, operation and maintenance of the distribution network, billing and collection of revenue. The activity of reconciliation of revenue, collection and banking are controlled by the Financial Advisor.

2.3 Audit objectives

The objectives of performance audit were to ascertain whether the:

- entire cost of providing electricity is being recovered by submission of timely ARRs to HERC;
- tariff orders, sales circulars and sales instructions were issued without any ambiguity and implemented in time by the field offices;
- metering and billing was managed efficiently and effectively;

- collection and accounting of revenue was completed in an economic and efficient manner; and
- monitoring and internal controls were efficient to eliminate risk in billing and collection activity.

2.4 Audit criteria

The audit findings are evaluated against audit criteria which are sourced from the following:

- The Electricity Act, 2003 and regulations issued from time to time by HERC;
- Tariff orders and directives/ instructions issued by HERC;
- Guidelines issued by the HERC/ Company regarding collection of revenue, its accountal and prevention of thefts; and
- Targets of billing & collection efficiency, Aggregate Technical & Commercial (AT&C) losses and vigilance checking fixed by HERC/ Company.

2.5 Scope of Audit and methodology

The audit conducted from October 2015 to May 2016 covered examination of activities of the Company relating to tariff, billing and collection of revenue for energy sold during the years 2011-12 to 2015-16. For achieving the audit objectives, the records maintained at the Head Office of the Company and at five[1] out of nine operation circles (covering all the divisions and sub-divisions) were selected through "Simple Random Sampling Method without Replacement". The selected sample covered 65 *per cent* of revenue. The electronic data of billing of consumers maintained by the Company was analysed by using data extraction and analysis tool *viz.*, IDEA (Interactive Data Extraction and Analysis) software to ensure that the billings of consumers were done with respect to rules and regulations of the Company**.**

The audit objectives were discussed with the Company during the entry conference (January 2016). The audit findings were reported (June 2016) to the Management and discussed in the exit conference (July 2016) which was attended by management headed by the Managing Director of the Company. The views of the Management have been considered while finalizing this performance audit.

2.6 Audit findings

2.6.1 Tariff Proposals

The Company files its ARR with HERC by 30 November every year showing

[1] Karnal, Panipat, Rohtak, Sonepat and Yamunanagar.

the expected aggregate revenue, the estimated cost of providing electricity and proposals to deal with the revenue gap. The financial viability of the Company depends upon generation of surplus from its operations to finance its operational needs and future capital expansion programmes.

2.6.1.1 Delay in filing of petition for revision of service connection charges

The Company charges fixed Service Connection Charges (SCCs) from its consumers to recover the cost incurred while releasing electricity connections. The HERC Regulations 2005 require the Company to compile and publish a cost data sheet by 1st April of every year which should include SCCs to be recovered from the consumers. Audit observed that the Company had fixed the rates of SCCs for various categories[2]of consumers on 1 January 2001 and did not revise them till April 2010 despite increase in labour and material cost. Even this revision was undertaken without approval of HERC and was therefore consequently withdrawn in August 2010. The Company incurred expenditure of `178.56 crore[3] during 2011-12 to 2014-15 on release of connections to consumers and recovered `54.32 crore. Thus, there was under recovery of `124.24 crore from the consumers as compared to the cost. The Company subsequently filed a petition with HERC in January 2015 for revision of SCCs which was approved in July 2016.

2.6.1.2 Tariff concession in contravention of the Electricity Act, 2003

Section 65 of the Electricity Act, 2003 provides that if the State Government decides to grant subsidy to any class of consumer in the tariff determined by the State Commission, the State Government shall compensate the Company by grant of subsidy. It further stipulates that no such direction of the State Government shall be operative if the payment is not made in accordance with these provisions and the tariff fixed by the State Commission shall be applicable.

On 17 June 2005, the State Government announced a discount of 10 paisa per unit in the domestic tariff of electricity supplied to a household where the connection is in the name of a woman and property is also owned by woman. The HERC in its tariff order of 9 November 2005 for the year 2005-06 refused preference to woman consumers in tariff**.** In the same month, the Company approached the Finance Department (FD) to claim the subsidy payable on this account. The FD however refused (17 November 2005) to provide any financial assistance and advised the Company to meet the shortfall from its own resources. Despite refusal of FD and HERC, the Company however continues to allow concession to woman consumers during 2005-06 to 2014-15 (up to February 2015) in contravention of the provision of Electricity Act, 2003 and tariff orders. The amount involved in such connections was `5.57 crore during 2005 to February 2015.

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[2] Single phase Non Domestic Supply (NDS), three phase NDS, Bulk Supply, Low Tension (LT) & High Tension (HT) industrial supply *etc.*

[3] Except Agriculture Pumpset consumers.

2.6.1.3 Delay in liquidation of Regulatory Assets

Section 8.2.2 of the National Tariff Policy of Government of India (GoI) stipulates that if Regulatory Assets (RAs)[4] have been adopted by the Commission in the past to limit tariff impact in a particular year, the carrying cost of RA should be allowed to the Company and its recovery should be effected within a period not exceeding three years.

HERC had allowed the revenue gap in the form of RA every year which had accumulated to `254.42 crore for the years 2008-09 to 2012-13. The HERC, however, allowed recovery of `114.49 crore as a part of tariff in the tariff order for 2013-14 to avoid extra burden on the consumers and the uncovered portion of the RAs *i.e.* `139.93 crore (`254.42 crore-`114.49 crore) alongwith interest cost was to be recovered in the next ARRs *i.e.* of 2014-15 and 2015-16. Audit noticed that Company had not taken up the matter of recovery of balance RAs of `139.93 crore with HERC while filing the ARR under Multi Year Tariff (MYT) framework for the years 2014-15, 2015-16 and 2016-17.

The Management stated (July 2016) that the Company has approached the HERC to consider the actual cost of the Company in ARR. Final outcome of this was awaited (October 2016).

2.6.1.4 Creation of Contingency Reserve Fund not provided for under rules

The Electricity Supply Act, 1948, provided for creation of Contingency Reserve Fund (CRF) equivalent to 0.25 *per cent* of the original cost of fixed assets from the revenue in each year. The sum so appropriated was to be invested in securities authorised under the Indian Trusts Act, 1882. However, the Electricity Act, 2003, does not contain any provision for creation of CRF.

Audit observed that the Company inflated the ARRs by `21.09 crore during 2003-04 to 2007-08 by making provision for CRF which was disallowed (2008-09) by HERC. HERC directed that the corpus of `27.86 crore (including interest of `6.77 crore on `21.09 crore) should be withdrawn only after its approval. The Company while filing petition for Multi Year Tariff (MYT) framework for 2014-17 raised (May 2014) the issue for liquidation of this corpus with HERC who agreed (October 2014) and the fund was liquidated in March 2015. The Management informed (July 2016) that overdraft facility had been arranged against the FDRs.

Thus, the Company created a fund that was not covered under the extant rules. The Fund had to be subsequently liquidated under directions of the HERC and this liquidation process resulted in extra expenditure of interest of `5.20 crore (worked out for six years at lending interest rate of 12.25 *per cent* less interest at 9.14 *per cent* earned on FDRs).

[4] Regulatory Assets are unrecovered cost on account of financing gap between the annual revenue requirement and collectible revenue which are allowed by HERC to be recovered by DISCOMs in ensuing years.

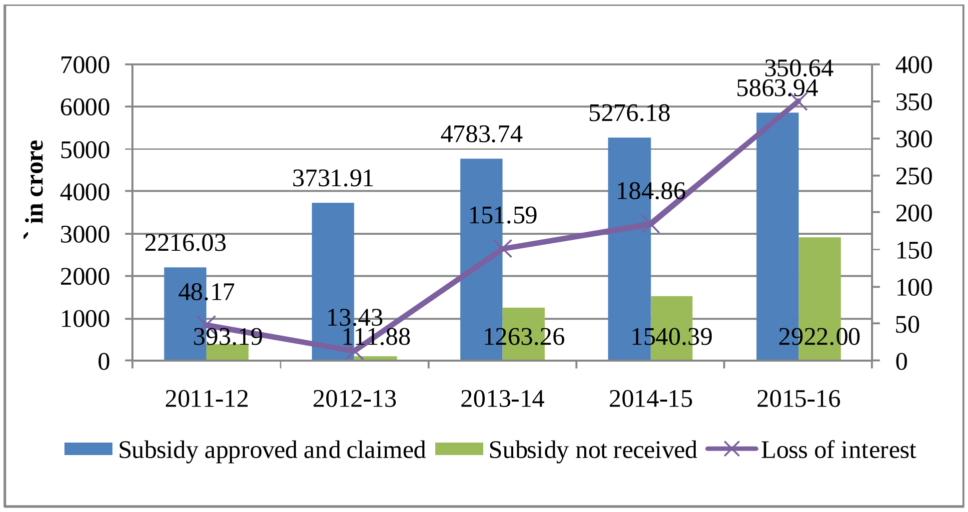
2.6.1.5 Loss due to supply of power to agriculture consumers

The supply to Agriculture Pumpset (AP) consumers is divided into two categories *i.e.* metered and flat rate (un-metered) consumers. The State Government reimburses the deficit on account of power supply to AP consumers in the form of subsidy. Audit observed the following:

i) HERC approved supplying of 15,233.50 MUs of power to AP consumers during the years 2011-12 to 2014-15. The subsidy ranged between `5.04 and `6.53 per unit. The Company, however, supplied 15,952.82 MUs of power to AP consumers during this period. Resultantly, subsidy of `425.97 crore due to excess supply of 719.32 MUs of power was not claimable. The Management informed (July 2016) that the subsidy on account of excess supply of power to agriculture consumers is claimable in the true–up petition. The reply is not tenable as in its true-up petitions of 2011-14, the Company itself has not claimed the extra subsidy.

ii) Chart 2.1 below indicates the position of subsidy approved and claimed, subsidy not received and the extra interest paid on borrowing due to less receipt of subsidy during the last five years up to 2015-16:

Chart 2.1: Loss due to non-receipt of subsidy

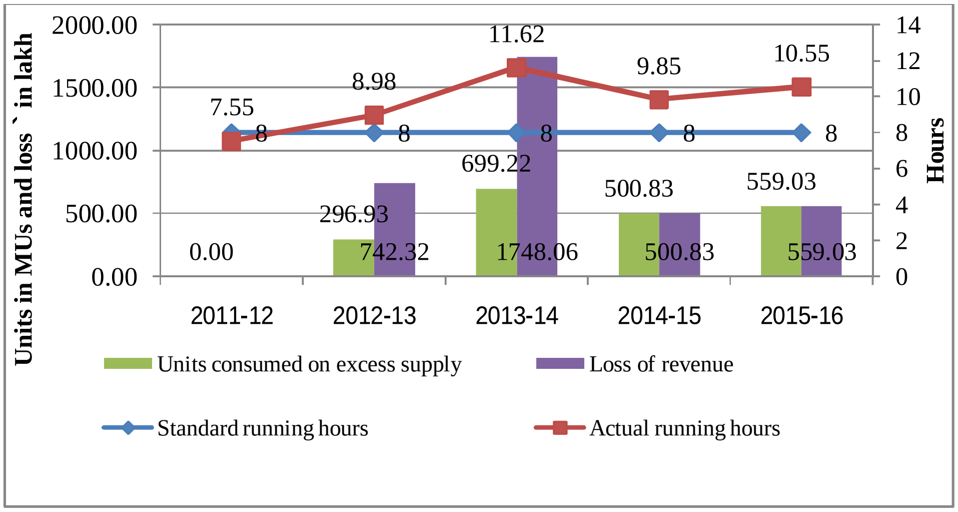


Source: Data provided by Company

It would be seen that the value of subsidy short received had increased from `393.19 crore in 2011-12 to `2,922 crore in 2015-16. The Company also paid interest of `748.69 crore on its excess borrowing undertaken due to delayed receipt of subsidy as detailed in ***Appendix 3.***

iii) As per the Power Regulatory Measures (PRMs) adopted by the Company, AP consumers shall be provided power for minimum eight hours every day so as to meet their needs and to keep AT&C losses to a minimum. If power is supplied in excess of the standard hours to unmetered AP consumers, the Company has to bear loss of revenue on the proportionate volume of energy supplied in excess of standard hours.

Chart 2.2: Excess supply of power to AP consumers



Source: Data provided by Company and annual accounts of the Company

The Company supplied excess power of 2,056.01 MUs to unmetered AP consumers valuing `35.50 crore during the 2012-13 to 2015-16 which being not claimable was a loss to the Company.

2.6.1.6 Non-payment of interest on consumer security deposits

As per the Electricity Act, 2003 and the enabling regulations issued by HERC, the Company can recover advance consumption deposit (ACD) equivalent to four[5]/ two[6] months of energy consumption charges from consumers of the respective categories on which interest is payable.

Audit observed that as against payable interest of `206.04 crore, the Company in its ARRs got approved `231.16 crore from HERC during 2011-12 to 2015-16. This resulted in excess claim of `25.12 crore. The Company actually paid `157.81 crore as interest against `231.16 crore approved by HERC during this period. Thus, the Company inflated its ARRs by claiming excess interest on consumer security but paid less interest to the consumers.

2.6.1.7 Delay in filing of FSA claims

Tariff Regulations 2008 require the Company to file Fuel Surcharge Adjustments (FSA)[7] claims with HERC on a six monthly basis. In May 2010, HERC amended the Regulations in order to reduce the burden of holding cost on consumers and allowed the Company to recover FSA on monthly basis up to 10 *per cent* of approved per unit variable power purchase cost. By the MYT Regulations issued in December 2012, FSA was allowed to be recovered on a quarterly basis.

[5] In respect of Domestic Supply (DS) and Non Domestic Supply (NDS) consumers, where bi-monthly billing is done.

[6] In respect of consumers other than DS and NDS consumers, where monthly billing is done.

[7] In case actual power purchase cost is higher than the approved power purchase cost, the HERC compensate the Company for the higher power purchase cost in the form of FSA.

Audit observed that the power distribution companies instead of claiming FSA on monthly basis from May 2010 onwards, claimed FSA of `1,576.46 crore[8] for 2010-11 belatedly in October 2011. The HERC allowed FSA of `1,453.25 crore and allowed holding cost from April 2012 onwards due to delay in filing claims. The holding cost of `137.86 crore[9] from April 2010 to March 2012 thus became an avoidable cost to the Company.

The Management stated (July 2016) that the matter would again be taken up with the HERC at the time of filing petition for next true-up or ARR. The point stands that HERC has already decided the matter against the Company.

2.6.1.8 Inability to claim expenditure on CAPEX

The Company proposed Capital Expenditure Plan (CAPEX) of `5,246.16 crore during 2011-15. The HERC, however, disallowed `2,419 crore out of the total proposed as the Company could not identify the improvements achievable and benefits likely to accrue as a result of the investments. Further, HERC had also disallowed (May 2015) capital expenditure of `31.30 crore (`2.61 crore on Priyadarshini Scheme and `28.69 crore on High Voltage Distribution System works at Kaithal during 2013-14) incurred by the Company without obtaining prior approval of the schemes from HERC which was a necessity.

Audit observed that inability to demonstrate improvements to be able to claim CAPEX as well as incurring expenditure without requisite prior approvals of HERC resulting in their disallowance may adversely affect the Company's capacity to invest in and improve its distribution network**.**

2.6.1.9 Implementation of Scheme without necessary approval of HERC

Section 46 of the Electricity Act, 2003 provides that expenditure reasonably incurred by the Company in providing an electric line may be charged from the consumer. HERC orders allow the Company to issue any sales circular having financial implications only with prior approval.

The Company obtained approval of State Government for release of AP connections under 'Tatkal Scheme' stating that approval would be obtained from HERC before issuing circular. However, the Company issued (May and August 2015) sales circulars for the release of connections under the scheme without obtaining the required consent. The Company charged `one lakh over and above the normal cost from the consumers who desired to get the AP connections on priority. The Company received `7.57 crore from 515 applicants and incurred `2.44 crore on release of 206 connections till December 2015. The connections to 309 consumers could not be released due to non-availability of material in stores.

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[8] FSA claims include FSA charges and prior period expenses.

[9] 48.57 *per cent* representing FSA share of UHBVNL * (`1453.25 crore *12.50 *per cent* interest allowed by HERC in ARR on working capital * 6 months (2010-11) + `1544.08 crore (`1453.25 crore + `90.83 crore representing interest on `1453.25 crore for six months) *12.50 *per cent* (2011-12).

The Management stated (July 2016) that petition had been filed (January 2016) with HERC to regularise the Scheme and the decision of HERC was awaited (October 2016). The point remains that the scheme was introduced without approval of HERC.

2.7 Metering and Billing for power supply

As per the Electricity Act, 2003 read with HERC notification of July 2005, the Electricity Supply Code and Sales Manual, 2013, supply should be given to consumers only through installation of a meter. The Company is required to replace meters when they become defective/ burnt due to technical reasons including voltage fluctuation attributable to the Company or due to natural events including rain, cyclone and floods. It also requires that bills be raised to the consumers in time as per the tariff order and other schedules approved by the HERC from time to time.

2.7.1 Loss due to non-adherence to the Supply Code

As per the Supply Code, connections for 50 KW to 2000 KW load should be released on three phase at 11 KV line. As per Sales Circular (U-47/2009 dated 31 December 2009), release of connection by tapping on the independent feeder is allowed after the consumer who wants to get electricity connection on independent feeder has deposited the cost of distribution line from sub-station to the metering point at consumer end. However, there is no provision of tapping from feeding line.

Audit observed that the Company had provided (19 May 2010) a new connection of 850 KW load to a consumer in Newal sub division (Karnal circle) by allowing tapping on existing 33 KV grid line instead of from the independent 11 KV feeder. Audit observed the following:

- The tapping of 33 KV line resulted in non-recovery of sharing cost of `54.52 lakh[10] which would have been recovered from the consumer had the connection been given from independent 11 KV feeder from 132 KV Sub Station.

- HERC had allowed (14 March 2013) DISCOMs to levy reliability charges at `1.50 per unit from consumers who opted for reliable power. Though the supply to this consumer was reliable being connected on grid line, the consumer has not been brought under the ambit of these instructions and not levied reliability charges of `55.32 lakh during 2013-14 to 2015-16 for the energy supplied.

Thus, providing energy connection to a consumer in non-compliance with codal provisions resulted in loss of revenue of `1.10 crore. Management did not offer its reply (October 2016).

[10] `54.52 lakh = (`18, 69,938/.650x3.79)/2.

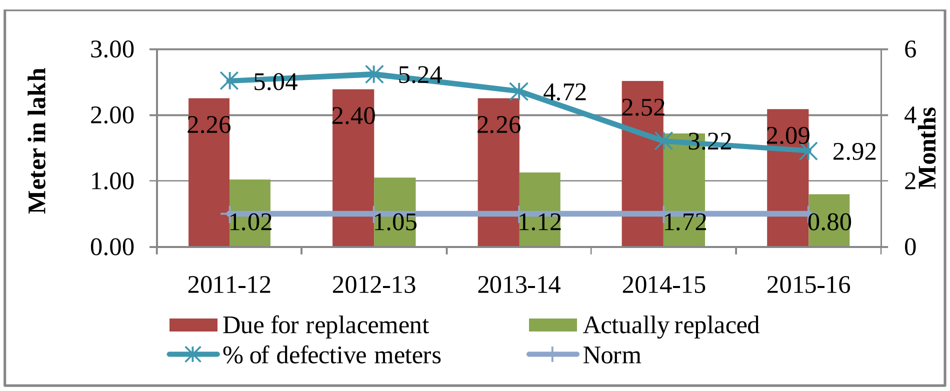
2.7.2 Loss due to issue of connection in wrong category

The tariff of consumer categories under Public Water Works (PWW)[11] and Non-Domestic Supply (NDS[12]) categories is higher as compared to Low Tension (LT) Industrial[13]/Bulk Supply[14] category. Audit observed that out of 94 connections categorised under Low Tension (LT) in 13 sub divisions of Yamunanagar Circle, 25 connections should have been categorised under PWW as these were issued for water supply in Haryana Urban Development Authority (HUDA) area and 69 under NDS category as these were issued to banks, schools, hotels, telephone exchange and offices of Forest Department. This incorrect categorisation resulted in short recovery of `34.79 lakh (`18.51 lakh in PWW connections and `16.28 lakh in NDS connections) during 2011-12 to 2015-16 (up to February 2016). The Company had not taken any action to change the category of connections affecting the recovery of the amount under charged (March 2016).

2.7.3 Non replacement of defective/ burnt/ stop meters

HERC Regulation of 16 July 2004 on 'Standard of Performance' requires that faulty meters should not exceed one *per cent* of the meters installed. The Company's Sales Manual provide for replacement of defective meter within one month of their being reported. The chart 2.3 below indicates the status of replacement of defective meters during the last five years up to 2015-16:[15]

Chart 2.3: Status of replacement of defective meters



Source: Data provided by Company

It would be seen from the above that the norm of one *per cent* of defective meters was never achieved. Further analysis of billing data showed that defective meters were not replaced within the stipulated time limit of one month as 1.34 lakh consumers were billed on average basis continuously for one year or more during 2011-16 in selected circles. The HERC in its Tariff

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[11] PWW include the pumps (other than irrigation) including, sewerage disposal/ treatment plants *etc.* installed by the Government and Government undertakings.

[12] NDS tariff applies to all non-residential premises e.g. business houses, schools, cinemas, clubs, public offices, hotels *etc.*

[13] LT industrial load to all small industrial connections up to 50 KW.

[14] Connections under bulk supply category are released for general or mixed load exceeding 10 KW for M.E.S, Railways other than traction, Central P.W.D, Hospitals, educational institutions and other institutions.

[15] Up to February 2016.

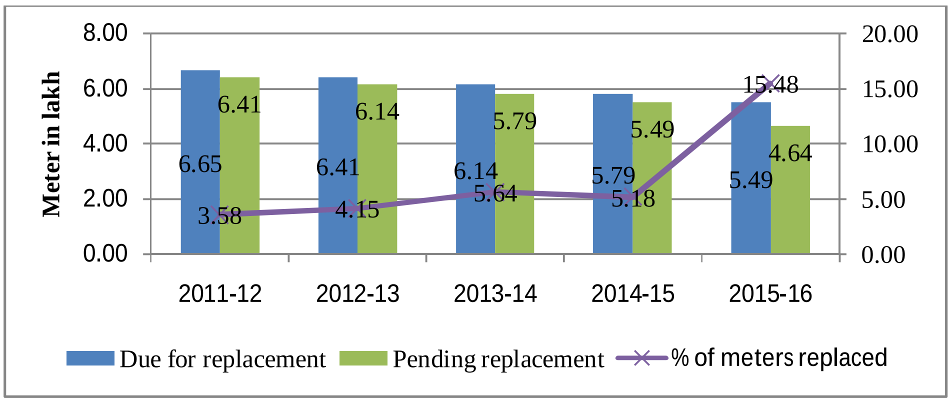
orders had observed (10 January 2013) that supply of electricity through defective/ dead/ stop meter for long periods not only results in harassment to the consumer but also affects the revenue of the Company due to improper billing and measurement of power supplied.

2.7.4 Non replacement of electro-mechanical meters with static meters

In March 2006, the Central Electricity Authority prescribed that all consumers' meters shall be of static type. The meters not complying with these regulations should be replaced by the Company on its own or on consumers' request. HERC in tariff orders (26 June 2012 and 7 May 2015) noticed that large numbers of electro mechanical meters which were not recording energy accurately were to be replaced by 31 March 2016.

The chart 2.4 below indicates the status of electro-mechanical meters replaced and pending for replacement during the last five years up to 2015-16:

Chart 2.4: Status of replacement of electro-mechanical meters with static meters



Source: Data provided by Company

It would be seen that though the percentage of replacement of meters had increased during 2011-14, a total of 4.64 lakh electro mechanical meters were pending replacement with static meters as on 31 March 2016 which resulted in under assessment and consequent loss.

The Management informed (July 2016) that 70-80 *per cent* meters had been replaced in urban areas but the Company was facing problems in rural areas and assured to replace all the defective/electro mechanical meters.

2.7.5 Short charging of units from independent feeder consumers

The Sales Manual provides that in case of independent feeder, two meters should be installed, one at the consumer end and another at the sub-station end. In case of difference of consumption between the two meters, the higher of two would be taken for billing.

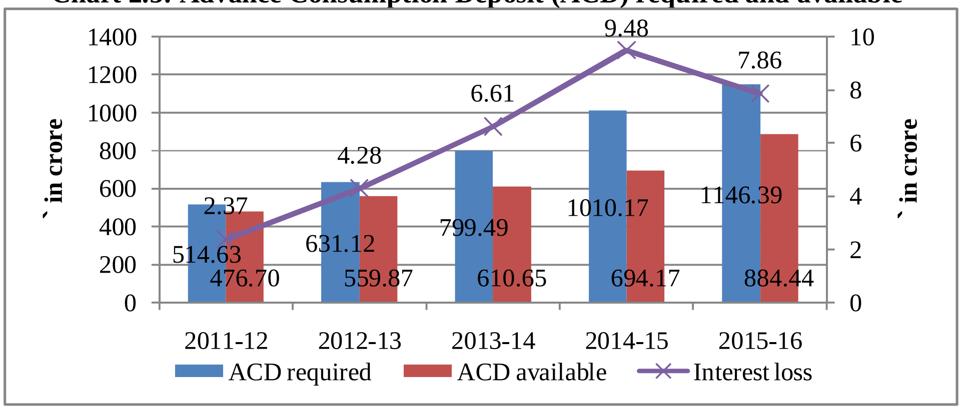
Audit observed that the Company did not charge `26.84 lakh that was due based on higher reading of the two meters installed, in respect of six consumers (five in Yamunanagar and one in Sonepat Circle) during April 2013 to March 2016. The Company has not taken any action for recovery of this amount from the consumers (July 2016).

2.7.6 Non revision of Advance Consumption Deposit

As per the Electricity Act, 2003 and the enabling regulations issued by HERC, the Company can recover Advance Consumption Deposit (ACD) equivalent to four/ two months of energy consumption charges of the respective consumer categories. The revision of ACD on the basis of annual consumption should be done in the beginning of the financial year.

The chart 2.5 below indicates the ACD required and available during the last five years from 2011-12 to 2015-16.

Chart 2.5: Advance Consumption Deposit (ACD) required and available



Source: Data provided by Company and annual accounts

It would be seen that the recoverable ACD had risen from `37.93 crore in 2011-12 to `261.95 crore in 2015-16 based upon the consumption pattern of previous periods. The Company had to incur extra interest cost due to un-recovered ACD amounting to `30.60 crore (worked out at difference between lending rate and the rate of interest allowed by HERC to be paid to consumers on ACD) due to raising of funds from banks.

The Management stated (July 2016) that ACD had been revised in some circles and efforts were being made to revise the ACD through the computerised system itself.

2.7.7 Non deduction of TDS on interest paid on consumer securities

As per Section 194 A of the Income Tax Act, 1961, the Company 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 case of non-deduction of tax at source, the payee is liable for penalty equivalent to the amount of tax deductible at source besides interest at the rate of one *per cent* per month on the defaulting amount.

Audit observed that in two sub-divisions[16] of Sonepat circle, the Company had paid interest of `1.99 crore to Large Supply (LS) and Medium Supply (MS) consumers on their ACDs but did not deduct income tax of `22.51 lakh though the interest payment exceeded `5,000 in each case during 2011-12 to 2014-15. This attracted levy of penalty of `22.51 lakh and further penal interest of `9.95 lakh (up to March 2016). Thus, failure to deduct tax at source had created liability of `32.46 lakh.

2.7.8 Deficiencies noticed in analysis of Billing data

The Company awarded (February 2007) the work of generation of bills (*i.e.* data entry, generation and printing of computerized bills) to two agencies who maintain the data base for all the consumers. Besides this, the Company has established a system through an outside agency for generation of bills in 18 towns where it supplied electricity under the Re-structured Accelerated Power Development and Reforms Programme (R-APDRP).

a) Under charging of meter rent

As per Schedule of General and Miscellaneous Charges (Sales Circular U-27/ 2011), the Company is required to charge meter rent of `20 per month for a single phase meter and `30 per month for three phase meter from September 2011 where the meters were installed by the Company. Audit observed that the Company had short charged meter rent of `47.64 lakh from 1.86 lakh consumers in 2.23 lakh bills during 2011-16. The Company had not taken any action for the recovery from its consumers.

b) Recovery of meter rent on defective/burnt meters

As per the Sales Manual, if a meter supplied by the Company becomes inoperative or inaccurate, no Meter Service Charges (Meter Rent) are recoverable for the period the meter remains inoperative or inaccurate. We observed that the Company had charged meter rental of `9.22 crore in 22.14 lakh bills for the period in which meters remained defective during 2011-16 which was a burden on the consumers.

c) Delay in issue of first bill to consumers

As per the Supply Code, the first bill of a new connection would be issued to the consumers alongwith the bills of next billing cycle. The Sales Manual also requires that the concerned Sub Divisional Officer and Executive Engineer will ensure that first bills are issued in time for all the new connections released. Audit noticed that first bills of new connections were issued with delays ranging from four months to over 17 years in non-domestic supply category and four months to over 18 years in domestic supply category in the selected circles. This had resulted in loss of interest of `3.19 crore on delayed realisation of revenue of `27.65 crore during 2011-16.

[16] City Sub division and Rai Sub division.

d) Non-levy of Electricity Duty

As per the Sales Manual, Electricity Duty (ED) would be charged from the consumers on kWh units consumed during a billing cycle. Government of Haryana had exempted levy of ED on Central Government organizations. However, their residential colonies and canteens were not covered from exemption from levy of ED. Audit observed the following:

i) The Company provided two connections to Railways, one to Northern Railway Workshop, Yamunanagar and another to Railway Colony Sonepat which were used for residential township purpose. ED amounting to `25.90 lakh was not charged on the energy billed to the consumers in the residential colony during April 2010 to December 2015.

ii) ED amounting to `15.69 lakh was not charged from 1,283 consumers in 6,809 bills against 15.69 MUs of power supplied during 2011-16.

Thus, the Company had short levied ED of `41.59 lakh. The non-payment of ED may also attract penalty of a sum not exceeding four times the duty not recovered.

e) Surcharge not levied for delayed payments

As per the Sales Manual, in case the consumers do not pay the energy bills by the due date, surcharge at 1.5/ 3 *per cent* for delayed payment of monthly/ bimonthly bills would be charged.

Audit noticed that surcharge of `71.76 lakh was not levied in 30 thousand bills issued to 21 thousand consumers having Sale of Power (SoP) arrear of `21.53 crore during 2011-16. The Company had not taken any action for recovery so far (March 2016).

f) Unauthorised use of load by consumers

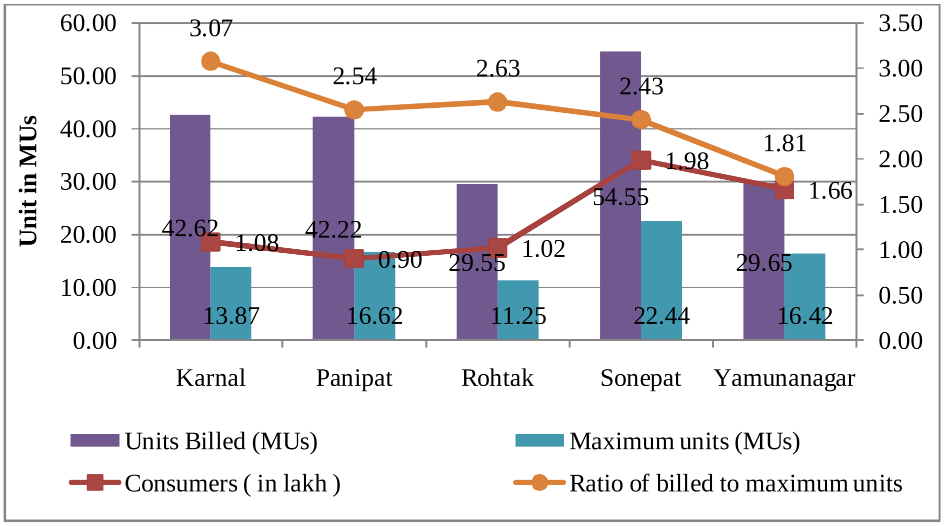
The Sales Manual stipulates that one time penalty shall be levied if the connected load is detected to be more than 10 *per cent* of the sanctioned load. In case the actual consumption is not available, the assessment of energy of the domestic consumers is to be done on the basis of LDHF[17] formula.

Audit observed that 9.52 lakh DS consumers consumed 1,407.78 MUs of power during 2011-16 whereas as per LDHF formula the consumption should have been only 754.80 MUs. Further, maximum possible units to be consumed at full sanctioned load for 24 hours at 100 *per cent* load factor worked out 1.81 to 3.07 times the units as per sanctioned load as depicted

[17] Formula used for levy of penalty in case of theft of power (L= load of the consumer, D = Days, H= 16 hours, F= 0.25 factor applicable to DS).

in the chart 2.6 below:

Chart 2.6: Unauthorised use of load by consumers



Source: Data provided by Company

The unauthorised use of load during the last five years up to 2015-16 resulted in excess consumption of 117.99 MUs of electricity after considering maximum possible consumption according to their sanctioned load. The Company taking cognizance of the consumption pattern of the consumer should have asked them to enhance their sanctioned load and obtained additional security. The Company did not make use of the technical features/ capabilities already available in the static meters**.**

g) Non adherence to the billing periodicity

The Supply Code provides that the Company should issue bills to consumers for the period not more than two months in respect of DS and NDS (up to 20 KW load).The table below indicates loss of interest due to delay in raising bills during the last five years up to 2015-16.

Table no. 2.1: Loss of interest due to delay in raising bills.

Range of days	No. of bills (in lakh)	Amount of bill (` in crore)	Loss of interest (` in crore)
70-80	1.87	7.46	0.14
80-100	1.36	5.46	0.38
100-120	1.56	7.24	1.02
Above 120	5.84	29.99	7.52
Total	**10.63**	**50.15**	**9.06**

Source: Data provided by Company

Non-adherence to the laid down periodicity for preparation of bills had resulted in loss of interest of `9.06 crore[18] besides violation of provisions of the Supply Code.

[18] Against the prescribed period of 60 days, interest loss was calculated on the amount of bill having consumption period of more than 70 days.

h) Non maintenance of complete details of consumers

The Supply Code provides that application form for providing new connection must be complete in all respects including a photograph of the applicant, identity proof, ownership or legal occupancy over the premises, proof of applicant's current address. The name, address and account number of the consumer is to be printed on the bill. Audit observed that the address in 32.07 lakh bills of 4.17 lakh consumers were not maintained in the billing database during 2011-16. Resultantly, the Company would be handicapped at the time of tracing of premises of defaulting consumers and issuing of no dues certificate in case of release of new connection on the same premises.

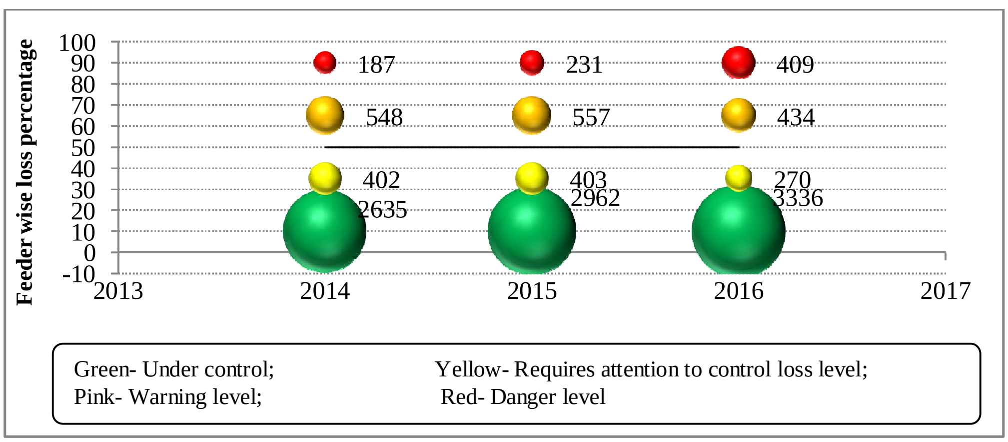
2.7.9 Excessive Sub Transmission and distribution losses

Loss of electricity during distribution occur mainly on two reasons *viz.* technical and commercial. Technical losses occur due to inherent character of equipment used for transmitting and distributing power and commercial losses occur due to theft of energy, defective meters and drawl of unmetered supply.

Audit observed that while the Aggregate Technical and Commercial (AT&C) losses of the Company in 2011-12 were within HERC norms, they exceeded during 2012-16 as shown in ***Appendix 4.*** Resultantly, the Company had to bear additional losses of `1,729.75 crore. The main reasons for high AT&C losses, as analysed in audit, were unmetered supply to AP consumers, under billing due to defective meters and non-replacement of electro-mechanical meters as discussed above.

The Company had not prescribed any ceiling for losses on its feeders. Chart 2.7 below indicates the overall position of feeder wise range of line losses during March 2014 to March 2016:

Chart 2.7: Number of feeders and their percentage of line losses



Source: Data provided by Company

It would be seen from the above that number of feeders having line losses more than 50 *per cent* increased from 735 as on March 2014 to 843 in March 2016 and number of feeders on which losses were more than 80 *per cent* also increased from 187 as on March 2014 to 409 in March 2016.

Further, HERC in its tariff order (2015) had directed that the number of Rural Domestic Supply (RDS) feeders having line losses above 50 *per cent* as on 31 March 2015 be brought down to half by March 2016 and losses of all urban feeders be brought down to below 25 *per cent* by March 2016. Audit observed that the line losses in 765 out of 823 RDS feeders as on 31 March 2015 were more than 50 *per cent* and these increased to 806 out of 950 feeders in 2016. Similarly, the line losses of urban feeders could not be reduced to 25 *per cent* as 183 out of 602 feeders incurred line losses more than 25 *per cent* (March 2016).

2.8 Collection of Revenue

The revenue billed in respect of all categories is collected at respective sub divisions and also by collection agencies appointed by the Company for the purpose. It is imperative for financial viability of the Company to ensure that the revenue due is collected promptly and arrears are not allowed to accumulate.

2.8.1 Efficiency of revenue collection

The details of revenue assessed, collected and the balance outstanding during last five years ending 2011-12 to 2015-16 as given in ***Appendix 5*** revealed that:

- despite increase in collection efficiency from 57 *per cent* in 2011-12 to 67 *per cent* in 2015-16, the balance outstanding had increased from `2,735.84 crore in April 2011 to `3,802.47 crore in March 2016;

- balance of revenue outstanding represented 5.56 to 8.41 months' assessment as against the consumer security deposits limited to only two months' assessment;

- age-wise analysis of outstanding amount revealed that it included `822.46 crore outstanding for more than three years which showed that necessary steps were not taken to recover outstanding dues; and

- outstanding debtors of `3,802.47 crore as on 31 March 2016 includes `593.74 crore recoverable on account of Inter-State sale leaving other debtors of `3,208.72 crore. Consumer ledgers (connected and disconnected consumers) of debtors maintained by Commercial wing of the Company showed debtors of `1,925.54 crore leaving a difference of `1,283.18 crore which had not been reconciled so far (March 2016).

The Management informed (July 2016) that the revenue assessed increased due to raising of bills in theft detection cases/ load reduction plan while actual collection thereagainst remained low during initial period. The Management added that efforts were being made for recovery from consumers.

2.8.2 Periodical checking of connections

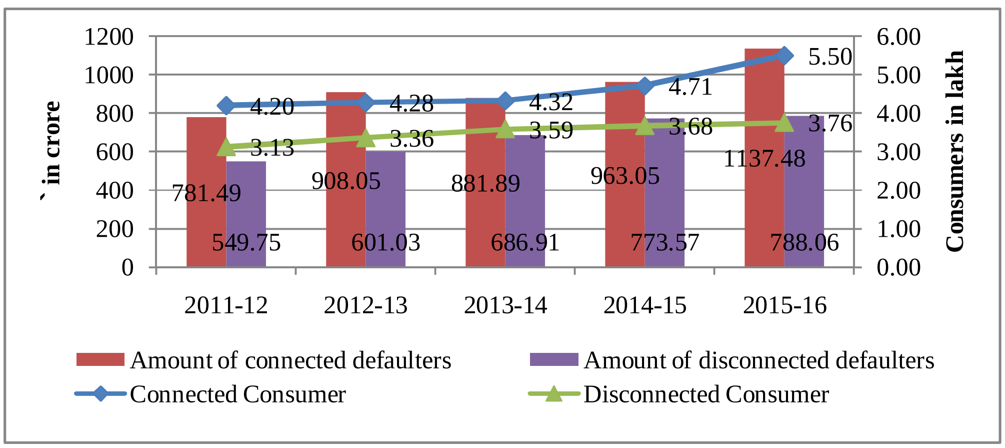
Section 163 of the Electricity Act, 2003 authorised the licensee to enter the premises of a consumer for inspection and testing the apparatus. Vigilance teams under the control of Additional Director General of Police were entrusted with the work of conducting raids by checking the premises of the consumers with the assistance of departmental officers besides checking by the operational staff of the Company.

Audit observed that the checking of consumers remained low, ranging from two to seven *per cent* of total number of consumers during 2011-16 and `134.27 crore remained recoverable from assessed theft cases. Further, the Company had not worked out any strategic plan to conduct raids on feeder with high losses.

2.8.3 Accumulation of arrears from defaulters

As per the Sales Manual, if the payment of bill is not received within 15 days after expiry of grace period, the supply of consumer should be disconnected. The supply to the premises so disconnected should not be restored until the entire dues are cleared by the consumer. Category wise position of arrears of revenue (excluding Jind[19] circle) for the last five years up to March 2016 is shown in ***Appendix 6***. The position of disconnected defaulting consumers is brought out in chart 2.8 below:

Chart 2.8: Position of connected and disconnected defaulting consumers



Source: Data provided by Company

As brought out above, the connected defaulter consumers had increased from 4.20 lakh in 2011-12 to 5.50 lakh in 2015-16 and the outstanding dues also increased from `781.49 crore to `1,137.48 crore during the same period which indicates that the connections were not disconnected on default by the consumers. Similarly, the defaulting amount recoverable from disconnected consumers had increased from `549.75 crore in 2011-12 to `788.06 crore as on 31 March 2016 which indicates that the Company had not taken adequate steps to recover its outstanding defaulting amount from the consumers. Audit

[19] Jind circle transferred to DHBVN in August 2013.

further observed that defaulting amount of `2.26 crore against 492 disconnected temporary consumers remained unrecovered as on January 2016 in the selected circles.

2.9 Internal control and internal audit

Internal control is a management tool used to provide reasonable assurance that the management objectives are being adhered to in an efficient and effective manner. Effective internal audit is one of the most potent instruments for exercise of internal control and oversight.

The Company has conducted the audit of High Tension, Low Tension and Temporary connection and Bulk Supply category connections up to 2014-15 through its own internal audit wing and outsourced audit of DS, NDS and AP connections had been completed up to June 2014. We observed that 9,303 audit observations with financial implications of `46.70 crore raised during July 2007 to March 2014 were neither charged nor settled by the concerned sub divisions till date (March 2016). Further, the internal audit wing has not commented on the system deficiencies like delay in filing adjustment claims, release of connections in wrong category, undercharging of meter rent, recovery of meter rent on defective/burnt meters, delay in issue of first bills, non-compliance of voltage regulations and unauthorised extension of load which have bearing on the revenue of the Company.

Conclusion

The performance of the Company with regard to tariff, billing and collection of revenue was found wanting on many aspects. Delay in filing of petitions of service connection charges and fuel surcharge adjustment claims before the HERC resulted in under-recovery or additional cost to the Company amounting to `262.10 crore. Excess supply to AP consumers resulted in cost of `425.97 crore that was non-recoverable. This impacted the liquidity of the Company. Further, non-adherence to the Supply Code relating to providing of electricity connections to consumers, metering and billing led to loss or non recovery of `1.71 crore. The Company had not revised the Advance Consumption Deposit of `261.95 crore recoverable from the consumers on regular basis depending upon their consumption pattern of previous periods. Under-charging of meter rent, delay in issue of first bills to consumers and non-adherence to the periodicity of billing led to loss of `12.73 crore. The loss of revenue was potentially higher due to increase in unauthorised use of load and delay in replacement of defective/ damaged meters and of electro-mechanical meters with static meters. The Company had also to sustain loss of `1,729.75 crore due to its failure to contain transmission and distribution losses as per the prescribed norms of HERC.

Recommendations

Based on the audit findings, it is recommended that the Company may:

- Ensure more accurate and timely formulation of its ARRs so that all costs and claims are duly reflected in the proposals for consideration of the HERC;
- Ensure stricter adherence to the tariff orders, provisions of the Electricity Act and the Supply Code while billing for power supply and when allowing concessions to consumers;
- Develop a time-bound programme with adequate commitment of financial and manpower resources for replacing defective meters as well as the electro-mechanical meters as per orders of HERC;
- Strengthen the logical controls on the consumer data base used for raising of consumer bills and periodical review of cases where consumption is in excess of sanctioned load;
- Develop a strategy for progressive reduction of AT&C losses as per the prescribed norms of HERC; and
- Ensure better coverage of its internal audit and timely remedial action on system deficiencies.

The matter was referred to the Government in August 2016, its reply was awaited (October 2016).

Chapter-3

Transaction Audit Observations

Chapter 3

3 Transaction Audit Observations

Important audit findings emerging from test check of transactions of the State Government companies and Statutory Corporation are included in this Chapter.

Government companies

Haryana Vidyut Prasaran Nigam Limited

3.1 Failure to enforce terms of Notice Inviting Tenders

Lack of timely action to enforce terms of NIT relating to validity of security bid coupled with issue of purchase orders before signing of contract resulted in firm backing out from contract after being declared the lowest bidder. The Company has yet to recover the bid security of `48 lakh.

The Company invited (October 2013) tenders for supply, erection, testing and commissioning of 220 KV transmission lines in Panchkula area on turnkey basis. As per the Notice Inviting Tender (NIT), the bidders were required to furnish a bid security of `48 lakh valid for a period of seven months from the date of opening of bids and beyond for any extension subsequently required. The successful bidder was required to sign the contract agreement within thirty days of the notification of award (letter of acceptance by the Company) and submit a performance guarantee @ 10 *per cent* of the contract price. The security was forfeitable if the successful bidder failed to sign the agreement or furnish the required performance bank guarantee within the specified period.

In response to the NIT, three offers were received and the notification of award was issued to the lowest bidder for a value of `26.60 crore. The awardee had submitted Bank Guarantee (BG) of `48 lakh valid up to 31 July 2014 subsequently extended up to 30 September 2014. The Letter of Acceptance (LoA) was issued on 01 July 2014 for `26.60 crore.

In terms of the NIT**,** the contractor was required to sign the contract agreement and submit required Performance Guarantee (PG) of `2.66 crore in the shape of BG by 31 July 2014. The Company issued (16 September 2014) the purchase order though the contract had yet to be signed. The contractor did not deposit the PG of `2.66 crore. The Company took up the matter of signing of the contract on 22 September 2014 *i.e.* after expiry of required period of 30 days for signing the contract agreement and submission of the PG followed by reminders for bid security (October 2014 and November 2014). The BG lapsed on 30 September 2014**.**

The purchase order was eventually terminated on 11 March 2015 and re-awarded (November 2015) to another firm at a cost of `29.20 crore. The Company had made payments of `8.10 crore till July 2016.

Audit observed that the bid security which is an instrument to draw assurance that the selected bidder would sign the contract and in the event of default lose the bid security amount had lapsed on 30 September 2014 and there was no effort on the part of Company to ensure its extension. The Company should have ensured the continued validity of the bid security when it took up the matter of signing of the agreement on 22 September 2014 which was done only 8 days prior to expiry of the bid security validity of 30 September 2014.

Government stated (August 2016) that the firm had been blacklisted for three years and `48 lakh which were liable to be forfeited would be recovered from the contractor alongwith risk and cost amount after completion of remaining work.

The reply is not tenable as timely action by the Company to ensure the validity of the BG of `48 lakh as well as signing of the contract before issue of purchase order would have averted the situation and deterred the firm from backing out from the contract after being declared the lowest bidder.

3.2 Failure to enforce Bank Guarantee

Failure of Company to fully encash a bank guarantee on default of contractor resulted in non-recovery of `36.36 lakh.

The Company awarded (March 2011) work for construction of 66 KV transmission lines to a contractor at a cost of `29.12 crore with scheduled date of completion of 12 months from the date of signing of the contract ***i.e***. by February 2012. The terms and conditions of the contract provided that in case the contractor failed to execute the work in accordance with the contract terms**,** the Company could terminate the contract. In such an event, the Company was entitled to recover from the contractor the extra cost, if any, for completing the work.

As per the terms of the contract, the contractor submitted (March 2011) Bank Guarantees (BG) of `2.86 crore towards performance security as well as two BGs of `1.95 crore and `0.91 crore. The Company paid (April 2011) `2.86 crore towards mobilisation advance recoverable along with interest from the running bills of the contractor.

The Company returned (December 2012) the BG of `1.95 crore after the mobilisation advance to that extent was recovered. However, the contractor was not able to execute the work and the Company terminated (February 2014) the contract. While terminating the contract, the Whole Time Directors (WTDs) decided (February 2014) that BGs of the contractor may be encashed to recover not only the mobilisation advance along with interest but also the Liquidated Damages (LD) and anticipated extra cost likely to be incurred for the work to be carried out in future at the risk and cost of the defaulting contractor. Accordingly, the Company recovered `2.88 crore towards performance security by encashing (March 2014) BGs of `2.86 crore in full and deducting `2 lakh from the running bills of the contractor. The Company also deducted the LD of `2.91 crore from the running bills of the contractor. The remaining BG of `0.91 crore obtained against mobilisation advance was however encashed partially (March 2014) to the extent of `54.64 lakh equivalent to outstanding mobilisation advance and interest thereon.

In order to complete the left over work valued at `10.23 crore, the Company issued a Notice Inviting Tender (June 2014) and the work was awarded (January 2015) to another contractor at total cost of `16.75 crore *i.e* an additional cost of `6.52 crore of which work valuing `14.61 crore has been completed so far (July 2016). Against the additional cost of `6.52 crore likely to be incurred, the coverage available with the Company was `4.40 crore[1] *i.e.* it was short by `2.12 crore. As such, to cover the extra cost, the Company should have encashed the full BG of `0.91 crore available with it towards mobilisation advance.

The Government stated (August 2016), that full invocation claim of BG was lodged (28 February 2014) with the bank, but the bank stated that the claim should be raised for all the money payable by contractor and the Company reduced the claim to the extent of mobilisation advance outstanding *i.e.* `54.64 lakh.

Audit observed (November 2015) that the Company had initially (28 February 2014 and 4 March 2014) demanded the full amount of bank guarantee from the issuing bank which was subsequently reduced to the extent of outstanding mobilisation advance. Perusal of the records brings out that the Company had itself confirmed to the bank that the total amount recoverable from the contractor was `54.64 lakh though it could have insisted upon and sought for invoking the full bank guarantee amount of `0.91 crore. Had it encashed the BG in full, it could have recovered a further `36.36 lakh that would have reduced the gap in extra cost to that extent.

3.3 Extra expenditure due to re-tendering

The Company breached the confidentiality of bid evaluation process and had to incur an extra expenditure of `2.02 crore in re-tendering of work.

The Company invited (July 2012) single part tender enquiry under World Bank (WB) funded schemes for procurement of plant, design, supply and installation, testing and commissioning of 220 KV and 132 KV transmission lines. The bid conditions required that information relating to evaluation of bids and recommendation of contract award were not to be disclosed to bidders until information on contract award was communicated to all bidders.

[1] `2.88 crore of performance security and `1.52 crore of retention money deducted from running bills of contractor which was to be released after successful completion of work.

Out of the four bids received (Package A), the lowest bidder (L-1) with quote of `18.14 crore participated in the bid as lead partner after entering into Joint Venture (JV) agreement with another firm. Ignoring the bid conditions cited above, the Company intimated (27 February 2013) to the L-1 bidder that its bid was non-responsive and asked it to supply further documents. The L-1 bidder clarified (7 March 2013) that the bid may be treated as final and evaluated.

The Company decided (15 March 2013) to obtain concurrence of WB to place the order on L-2 bidder at the quoted rate of `18.76 crore and sent (8 April 2013) the Bid Evaluation Report (BER) to WB for concurrence. The World Bank intimated (28 May 2013) that it cannot review the Package A since the Company had communicated the evaluated position to a bidder even before the submission of BER to WB for review. Consequently, the Company decided to cancel its evaluation for Package A and re-floated (1 August 2013) the tender. The contract was ultimately awarded (3 January 2014) to another firm at a cost of `20.78 crore after obtaining concurrence from WB.

The Government stated (August 2016), that there was no procedural lapse but due to pursuance by the L-1 bidder regarding submission of documents, the Company had to communicate with the bidder. The reply was not tenable as the Company in violation of WB instructions communicated with the bidder and informed it to submit further documents breaching the confidentiality of the bid evaluation process and had ultimately to re-tender where the rates received were higher by `2.02 crore (`20.78 crore - `18.76 crore) from the first tender**.**

Uttar Haryana Bijli Vitran Nigam Limited

3.4 Excess purchase of cables

Company procured cables without considering actual consumption leading to blocking of funds of `7.70 crore and avoidable interest thereon of `1.68 crore.

The Company obtained financial assistance[2] of `24.04 crore (October 2012) and `118.58 crore (December 2013) at rate of interest of 12.25 *per cent* per annum for procurement of PVC[3] cables during the years 2012-13 and 2013-14 for strengthening electricity distribution system in villages. The Company entered into rate contracts (22 June 2012) with two firms valid for one year up to 30 June 2013 for procurement of cables of 240 kms of cables of various sizes.

Audit noticed that the Company had 20.48 kms cables of the aforesaid specifications in its store as of 28 May 2013 and receipt of another 696 kms of cables was awaited against purchase orders placed during July 2012 to April 2013. The consumption of these cables during 2011-12 and 2012-13 was

[2] 90 *per cent* of the project cost.
[3] Poly Vinyl Chloride.

nil and 31.50 kms respectively. Without considering the trend of consumption and the quantity held in stores and those in the pipeline**,** the Company placed (26 June 2013) six more purchase orders for 240 kms of cables with staggered delivery schedule up to March 2014. The firms supplied 227 kms of these cables during August 2013 to March 2014 at a cost of `7.70 crore.

The Government stated that it has cables of 638 kms of aforesaid sizes in its store as of July 2016.

Thus, the decision of the Company to place purchase orders for additional quantity of 240 kms cables in June 2013 without taking into account consumption trends and available inventory resulted in excessive purchase of quantity of 227 kms cables resulting in blocking of funds of `7.70 crore and avoidable interest liability of `1.68 crore[4] up to December 2015.

3.5 Deficient contract management

Release of payment without first ascertaining physical progress of work resulted in excess payment of `1.04 crore.

Para No. 2.1.7.4 of the Report of the Comptroller and Auditor General of India on PSUs for the year ended 31 March 2013 had pointed out that the Company made excess payment of `15.36 crore in four contracts due to release of payment of major portion of material (75 to 80 *per cent*) without linking it to erection. In response, the Company reduced the percentage of release of payment from 80/ 75 to 60/ 50 on the receipt of material and 40/ 30 *per cent* after erection of the same with the balance 10 *per cent* to be released after commissioning. The standard terms of awards of construction/ augmentation of sub-station and feeder works contracts also provided that the contractor would furnish a Performance Bank Guarantee (PBG) equal to 10 *per cent* of the total contract price for faithful performance of the contract valid up to 90 days after end of the warranty period.

The Company awarded (June 2011) a turnkey contract for supply and erection of material for bifurcation/ trifurcation of 51 overloaded feeders to a contractor at a cost of `7.70 crore (material `7.36 crore and erection cost `0.34 crore). The work was to be completed within six months by December 2011. The contractor supplied the material valuing `4.96 crore against which payment of `3.82 crore (`2.98 crore as 60 *per cent* on receipt of material plus `0.84 crore on its erection) was made up to June 2013. The Company had obtained BG of `0.77 crore as 10 *per cent* value of the work order.

Audit noticed (February 2015) that the contractor failed to execute the work with erected material valuing `1.95 crore leaving un-erected material valuing `0.83 crore. Thus, the Company made an overpayment of `1.04[5] crore to the

[4] 90 *per cent* (percentage of REC funding in the Project) of total interest calculated @12.25 *per cent* per annum.

[5] `3.82 crore (total payments made) less `1.95 crore (value of material erected) less `0.83 crore (value of material available with the Company).

contractor without monitoring physical progress of work. Though the Company claimed (January 2015) `2.06 crore from the contractor towards cost of material taken away, levy of penalty and interest after encashment of PBG of `0.77 crore, nothing had been recovered so far (March 2016).

Thus, release of payment without ascertaining physical progress of work resulted in excess payment of `1.04 crore.

3.6 Loss due to non-encashment of Performance Bank Guarantee

The Company suffered loss of `1.17 crore due to non-encashment of the performance bank guarantee besides loss of `0.60 crore on account of interest on borrowed funds. Damaged transformers valuing `1.95 crore have remained unutilised for long periods.

The Company entered (October 2007) into a contract with a private firm for supply and erection of 15 numbers of 33 KV sub-stations and associated lines under Operation Circles Ambala, Kurukshetra, Jind, Rohtak and Sonepat on turnkey basis at a total cost of `35.15 crore under a Rural Electrification Corporation funded project. The contract stipulated that the equipment should be free from defects for a period of twelve months. The contract also provided that the equipment supplied would be guaranteed for satisfactory operation for a period of five years. The contractor was required to provide Performance Bank Guarantee (PBG) equal to 10 *per cent* of the contract price to be released after the end of guarantee period of five years as per the bid documents.

The contractor submitted PBG of `3.51 crore valid up to 31 January 2009 extended up to 31 January 2010. The contract was executed successfully and 15 sub-stations were energised between September 2008 to May 2010. However, three Power Transformers (PTFs**)** went out of order as detailed below:

Table 3.1: Details of non-functional Power Transformers

Sl. No.	Name of sub station	OP circle	Capacity of PT	Date of commissioning	Guarantee up to	Date of Damage
1	Shamdo	Jind	8 MVA	27.02.2009	26.02.2014	17.12.2010
2	Jaitpura	Ambala	10 MVA	30.04.2010	29.04.2015	11.06.2014
3	Barsana	Ambala	10 MVA	24.05.2010	23.05.2015	16.10.2014

Source: Information obtained from Company

The contractor refused (July 2015) to repair the power transformers on the ground that the guarantee period was for twelve months. The Company referred the matter to the Legal Remembrancer who opined (August 2015) that the period of five years was part of the technical specification that was also a part of the contract and both provisions had to be complied with. Hence, the firm was bound to ensure satisfactory operation of the power transformers for five years.

Audit observed that the three damaged PTFs valuing `1.95crore[6] have not

[6] `55.72 lakh for PTF at Shamdo and `69.65 lakh each for PTFs at Jaitpura and Barsana.

been repaired/ replaced and remained unutilised from 16 months to over five years (March 2016). The non-functional PTs were not repaired/ replaced by the contractor. After expiry of the validity of PBG on 31 January 2010, the Company did not obtain the PBG during the period February 2010 to November 2010 and exposed itself to the risks arising from defects/ damage to the PTs. Thereafter, the contractor submitted (4 December 2010) PBG of `1.17 crore only instead of `3.51 crore, valid up to 31 July 2011. The Company did not object to the reduced amount of PBG and accepted the same. The Company approached (18 July 2011) the contractor to further extend the PBG up to 23 May 2015 but the contractor refused (27 July 2011) and pleaded that the guarantee period was 12 months. Meanwhile, the PBG expired on 31 July 2011. Thus, in view of damaged PT at Shamdo (December 2010) and refusal of the contractor (July 2011) to extend PBG, had the Company encashed PBG of `1.17 crore in July 2011 itself, a loss of `1.77 crore[7] (including interest paid on borrowed funds up to March 2016) could have been partially avoided.

The Government stated (July 2016), that the Company would issue notice to the contractor to repair the damaged PTs and if the PTs are not repaired, the PBG available against another bid would be got encashed. The reply is not acceptable because the performance bank guarantees obtained against other contracts may not be encashable for this contract.

Dakshin Haryana Bijli Vitran Nigam Limited

3.7 Non recovery of outstanding dues on account of energy bills

Non-compliance with provisions of Electricity Act and HERC Regulations 2014 resulted in non-recovery of `84.14 lakh.

Section 56 of the Electricity Act, 2003 requires that where any person neglects to pay charges for electricity or any other sum, a licensee may after giving not less than 15 days' notice in writing, cut off the supply of electricity until such charge or other sum are paid to the licensee. The Haryana Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2014 provides that a security deposit (Advance Consumption Deposit-ACD) equivalent to estimated power consumption of two billing cycles should be made by all consumers whose values should be reviewed by the licensee at the beginning of the year for adequacy based on the consumption pattern of the previous year.

Scrutiny of records of Chhainsa Sub Division under Operation Circle Faridabad revealed that a large supply consumer having two connections, C-1[8] and C-2[9], deposited ACD of `9.02 lakh (`2.52 lakh and `6.50 lakh respectively) at the time of release of connections in July 2008 and November 2009 respectively. The consumer defaulted in payment of dues

[7] Amount of PBG of `1.17 crore plus interest of `0.60 crore calculated on `1.17 crore @ 10.90 *per cent* from August 2011 to March 2016 (*i.e.* 56 months).

[8] Account no. CHHT-0001.

[9] Account no. CHHT-0005.

from May and June 2015 respectively. To clear the dues up to August 2015, the consumer gave (5 September 2015) two cheques of `61.80 lakh (`10.93 lakh for C-1 and `50.87 lakh for C-2) which were dishonoured (14 September 2015). The Company disconnected the energy supply on 10 September 2015. The total dues increased to `84.14 lakh (with surcharge) as on December 2015 after adjusting the available ACD of `9.02 lakh.

Audit observed (December 2015) that though the Company was required to maintain ACD of `35.33 lakh (`5.29 lakh for C-1 and `30.04 lakh for C-2) during 2015-16 on the basis of consumption pattern of 2014-15, it did not obtain the additional ACD of `26.30 lakh.

The concerned Sub Divisional Officer (SDO) intimated (April 2016) that the defaulting amount was transferred (18 February 2016) to the consumer's residential connection account and would be recovered. However, it was observed that the consumer's residential account too has been disconnected (February 2016) by the Company and hence the chances of recovery are very remote.

Thus, non-compliance with the provisions of the Electricity Act, 2003 and HERC Regulations 2014 resulted in non-recovery of dues to the extent of `84.14 lakh. Had the additional ACD of `26.30 lakh been obtained, the non-recovery could have been reduced to that extent.

The Government stated (June 2016) that a charge sheet has been framed against the concerned officials for non-disconnection of supply to defaulter premises and non-recovery of due ACD in timely manner.

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

3.8 Restructured Accelerated Power Development and Reforms Programme (R-APDRP)

Implementation of R–APDRP suffered from delays as well as unfruitful expenditures. Towns were declared 'Go Live' though they did not fulfil the criteria for being declared 'Go Live'. Expenditure of `6.89 crore incurred on consultants proved unfruitful as the detailed project report prepared by them remained unutilised. Delay in updating of software to incorporate revised tariff resulted in delay in realisation of `299.96 crore.

3.8.1 Introduction

The Government of India (GoI) introduced (September 2008) the Restructured Accelerated Power Development and Reforms Programme (R-APDRP) with the aim of restoring the commercial viability of the power distribution sector by substantially reducing the Aggregate Technical and Commercial (AT&C) losses and strengthening of distribution network of State power utilities. Projects under the scheme were to be taken up in two parts. Part-A included projects for preparation of baseline data, adoption of IT applications for energy accounting/ auditing and IT based consumer service centre while

Part-B included renovation, modernisation and strengthening of sub-stations and lines. The scheme also envisaged establishment of Supervisory Control and Data Acquisition System (SCADA) in large towns.

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) are the two Distribution Companies (DISCOMs) distributing electricity in the North zone[10] and South zone[11] respectively through nine operation circles each.

Audit examined records of 25 projects (one town is considered as one project) out of 36 projects (UHBVNL: 20 and DHBVNL: 16) and SCADA[12] (Faridabad town) covering the period 2011-12 to 2015-16 to assess the implementation and adequacy of monitoring and achievement of the intended benefits**.**

3.8.2 Funding mechanism

In Part-A**,** 100 *per cent* funds for the approved projects were initially to be provided as loan from GoI that would be converted into grant once the establishment of the required system was achieved and verified by an independent agency appointed by the Union Ministry of Power (MoP). For Part B, GoI was to initially provide loan up to 25 *per cent* of the project cost and balance funds were to be raised from financial institutions *i.e.* Rural Electrification Corporation (REC)/ Power Finance Corporation (PFC). Fifty *per cent* of the project cost of Part-B was convertible into grants by GoI subject to compliance of terms and conditions of the scheme. The entire loan from GoI was to be routed through PFC.

Part-A and Part-B of the project were scheduled to be completed before September 2012 and March 2017 respectively and SCADA by August 2016. Details of eligible towns, loan sanctioned, amount received and expenditure incurred thereon (up to March 2016) are in table 3.2 below:

Table 3.2: R-APDRP projects

(` in crore)

Projects	No. of eligible towns	Loan sanctioned	Revised cost[13]	Loan received	Expenditure incurred	Remarks
Part-A	36	165.63	201.03	95.73 (DH:54.28, UH:41.45)	88.08 (DH:39.37, UH:48.71)	Works in progress
Part-B	33	1,322.58	-	Nil	Nil	Project dropped in total
SCADA (Part-A) Faridabad	1	24.29	-	7.29	2.03	Works in progress
SCADA (Part-B) Faridabad	1	120.61	-	3.50	NIL	Loan received in March 2016

Source: Information obtained from DISCOMs

[10] North zone: Ambala, Jhajjar, Karnal, Kaithal, Kurukshetra, Panipat, Rohtak, Sonepat, and Yamunanagar.

[11] South zone: Bhiwani, Faridabad, Gurgaon, Hisar, Jind, Narnaul, Palwal, Rewari and Sirsa.

[12] Supervisory Control and Data Acquisition.

[13] Revised cost/ Revised DPR not approved by PFC (sanctioning authority).

Audit observed that the tentative schedule of completion of Part-A projects had been extended up to September 2016 even though the DISCOMs had declared (September 2015) all 36 towns as Go-Live.

DISCOMs dropped (UHBVNL: February 2016 and DHBVNL: September 2015) Part B projects as the projects were delayed and time left for completion in regard to target date was very less. For SCADA (Part-A), the work was awarded in August 2015 and scheduled for completion by August 2016**.**

3.8.3 Audit findings

A) Deficiencies in preparedness for Scheme

Unfruitful expenditure on preparation of DPRs of Part B project

For execution of Part-B of R-APDRP project in 33 identified towns (UHBVNL: 20 and DHBVNL: 13 towns), the work for preparation of Detailed Project Reports (DPRs) were assigned (August and December 2009) to M/s REC Power Distribution Company Ltd. (REC-PDCL), New Delhi. The DPRs were submitted to PFC (July 2010 to March 2011) which sanctioned (March 2011 and November 2011) loan amounting to `673.58 crore. The work was to be awarded within three months of sanction of loan. However, DISCOMs had not initiated the bidding process during March 2011 to November 2012. Due to this delay, the DPRs needed to be updated/ revised as they were based on data of the year 2008-09. Resultantly DISCOMs awarded (December 2012) work of updating/ revision work of DPRs to M/s PFC Consulting Ltd. New Delhi[14] (PFCCL) who updated (May 2013 to June 2013) the DPRs and PFC revised (27 September 2013) the loan to `1,107.26 crore for 29 towns. The DISCOMs released (January 2013 to May 2015) `6.89 crore (UHBVNL: `3.70 crore and DHBVNL: `3.19 crore) to the consultants.

Government stated (September 2016) that GoI had originally approved the DPRs in March 2011 with the completion period of three years. The revised DPRs submitted to PFC/ GoI in May 2013 were sanctioned in September 2013 but the NITs floated time to time could not be finalised. The State Government subsequently decided to drop implementation of Part-B on the ground that projects prepared under Part-B had become outdated. Government added that the DPRs prepared by the consultant were the intangible assets of the Company which were likely to be used in future for any system up-gradation.

The replies are not tenable as the purpose for which DPRs were prepared could not be achieved and these reports are project specific. Hence, the expenditure of `6.89 crore paid to the consultants was rendered unfruitful due to the inability of the Company to take timely follow up action on the approved DPRs.

[14] A subsidiary Company of PFC.

B. Deficiencies in Execution of R-APDRP

i) Declaration of "Go-Live" status without compliance with the set criteria

As per terms and conditions of sanction of loan, the Part-A projects was to be completed within three years from the date of sanction *i.e.* by 27 February 2009 by UHBVNL and by 25 September 2009 by DHBVNL to make it eligible for conversion of loan into grant. As there was delay in appointment of Information Technology Implementation Agency (ITIA), the date of conversion of loan into grant was extended up to 30 September 2015. With the Go-live of R-APDRP Part-A project, all commercial operations like metering, billing, collection, new connection, disconnection, energy audit *etc*. should have been done from the IT system without any manual intervention. All the 36 R-APDRP towns were declared Go-Live in September 2015 by the DISCOMs.

Audit observed that DISCOMs declared Go-Live though all the declared towns did not fulfil the criteria required for being Go-Live. Activities like reconciliation of Customer Care & Billing (CCB), GIS data, asset mapping and complete consumer indexing had not been completed (March 2016). DISCOMs stated that the efforts were being made to clear the deficiencies for stabilisation of the system.

ii) Delayed realisation of revenue due to delay in updating of tariff

DISCOMs are to ensure that tariff revisions are immediately implemented in the bill generation system so that loss of revenue could be avoided. The Haryana Electricity Regulatory Commission (HERC) vide orders dated 27 March 2015 and 7 May 2015 revised the schedule of tariff applicable from 1 April 2015 and the levy of Fuel Surcharge Adjustment (FSA).

Test check of records revealed that revised tariff as per orders of HERC was implemented in September 2015 in 36 R-APDRP towns. Delay in implementation of orders in the software resulted in delayed realisation of `299.96 crore (UHBVNL-`92.15 crore and DHBVNL-`207.81 crore) from April to August 2015.

The Government stated (July/ September 2016) that although timely action had been taken for implementing the new tariff schedule, compelling circumstances had delayed its implementation. The reply was not acceptable as revision of tariff is part of the system which should have been implemented immediately.

iii) Non utilisation of MDAS in HT connections

Audit observed that though the MDAS[15] has been made operational on HT

[15] Meter Data Acquisition System (MDAS) is to acquire meter data and select consumer meters automatically from remote locations avoiding any human intervention and use meter data for accurate billing purposes.

connections in R-APDRP towns of DHBVNL, the DISCOM did not utilise it and instead paid `73.15 lakh to a contractor for meter data collection for 5,082 HT consumers during October 2015 to March 2016. Had DHBVNL used the R-APDRP system itself, the expenditure of `73.15 lakh could have been avoided.

The Government stated (September 2016) that MDAS could not be utilised during October 2015 to March 2016 as it was the transition period during which the bigger towns *i.e*. Faridabad and Gurugram were migrated to the new platform and the stability of MDAS system was yet to be achieved. The reply is not tenable as modems had been installed by ITIA in respect of HT consumers and the DISCOMs had declared Go-Live in September 2015 itself.

Conclusion

Implementation of R–APDRP suffered from delays as well as unfruitful expenditures. Towns were declared ‘Go Live’ though they did not fulfil the criteria for being declared ‘Go Live’. Expenditure of `6.89 crore incurred on consultants proved unfruitful as the detailed project report prepared remained unutilised. Delay in updating of software to incorporate revised tariff resulted in delay in realisation of `299.96 crore. Thus, the primary objective of R-APDRP of restoring the financial viability of the Companies and reducing AT& C losses could not be fully achieved.

3.9 Working of Transformer repair workshops in DISCOMs

Transformer repair workshops were low on efficiency leading to accumulation of unrepaired distribution transformers (DTs) which impacted the maintenance of distribution networks. The percentage of repaired distribution transformers to damaged distribution transformers decreased from 57 *per cent* to 31 *per cent* in UHBVNL and from 70 *per cent* to 22 *per cent* in DHBVNL during the three year period till 2015-16. This was attributable to delay in finalisation of tender for repair and failure of Companies to provide the required raw materials and space to the firms.

3.9.1 Introduction

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) undertake power distribution in the State. In order to repair damaged Distribution Transformers (DTs) and Power Transformers (PTFs)[16], UHBVNL and DHBVNL (DISCOMs) maintain Transformer Repair Workshops (TRWs) and Transformer Handling Workshops (THWs). In case of TRWs, labour is outsourced to private firms for in-house repairs and material and infrastructure is provided by the DISCOMs while in THWs, the damaged distribution transformers are

[16] It is used for the transmission purpose at high voltage level greater than 33 KV.

repaired by private firms on job order basis at the premises of the firm using their own raw material and infrastructure. As on 31 March 2016, there were two[17] TRWs, five[18] THWs and one Power Transformer Repair workshop (Panipat) in UHBVNL and seven[19] THWs in DHBVNL.

An audit was conducted to assess the overall efficiency of the workshops. The audit covers the working of workshops for five years from 2011-12 to 2015-16.

3.9.2 Repair of Transformers

The position of DTs to be repaired, actually repaired and percentage of DTs repaired in workshops of both the DISCOMs for the last five years as on 31 March 2016 is depicted in chart 3.1 below:

Chart 3.1: Damaged transformers repaired in the UHBVNL

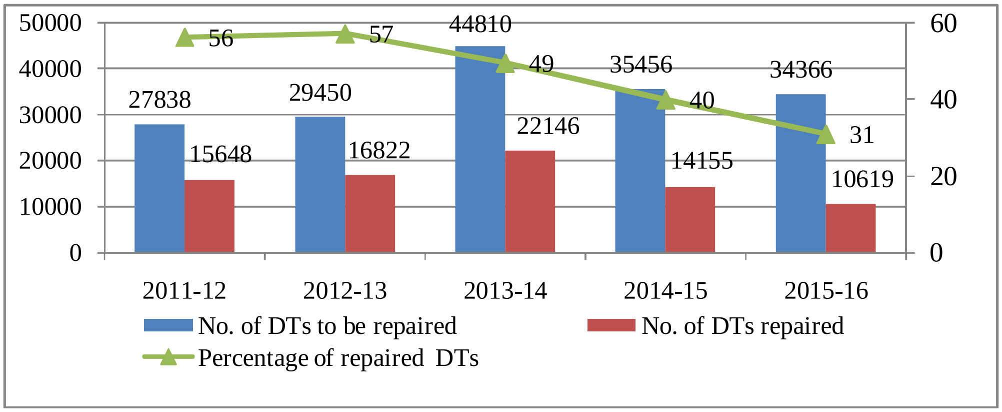
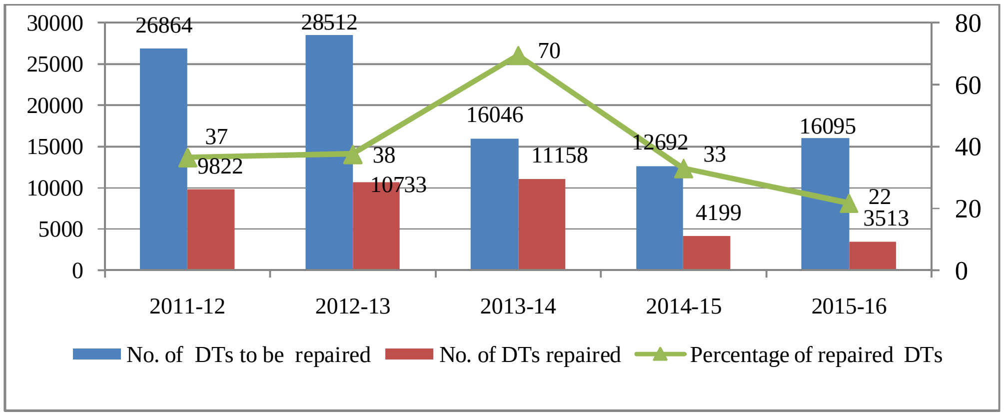


Chart 3.2: Damaged transformers repaired in the DHBVNL



(Source: Information obtained from DISCOMs)

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[17] Dhulkote and Kaithal.

[18] Dahar, Jyotisar, Karnal, Rohtak and Sonepat.

[19] Bhiwani, Faridabad, Hisar, Narnaul, Rewari, Sirsa and Sohna.

As brought out above, 23,747 and 12,582 DTs were lying unrepaired in UHBVNL and DHBVNL respectively as on 31 March 2016. The overall percentage of repaired DTs to total damaged DTs decreased from 57 *per cent* in 2012-13 to 31 *per cent* in 2015-16 and from 70 *per cent* in 2013-14 to 22 *per cent* in 2015-16 in UHBVNL and DHBVNL respectively.

The Government stated (July 2016) that the DTs were repaired by the firms up to the year 2014 through in-house and outsourcing contract and thereafter, the in-house repairing work was stopped and repairs were being outsourced.

Audit observed that there was an accumulation of unrepaired DTs in the workshops which would adversely impact the ability of the Companies to properly maintain their distribution networks. Further, the lack of a Workshop Manual specifying the duties and responsibilities of staff**,** procedures of joint inspection of transformers, arrangement of raw material, issue of stores and spares, opening of job card of repairable transformers, time frames for repair work to be undertaken and declaration of transformers as beyond economical repairs undermined prompt decision-making and effective monitoring that could have quickened the pace of repairs. This is evidenced by the following:

(i) While 86 *per cent* of DTs received for repair during September 2013 were repaired within 60 days, only 14 *per cent* DTs were repaired within 60 days in April 2011.

(ii) Failure of the Companies to provide raw materials and space to firms engaged for repair of DTs resulted in accumulation of 5,009 and 3,895 DTs in UHBVNL during 2011-12 and 2012-13 with the accumulations being eliminated by March 2016.

(iii) Similarly, there was accumulation of 63 and 100 KVA DTs during April 2011 to January 2013 in DHBVNL as the firm could repair only 56 *per cent* of the damaged DTs in three years during 2011-12 to 2013-14 leaving a deficit of 4,888 DTs. The accumulation started from January 2014 when successive tenders floated could not be finalised. The overall number of damaged transformers remaining unrepaired fell from 17,042 as on 31 March 2011 to 12,582 as on 31 March 2016 but this was partially due to lesser number of damaged transformers being reported.

(iv) Damaged Amorphous Core[20] DTs lying unrepaired in workshops increased from 923 (UHBVNL: 522, DHBVNL: 401) to 11,762 (UHBVNL: 7,554, DHBVNL: 4,208) during 2011-16. The Board of Directors (BoDs) of UHBVNL decided (October 2014) that DTs of Amorphous Core should be repaired within six months. However, UHBVNL could repair only 75 DTs while DHBVNL got repaired 874 DTs during 2011-16.

3.9.2.1 Extraction of materials from damaged transformers

Damaged DTs received in the workshops are issued for repairs after

[20] Core is made up of ferromagnetic amorphous metal (alloy of iron & silicon and phosphorus).

dismantling and removal of coils and transformer oil. Audit observed the following:

(i) Non recovery of cost of transformer oil and missing parts

As per the instructions issued in September 2002, transformer oil and parts of transformers are required to be topped up/ checked at regular intervals whenever damaged transformers are sent to workshops for repairs. The cost of shortage of transformer oil and missing parts, if any, are to be recovered from the officials responsible. During 2011-12 to 2015-16, 133.71 lakh litres of transformer oil and 1,05,701 HT/LT brass rods valuing `68.29 crore were found short in workshops of both the DISCOMs. While reports of these shortages had been sent to the respective operation circles for recovery, no effort was made to ascertain whether the recoveries had actually been effected. In Operation Division UHBVNL, Ambala City, recoveries pointed out in March 2008 had not been effected even by March 2016.

The Government stated (July/ September 2016) that the recovery had to be made by the operation wing.

(ii) Incorrect computation of weight of damaged coils

While repairing damaged DTs, the weight of new coils which are to be put into the repaired DTs should be equal to the weight of coils extracted, reduced by weight of transformer oil soaked by the coils which is one to two *per cent* of the weight.

Audit observed that in UHBVNL, the extracted coils were taken on Joint Verification Report (JVR) as scrap at their full weight without reducing the weight of absorbed oil. But at the time of transferring the coils from JVR to scrap account, one or two *per cent* was reduced from the weight of coils. This resulted in excess issuance of 40,556.67 Kg coil valuing `0.76 crore on repair of 79,390 damaged DTs during 2011-16**.**

Government stated (September 2016) that one or two *per cent* of weight of extracted coil entered in JVR was reduced when it is transferred to scrap account. The reply was not acceptable as logic of the reduction in weight at the time of disposal has no relevance.

3.9.2.2 Disposal of scrap

Damaged distribution transformers are surveyed and disposed off after their inspection by a Committee of Officers at reserve price fixed by each DISCOM separately on the basis of prevailing market rates. The dirty transformer oil, HV/ LV coils, HT/ LT brass rods and other materials extracted from damaged DTs are sold monthly/bi-monthly through e-auction at or above the fixed reserve price. E-auction is got done through M/s MSTC Limited. Audit observed the following:

(i) Loss of income due to delay in disposal of scrap

The Board of Directors (BoDs) of UHBVNL decided in April 2009 that auction of scrap up to five *per cent* below the reserve price shall be allowed subject to approval of whole time directors and in case, the offered price has a gap of more than five *per cent* subject to maximum up to 10 *per cent*, the matter be referred to the whole time directors for fixing a revised reserve price. The BoDs in its meeting held on 6 May 2015 was informed that a large quantity of scrap material had collected in the workshops which could not be auctioned due to high reserve prices fixed. The BoDs decided (September 2015) that disposal of the scrap should be quick and no scrap should lie for more than 30 days.

In UHBVNL, scraps were not disposed off regularly. Test check of records revealed that UHBVNL had to forgo annual revenue ranging between `1.79[21] crore and `2.61 crore per annum during 2011-16 due to non-disposal of dirty transformer oil, High Tension/ Low Tension aluminium coils and brass scrap. The disposal of scrap was slow due to fixation of high reserve price and it had not re-fixed the reserve price with approval of the whole time directors when the prices received were less by more than five *per cent* of the reserve price. In DHBVNL, scrap was disposed off regularly due to revision of reserve price in line with prevailing market price.

3.9.2.3 Power Transformer Repair Workshop

In UHBVNL, the Power Transformer Repair Workshop at Panipat was working as the handling workshop where Power Transformers (PTFs) were repaired by private firms on job order basis. Audit noticed the following:

- During 2011-16, out of 60 damaged PTFs, 13 PTFs were surveyed off, 21 PTFs were repaired while 26 PTFs remained unrepaired. It was further observed that against tender enquiry of August 2013 for repair of six PTFs[22], the firms lifted (January and February 2015) two PTFs after the finalisation of tender in July 2014 but these remained unrepaired up to March 2016.

- Out of 26 unrepaired PTFs, five damaged PTFs were lying in the workshop for one to 13 years. As per decision (April 2014) of the whole time directors, all PTFs manufactured prior to 1995 were to be disposed off. However, no steps were taken to survey these PTFs which resulted in blocking of funds of `0.56 crore (worked out at minimum scrap value of the PTFs as per E-auction).

- Out of 13 PTFs surveyed off during 2011-16, nine surveyed PTFs were lying in the workshop for three to 13 years for want of disposal as on 31 March 2016. These transformers could not be disposed off during

[21] Considering the minimum balance of scrap items per year which remained unsold at average sale rate for the respective year.

[22] Six for UHBVNL and three for DHBVNL.

e-auction held 28 times during 2011-16 due to high reserve price which resulted in blocking of funds of `0.73 crore and loss of interest amounting to `0.58 crore.

Government stated (September 2016) that disposal of damaged and surveyed off Power Transformers was under process and would be disposed in future e-auction.

DHBVNL had not established any PTFs Repair Workshop and was getting damaged PTFs repaired through private firms. Audit observed that as on 31 March 2016, 27 damaged PTFs were lying damaged for the last three to 15 years resulting in blocking of funds of `2.28 crore.

Conclusion

The percentage of repaired distribution transformers to damaged distribution transformers decreased from 57 *per cent* to 31 *per cent* in UHBVNL and from 70 *per cent* to 22 *per cent* in DHBVNL during the three year period till 2015-16. This was attributable to delay in finalisation of tender for repair and failure of Companies to provide the required raw materials and space to the firms. The companies failed to recover cost of transformer oil and missing parts valued at `68.29 crore found short in the workshops of both DISCOMs. Lastly, damaged power transformers were lying undisposed for periods ranging up to 15 years resulting in blocking of funds of `2.28 crore.

Haryana Mass Rapid Transport Corporation Limited

3.10 Execution and operation of metro link

HUDA entered into a concession contract assuming 80 *per cent* of liabilities of concessionaire in the event of termination of the contract and default of the concessionaire without full visibility as to the costing of the project and the extent of its potential liabilities. HUDA and its successor HMRTC failed to enforce the terms of the concession contract which resulted in non-recovery of interest of `1.57 crore for delayed payment of connectivity charges and charging of excess passenger fares amounting to `11.84 crore by the concessionaire.

The Haryana Mass Rapid Transport Corporation Limited (HMRTC) was incorporated in March 2012 with the objective, *inter-alia*, of taking over the existing urban mass transport projects owned by State Government agencies alongwith the assets and liabilities related to these projects and operating them. Accordingly in February 2015, the Haryana Urban Development Authority (HUDA) transferred two Public Private Partnership (PPP) projects[23] for development of metro links to HMRTC and the work relating to these projects is being looked after by the Corporation since then. Of the two

[23] Metro link from Sikanderpur to NH-8 Gurugram and from Sikanderpur to Sector-56, Gurugram.

projects, the metro link from Sikanderpur Station to National Highway (NH)-8 in Gurugram was completed and operationalised in November 2013.

Audit test checked the records (May and June 2016) relating to the completed project and the audit findings are enumerated in the succeeding paragraphs.

Entering into Concession Contract

A private company[24] proposed (September 2007) to develop and operate a metro link between Sikanderpur and NH-8 Gurugram that would mitigate congestion and pollution which was likely to occur due to increase in traffic on occupation of areas of Gurugram that it had developed. In December 2007, the company submitted a feasibility study which it had got conducted through RITES Ltd. The feasibility study envisaged a metro link of 3.2 kms length at a capital cost of `403 crore which would become financially viable within a time period of 30 years with a financial internal rate of return of 15.1 *per cent* per annum on equity.

In order to see whether any other party was interested in the project, HUDA invited Expressions of Interest (EoI) twice in December 2008 and February 2009 for development of the metro rail link on Built-Operate-Transfer basis for 99 years. The EoI provided that the bidder could either design and implement the project as per the feasibility study or submit technical proposals for alternative route. The entire cost would be borne by the bidder and the State Government/ HUDA would not provide any financial support in form of equity or grant or any subsidy during operation and maintenance nor provide exemption from payment of taxes and duties. The EoI also provided for recovery of connectivity charges of `765 crore[25] in instalments up to the 35th year of operation and lease rent for the use of HUDA land. The basis of award of work was highest share in the revenue generated out of advertisement and property development by the bidder.

Response to the EoI was received (March 2009) only from one consortia, namely, Rapid Metro Rail Gurgaon Ltd (RMGL[26]) which proposed an alternative metro route of length of 5.1 kms at an estimated project cost of `900 crore. The bidder quoted sharing one *per cent* of income from the advertisement and property development which after negotiation was increased to five to 10 *per cent*[27]. The concession contract was signed between HUDA and RMGL on 9 December 2009. RMGL informed HUDA (June 2010) that they had arranged loans from banks of `761.60 crore for

[24] DLF Commercial Developers Limited which was developing Cyber city through which this metro link was proposed.

[25] `Five crore on signing of concession agreement and `40 crore per year from the beginning of 17th year till 35th year *i.e.*, for 19 years.

[26] A consortium of ITNL Enso Rail Systems Limited, IL&FS Transportation Networks Limited and DLF Metro Limited.

[27] From the beginning to 16th year – five *per cent*, from 17th to 21st year – six *per cent*, from 22nd to 26th year – seven *per cent*, from 27th to 31st year – eight *per cent*, from 32nd to 36th year – nine *per cent* and from 37th year till end of concession period – 10 *per cent*.

construction of the metro link and the balance will be funded by the consortia partners.

Audit observed that HUDA had not stipulated in the EoI nor did it subsequently seek at any stage the detailed costing for the alternative metro route length of 5.1 kms though it got the technical aspects of the project verified from the Delhi Metro Rail Corporation (DMRC). After completion of the project, the concessionaire reported the project cost as `1,088 crore. In the absence of any prior estimates of cost or financial viability, the reasonableness of this project cost could not be assessed.

Audit further observed that a clause was inserted in the concession contract which stipulated that HUDA would take over the complete system including project assets alongwith 80 *per cent* of the liabilities in case of default on the part of the concessionaire to run the project in accordance with the concession contract. This constituted an assurance to lenders of the consortia that HUDA/ HMRTC would bear the major portion of the liabilities in the event of termination of the contract and the failure of RMGL to meet its liabilities. It may be added that RMGL has been continuously incurring losses which had accumulated to `334.54 crore[28] as on March 2016.

Government stated (December 2016) that as no grant/ equity of HUDA was involved, it was not necessary to get the cost of the project worked out by HUDA. They added that the clause to take over the assets and liabilities of the project in case of default on the part of the concessionaire to run the project was inserted as per model concession agreement (Public Private Partnership in Urban Rail Systems) of Planning Commission, Government of India. The fact remained that it would have been prudent for HUDA to seek and examine the detailed project cost so as to gain assurance as to the reasonableness of the overall cost as well as its potential liability in the event of termination of the contract due to default on the part of the concessionaire. It would also have provided an objective basis for determining the length of the concession period as also the quantum and recovery period of connectivity charges.

Delay in payment of connectivity charges

The concession contract provided that RMGL was to pay a connectivity charge of `five crore to HUDA within 60 days of signing of the contract *i.e.*, by 8 February 2010. The contract stipulated that it was the obligation of the concessionaire to obtain all approvals, clearances and sanctions of appropriate agencies including permission for setting up a metro system under the applicable laws.

RMGL did not deposit the connectivity charges as stipulated in the concession contract and requested for extension of time on the plea that necessary approvals were awaited from the Union Ministry of Urban Development (MoUD). In May 2010, HUDA asked RMGL to obtain the requisite approval

[28] Loss up to 2011-12 `3.60 crore, for 2012-13 `4.03 crore, for 2013-14 `63.67 crore, for 2014 15 `135.33 crore and for 2015-16 `127.91 crore.

from MoUD within 30 days and deposit the connectivity charges within seven days of receipt of approval from MoUD. Subsequently in February 2011, HUDA asked RMGL to remit the connectivity charge of `five crore as construction had commenced on the ground since July 2010 and `105 crore had been spent till 31 December 2010. This was followed by reminders issued in May, June and August 2011. The concessionaire received the approval from MoUD in December 2011 and deposited the connectivity charges on 19 December 2011. HUDA asked (December 2011) RMGL to pay interest @ 18 *per cent* compounded annually for delayed payment of connectivity charges from 1 July 2010 to 18 December 2011. This was denied by RMGL on the ground that HUDA had itself agreed to payment of connectivity charges within seven days of sanctioning of the project by MoUD. In August 2012, HUDA informed RMGL that no interest was chargeable on the delayed payment.

Audit observed that there was no consistency in the approach of HUDA in implementing the terms of the concession contract as it initially agreed to link deposit of connectivity charges to receipt of approval of MoUD and thereafter issued repeated notices for immediate deposit of the charge, alongwith interest, since work had actually commenced on the ground. HUDA could not however enforce the demand in light of its initial agreement to deviate from the express terms of the concession contract and allow extension of time. The deviation from the terms of the concession contract resulted in non-recovery of interest of `1.57 crore calculated at the rate of 18 *per cent* per annum on `five crore for 21 months[29] for delayed payment of connectivity charges.

Government stated (December 2016) that such approvals take time and are beyond the control of the concessionaire. The concessionaire had been allowed two cure periods of six months and there was no question of charging interest on the delay period. The reply was not convincing as the concession contract provided for payment of connectivity charges within 60 days upon signing of the contract and it was not linked with approval from MoUD. Further, the work had commenced on the ground and HUDA had itself repeatedly sought payment of the connectivity charges.

Fixation of fare on higher side

The concession contract stipulated that the passenger fares shall not be more than the Delhi Metro fares for the corresponding zone slab and shall be revised as and when Delhi Metro fares were revised. Further, as per the Delhi Metro Railways (Operation & Maintenance) Act, the concessionaire could fix the initial fare which shall remain applicable till the time a Fare Fixation Committee constituted as per the Act was constituted to revise the fares.

RMGL commenced passenger service on 14 November 2013 and fixed an initial fare of `12 per trip. It revised the fare to `20 per trip from 1 August 2014 though no fare had been increased by DMRC. In October 2014, HMRTC issued notice to RMGL seeking reasons as to why it had increased

[29] March 2010 to November 2011.

the fares in violation of the terms of the concession contract. RMGL contested the notice stating that `12 was a promotional fare since the system was not fully operational and later on full fare of `20 was applied as initial fare when the complete system was made operational. HMRTC obtained legal opinion from the State Advocate General who opined (April 2015) that the fare of `12 fixed by RMGL was a fare fixed on initial opening in terms of Delhi Metro Railways (O&M) Act and it cannot be said to be a promotional fare.

In October 2015, HUDA/ HMRTC informed RMGL that it could not fix fare higher than Delhi metro fare and directed the concessionaire to restore the fare from `20 to `12 per trip. RMGL was also directed to deposit the amount of excess fare charged by it from 1 August 2014 onwards with HMRTC. However, despite lapse of more than two years since issue of the notices, RMGL had neither reduced its fare nor deposited the excess fare charged by it with HMRTC. The Corporation had not taken any further action to enforce the terms of the concession contract resulting in undue benefit to concessionaire at the cost of the public. The excess fare collected by RMGL worked out to `11.84 crore[30] as on March 2016.

Government stated (December 2016) that MoUD has been requested to constitute Fare Fixation Committee (FFC) and the matter will be resolved as and when the FFC will give its final verdict.

Conclusion

Thus, HUDA did not ensure full transparency and visibility as to the costing of the project which would have a bearing on the liabilities that would accrue to HMRTC in the event of termination of the contract due to default of the concessionaire. Further HUDA/ HMRTC failed to enforce the terms and conditions of the concession contract which resulted in non-recovery of interest of `1.57 crore for delayed payment of connectivity charges and charging of excess passenger fares amounting to `11.84 crore by the concessionaire.

Haryana Financial Corporation

3.11 Recovery Performance

The Corporation suffered loss of `10.43 crore in 15 accounts due to violation of the guidelines of One Time Settlement Schemes. The Corporation could not recover outstanding dues of `38.29 crore due to non-availability of security or defective title of the security and had to write off this amount.

3.11.1 Introduction

The Haryana Financial Corporation (Corporation) was established in April 1967 under the State Financial Corporation's (SFCs) Act, 1951, to

[30] Calculated at differential fare of `8 (i.e. `20 less `12) for 148.06 lakh commuters from August 2014 to March 2016.

provide loan assistance to small and medium scale industrial units. The Corporation had sanctioned loans of `2,870.40 crore to 18,531 units since its inception to May 2010 and disbursed `1,781.06 crore to 17,160 units. The Board of Directors (BoDs), taking cognizance of the liquidity position of the Corporation, formed a committee[31] to study the liquidity. The Committee recommended in March 2010 for either revival/ rehabilitation of the Corporation or to continue operations in the present form/ winding up of the Corporation. On the basis of the Report, the Corporation stopped (May 2010) its disbursement activity finding its operations unviable and restricted itself to only recovery of outstanding loan accounts**.**

The present audit covers recovery performance of the Corporation during April 2012 to March 2016. Besides scrutinising 283 loan cases (54 *per cent*) out of 524 cases pending for recovery at the beginning of the year 2012-13, audit also covered 60 out of 170 loanees whose accounts were settled under One Time Settlement (OTS) Schemes which were earlier (March 2008) written off but the Corporation had retained the rights of future recovery.

3.11.2 Recovery position

The Corporation maintains two sets of accounts *viz.* memorandum accounts as per standard practice and final accounts. In memorandum accounts, the dues/ recoveries of borrowers are adjusted as per the terms of the agreement. It is also maintained in respect of accounts which were earlier written off with right to recovery while in final accounts, the dues and recoveries are shown and adjusted as per norms prescribed by the Small Industries Development Bank of India for recognising interest income and making provision for doubtful assets.

The details of loan accounts outstanding as per memorandum account and final account during the period 2012-16 are brought out in Table 3.3 below:

Table No. 3.3: Outstanding loan accounts during 2012-16

(` in crore)

Particulars	**2012-13**		**2013-14**		**2014-15**		**2015-16**	
	As per Memoran -dum A/c	**As per final A/c**	**As per Memoran-dum A/c**	**As per final A/c**	**As per Memoran-dum A/c**	**As per final A/c**	**As per Memorand um A/c**	**As per final A/c**
Principal outstanding	140.00	88.27	116.63	68.94	98.55	18.06	80.30	31.94
Interest Outstanding	3215.92	0.00	3527.94	0.00	3880.97	0.00	4656.72	0.00
Total outstanding	**3355.92**	**88.27**	**3644.57**	**68.94**	**3979.52**	**18.06**	**4737.02**	**31.94**

Source: Information obtained from Corporation

As per the memorandum accounts, outstanding loans increased from `3,355.92 crore as on March 2013 to `4,737.02 crore as on March 2016 whereas as per final accounts, it decreased from `88.27 crore to `31.94 crore during 2013-16. Percentage of recovery of the amount due and previous

[31] Managing Director (MD) Haryana Financial Corporation, MD Haryana State Industrial and Infrastructure Development Corporation, General Manager Small Industries Development Bank of India and Director HFC.

overdue decreased from 46.31 to 13.37 during 2013-16 in the memorandum accounts whereas it increased from 53.80 to 99.28 during 2013-15 due to recovery of outstanding loan through one time settlement scheme in the final accounts. As per guidelines of Small Industries Development Bank of India on Uniform Accounting Practices, the Corporation may write off advances against which 100 *per cent* provisioning has been made for prudential write off. Accordingly, the Corporation wrote off (March 2015) 246 loan accounts against which `2,027.72 crore (principal & miscellaneous expenses[32]- `38.29 crore and interest-`1,989.43 crore) was recoverable.

3.11.2.1 Recovery through OTS Schemes

Two One Time Settlement (OTS) Schemes 2011 namely "Compromise Settlement of Non-Performing Assets[33] (NPAs)" and "Compromise Settlement of Loss Assets[34] (Loss)" were introduced with the approval (December 2011) of State Government for settlement of loans of chronic defaulters. The minimum recoverable amount under OTS-NPA was to be ascertained by re-casting the loan account from the date of its becoming doubtful. While recasting, the amount realised from the sale of assets was to be adjusted in the sequence of miscellaneous expenses, principal and interest. The total settlement amount after recasting was to be decided keeping in view the net realisable value of the properties mortgaged. Under OTS-Loss, loan accounts were to be re-cast as in case of OTS- NPA but the settlement amount would be the principal outstanding plus miscellaneous expenditure after recasting.

Table 3.4 below indicates the number of cases settled, outstanding amount thereagainst and amount settled and waived off during four years ended 31 March 2016 in the two OTS Schemes.

Table No. 3.4: Details of cases settled, outstanding amount thereagainst and amount settled and waived off

(` in crore)

Year	No. of cases settled	Principal and misc. expenses outstanding at the time of OTS	Interest outstanding at the time of OTS	Total outstanding at the time of OTS	Amount at which account settled	Amount waived off	Percentage of waiver of total outstanding	Percentage of recovery out of principal outstanding before re-casting
(1)	**(2)**	**(3)**	**(4)**	**(5)=(3)+(4)**	**(6)**	**(7)=(5)-(6)**	**(8)=(7)/ (5)x 100**	**(9)=(6)/ (3)x100**
2012-13	136	48.50	1,346.97	1,395.47	18.77	1,376.70	98.66	38.70
2013-14	50	16.39	468.87	485.26	7.31	477.95	98.49	44.60
2014-15	34	7.83	340.26	348.09	6.27	341.82	98.20	80.08
2015-16	9	2.92	34.18	37.10	3.76	33.34	89.86	128.77
Total	**229**	**75.64**	**2190.28**	**2,265.92**	**36.11**	**2,229.81**	**98.41**	**47.74**

Source: Information received from Corporation

[32] Expenditure incurred by the Corporation in the process of recovery of dues from the concerned borrower.

[33] Non-performing assets are those in which principal or interest is overdue for more than three months.

[34] Loss assets are those borrowers/ loan cases whose accounts are classified as NPA and there are no securities available.

The Corporation settled 229 cases during 2012-16 waiving an amount of `2,229.81 crore. Percentage of amount waived off to total outstanding amount ranged between 89 *per cent* and 98 *per cent* of the total outstanding amount. The Corporation could recover only 47.74 *per cent* of the principal outstanding before re-casting of the loan accounts.

3.11.2.2 Recovery through Statutory modes

Sections 29 and 31 of the SFCs Act 1951 empower the Corporation to recover its outstanding dues through sale of assets taken over and through recovery as arrear of land revenue from the original borrower and the guarantor. The details regarding recovery effected during 2012-15 through Sections 29 and 31 are in table 3.5 below:

Table No. 3.5: Details of recovery affected through Section 29 and 31

(` in crore)

Recovery Performance under Section 29 and 31 during 2012-15	2012-13	2013-14	2014-15
Amount recovered under Section 29 cases	3.16	0.31	1.49
Amount recovered as arrear of land revenue under Section 31	5.02	6.15	5.02
Total recovery through all modes	39.36	29.29	13.08
Percentage of recovery under Section 29 to total recovery	8	1	11
Percentage of recovery as arrear of land revenue to total recovery	13	21	38

Source: Information obtained from Corporation

Out of the total recovery of `81.73 crore made during 2012-15, the Corporation recovered `21.16 crore (26 *per cent)* through sale of primary/ collateral security. The Corporation did not take over any asset under Section 29 of the SFCs Act during 2012-16. Assets having assessed value of `27.20 crore were pending for sale as on March 2016 due primarily to non clearance of statutory charges and court cases.

3.11.3 Audit findings

3.11.3.1 Deficiencies in implementation of OTS Schemes

During discussion on Para 3.2 of Audit Report for PSUs-Government of Haryana for the year ended 31 March 2012 - covering implementation of OTS Schemes, COPU had been informed (January 2016) that the Corporation had not forgone any principal amount and the settlement was made at the amount of the principal outstanding or value of security whichever was higher. As per the guidelines of OTS Schemes 2011 also, the Corporation should consider the value of mortgaged security while working out the settlement amount. However, Audit noticed that the Corporation either failed to link the settlement amount with the value of mortgaged security or failed to settle the account in accordance with the guidelines of the Scheme thereby incurring loss of `10.43 crore in 15 cases as summarised in ***Appendix 7.***

3.11.4 Non-issuance of Recovery Certificates

Section 32G of SFCs Act, 1951, entitles the Corporation to seek attachment of the property of the borrower/ guarantor or recovery of dues as arrear of land revenue. During 2012-15, the Corporation recovered `16.19 crore by issue of Recovery Certificates (RCs) through District administration. At the end of 2015-16, 26 RCs involving recovery of `32.33 crore issued during 1991 to 2004 were pending for execution.

Audit noticed that the Corporation had written off `1,598.47 crore[35] in 148 cases out of 343 cases test checked in audit. However, the Corporation did not exercise the option of resorting to Section 32G of the SFCs Act in 47 cases involving `686.99 crore[36] for which reasons were not found on record.

3.11.5 Write off of dues

During 2014-15, the Corporation had written off principal and miscellaneous expenses of `38.29 crore and interest of `1,989.42 crore against the disbursed amount of `48.81 crore in 246 cases. The Corporation could recover only `11.85 crore towards principal (24 *per cent*) up to the date of writing off the amount in these 246 cases.

Audit test checked 148 of the 246 cases as tabulated in table 3.6 below:

Table 3.6: Details of Written off 148 test checked cases

(` in crore)

Nature of case	Number of cases	Amount disbursed	Recovery of Principal and Miscellaneous Expenses up to date of write off	Written off Principal and Miscellaneous	Written off Interest
Court cases	21	7.64	2.17	6.19	423.91
Defective security	60	11.66	1.58	10.96	391.86
Security fraudulently sold by the borrower	29	2.67	0.47	2.27	167.14
Non availability of security	31	10.69	2.17	8.88	453.19
Under Liquidation	7	2.77	0.88	2.10	131.99
Total	**148**	**35.43**	**7.27**	**30.40**	**1,568.09**

Audit observed that the main reasons for non-recovery of dues was security with defective title (60 cases), non-availability of security (31 cases), security fraudulently sold by borrowers (29 cases) and other reasons *i.e.*, unit under liquidation or court cases (28 cases). It was evident that the controls exercised by the Corporation in sanctioning loan and safeguarding the security was deficient which resulted in loss of principal of `30.40 crore to the Corporation.

Conclusion

The Corporation suffered loss of `10.43 crore in 15 accounts due to violation of the guidelines of One Time Settlement Schemes. The Corporation could not recover outstanding dues of `38.29 crore due to non-availability of security, defective title of the security and had to write off this amount.

The matter was referred to the Government in April 2016; their replies are awaited (October 2016).

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[35] Principal and miscellaneous expenses `30.40 crore and interest `1,568.07 crore.

[36] Principal and miscellaneous expenses `10.51 crore and interest `676.48 crore.

Haryana Forest Development Corporation Limited

3.12 Working of the Company

The Company could neither achieve the profit targets fixed by it nor could it ensure the expected return from felled timber and forest produce. The Company also suffered a loss of `3.27 crore due to less recovery compared to norms of minimum 50 *per cent* fixed for the recovery of round timber and faulty planning in respect of plantation project on unsuitable land.

3.12.1 Introduction

The Haryana Forest Development Corporation Limited (Company) was incorporated in December 1989 under the Companies Act, 1956, as a wholly owned Government Company with the main purpose of assuring reasonable prices to the farmers for their standing trees and other forest produce and to ensure the welfare of the farming community and development of forest based and allied industries.

The working of the Company was last reviewed and featured in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008, (Commercial), Government of Haryana. The recommendations of audit regarding fixation of reserve price for sale/ auction of timber and clearance of arrear of accounts have been implemented. The Report was discussed by the Committee on the Public Undertakings (COPU) and its recommendation regarding recovery from the responsible officers/ officials for extra expenditure contained in the 58th Report, presented to State Legislature on 9 March 2012, was pending compliance.

The activities of the Company were reviewed in audit between January to May 2016 covering the period from 2011-12 to 2015-16. The audit examination involved scrutiny of records of the head office and four Regional Offices[37] selected thorough random sampling. The views of the Management and the Government have been considered while finalising this.

Audit Findings

3.12.2 Financial Management

The Company had finalised its accounts up to the year 2014-15. The financial position of the Company during the period 2011-15 (***Appendix 8)*** shows that the net profit of the Company had increased from `4.23 crore in 2011-12 to `6.29 crore in 2012-13 due to increase in turnover of forest produce and wooden crates. However, it declined to `5.81 crore and `2.68 crore in 2013-14 and 2014-15 respectively. The profit before tax as a percentage of revenue

[37] Ambala, Kurukshetra, Hisar and Gurgaon.

from operations was in the range of 7.8 *per cent* to 12.78 *per cent* during the period under review. The operating income of the Company was from 94 *per cent* to 97 *per cent* of total income.

To regulate its operations and ensure efficient functioning of all operational units, the Company should prepare annual operation/ action plan, fix activity-wise physical targets and prepare budget for head wise expenditure in respect of operational, trading and other activities. The Board of Directors (BoDs) directed (May 2009) preparation of an annual operation plan for its approval. However, no such plans or targets were presented to the BoDs for their consideration or approval. The targets fixed by the Company and achievements thereagainst are brought out in table 3.7 below:

Table No. 3.7: Regional Office wise Profit Targets and Achievements

(` in crore)

RO/Year	**2011-12**		**2012-13**		**2013-14**		**2014-15**		**2015-16**	
	Target	**Achieved**	**Target**	**Achieved**	**Target**	**Achieved**	**Target**	**Achieved**	**Target**	**Achieved**
Ambala	1.25	1.72	2.00	2.54	2.10	1.16	2.50	0.96	2.00	0.74
Gurgaon	1.50	0.61	1.75	2.27	2.00	3.04	3.00	2.89	3.00	1.58
Hisar	1.00	0.09	1.00	1.00	1.00	-0.23	0.75	0.04	0.75	1.01
Jind	0.80	0.03	0.75	-0.05	0.75	0.10	0.75	1.36	1.50	0.24
KKR	0.50	2.11	2.00	2.65	2.10	3.86	3.50	0.92	2.00	1.40
Rohtak	1.00	1.43	1.00	1.02	1.25	-0.15	1.25	-0.29	0.75	0.43
Total	**6.05**	**5.99**	**8.50**	**9.43**	**9.20**	**7.78**	**11.75**	**5.88**	**10.00**	**5.40**

Source: Company data

Out of six ROs, three ROs in 2011-12, one RO in 2012-13, four ROs in 2013-14 and five ROs each in 2014-15 and 2015-16 could not achieve the profit targets set for them. The RO wise achievement of profit targets in percentage terms ranged between 16 (RO Jind) and 135 (RO Hisar) in 2015-16. The main reason for shortfall in achievement of targets was that the Company fixed the profit targets without linking with anticipated business of the unit.

The Management replied (July 2016) that the Company has now fixed physical and financial targets for the financial year 2016-17 and they had been approved (June 2016) by its BoDs.

Audit also noticed that the Company had received four orders from Government departments during 2012-15 for supply of furniture worth `48.95 crore (excluding VAT and transport) on which excise duty was leviable. However, the Company had neither included excise duty in its costing nor billed and deposited it in respect of furniture supplied worth `47.60 crore. The liability on account of excise worked out to `5.95 crore[38].

The Management stated (July 2016) that the Company has now started depositing excise duty for orders received during 2015-16.

[38] `47.60 crore X 12.50 *per cent* = `5.95 crore.

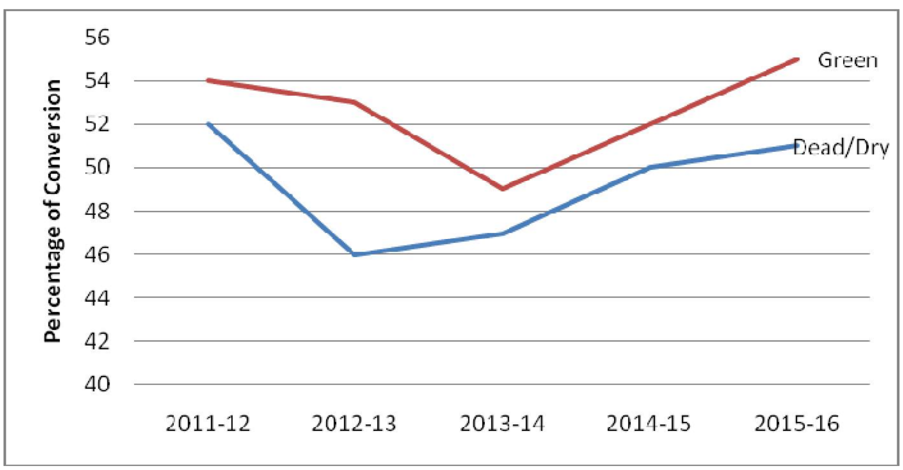
3.12.3 Harvesting of Trees

The Company carries out felling of dead, dry as well as green standing trees allocated by the Forest Department, Haryana from its forest areas. The State Government earmarked certain forest areas[39] for the Company for felling of trees as per approved working plans of the Forest Department. The Company also purchases trees from farmers, panchayats, Government departments and institutions at purchase price fixed by the Company. Audit observed the following:

(i) During 2011-16, felling of trees from the non-forest area[40] ranged between 5,306 to 11,016 cubic meters while felling from forest areas increased from 37,296 in 2011-12 to 61,506 cubic meter in 2015-16. However, there was no purchase from the Panchayats and farmers during the last five years except purchase of 423 cubic meter and 50 cubic meter in 2011-12 and 2015-16 respectively. Management stated (July 2016) that farmers can sell their standing trees and forest produce in open market if they get higher price. The reply was indicative of unrealistic fixation of prices leading to the prices being not remunerative for the farmers.

(ii) After felling of trees, the Company recovers round timber and firewood from these trees for sale. The Company issued (September 2008 and November 2013) instructions that recovery of round timber in forest areas should be 50 to 65 *per cent* of standing volume of the tree. Recovery performance of round timber and firewood from standing volume of dead/ dry and green trees in respect of forest areas are presented below:

Chart no. 3.3.: Conversion of round timber



Source: Company data

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[39] Ambala District, Indri Range, Rohtak District, Jhajjar District, Hisar District, Jind District, Gurugram District, Faridabad District, Palwal District, Mewat District and Rewari District.

[40] Area other than earmarked forest area and forest area means, the area recorded as "Forest" in Government records.

There was wide variation in recovery of round timber and dry/ dead trees across the regional units. In respect of dead/ dry trees, recovery percentage in 2011-12 at Gurgaon was 37 *per cent* whereas it was 77 *per cent* at Rohtak. Similarly, in respect of green trees, recovery percentage at different ROs ranged between 43 (Hisar in 2012-13) and 62 *per cent* (Jind in 2015-16). The value of less recovery of round timber amounted to `2.86 crore[41]. Management stated (July 2016) that conversion depends upon various factors and there is variation in species as well as site conditions.

The reply was not tenable as Company itself had issued instructions that recovery of round timber in forest areas should be 50-65 *per cent* of standing volume of the tree and it was up to the Company to take into account the species and site specific conditions while fixing the norms. Further, given the wide variations and the revenue implications, it was incumbent upon the Company to look into the causes of the variations and fix more specific norms where necessary.

(iii) In the forest areas earmarked for the Company, concerned Forest Division hands over/ allocates standing trees of the Forest area to Regional Office (RO) of the Company for harvesting/ felling. Forest Division, Hisar did not allocate any dead/ dry tree to the RO Hisar during 2011-14. RO Hisar took up matter regarding allocation of trees with Divisional Forest Officer, Hisar only in July 2013 after a delay of more than two years and did not follow up the matter till the allocation of trees in February 2015. The Company incurred a loss of `97.91 lakh[42] during 2011-15 (except during 2012-13) due to non-allocation of trees as RO continued to incur fixed costs during this period.

(iv) After harvesting/ felling of trees and its conversion into timber and fire wood the same are transported to sale depots[43] of the Company. Zone wise[44] reserve prices of these products are fixed for a year (April to March) on the basis of species, length and category[45].

Audit observed that the Company did not maintain any record of the bids received at prices lower than reserve price and the ROs communicated the price to Head office only when there was a proposal to sell the timber below the reserve price. Due to non-maintenance of any record of the bids received lower than the reserve price, the Company could not ascertain price trend as well as price discovered in the auction process where the timber was not sold. Further, the system of disposal in these cases was faulty as instead of going for re-auction with reduced reserve price, the Company disposed the timber at less than reserve price. In the 27 test checked cases where timber was sold below reserve price, it was noticed that 25,507 cubic metre eucalyptus of different

[41] Loss worked out on a conservative basis, on less than 50 *per cent* conversion of round timber in each month multiplied by average monthly sale rate.

[42] Worked out by the Management.

[43] As on March 2016- 113 sale depots (Hisar-8, Kurukshetra-9, Ambala-35, Rohtak-26, Jind-11 and Gurgaon-24).

[44] Zone 1 and Zone 2 comprise 4 and 2 ROs respectively.

[45] Round timber, Fire Wood Grade-I&II and hollow & defective.

sizes and categories fetched `11.81 crore against reserve price of `15.94 crore resulting in under realisation of `4.13 crore with reference to the reserve price.

While accepting the audit observation the Management replied (July 2016), that the bid forms are now being maintained in case the price received is less than reserve price.

3.12.4 Faulty Planning in a Plantation Project

For diversification of its activities, the Company entered into an agreement effective from January 2008 to take 63.2 acres land from a co-operative society at Yamunanagar on lease for 11 years at the rate of `5,000 per acre per annum to plant eucalyptus and aloe vera plants. The Eucalyptus clones were to be harvested after five years and aloe vera twice a year. The Company estimated an income of `1.22 crore against expenditure of `85.20 lakh likely to be incurred during the period of five years on the project. The Company planted about 32,600 eucalyptus and 88,000 aloe vera plants incurring expenditure of `88.31 lakh during 2007-08 to 2015-16. However, the revenue earned till March 2016 was only `5.26 lakh. Besides, only 22,227 eucalyptus plants (68 *per cent*) could survive. The Company had planned harvesting two crops of eucalyptus trees in 11 years but even after more than eight years, not even one crop of Eucalyptus could be harvested. The Company estimated (February 2016) `42.27 lakh as the realisable value of timber and firewood from sale of the mature eucalyptus plants. However, auction had not been conducted so far (July 2016).

Audit observed that the Company had not conducted soil testing before undertaking this project. The land was filled with boulders that hampered the growth of trees in the initial years. Thus, the Company had already incurred a minimum loss of `40.78 lakh[46] after considering the value of trees as arrived at by the Company, in hand.

The Management replied (July 2016) that it had issued notice for auction for harvesting and sale of trees in June 2016 but the same was postponed and profit/ loss of the project could not be assessed at this stage. The reply of the Company was not tenable as it had planned two crops during lease period of 11 years but even after lapse of eight years (July 2016) not even one crop had been harvested.

3.12.5 Excess consumption of materials in manufacturing activities

The Company has two manufacturing facilities for polybag and barbed wire at Hisar and Kurukshetra respectively. The Company is also engaged in manufacturing of various types of office/ school furniture.

The Company received two orders (January and October 2013) from Education Department, Haryana, for supply of 52,300 butterfly tables and

[46] `88.31 lakh- `5.26 lakh – `42.27 lakh (estimated realisable value) = `40.78 lakh.

1,56,900 chairs of identical specifications at the rate of `3,323 and `953 per piece respectively. The Company supplied 52,046 tables and 1,56,138 chairs at its ROs for which payments were received during March 2013 to January 2014.

Audit observed that there was excess consumption of material valuing `22.96 lakh in manufacturing of tables against the first supply order in comparison to use of material in manufacturing of tables by Ambala and Kurukshetra region in the second order as brought out in table 3.8 below:

Table 3.8: Consumption of sunmica and plywood

Sl. No.	Regional Office	Consumption per table in 1st Order (in sqft per unit)		Consumption per table in 2nd Order (in sqft per unit)		Excess Consumption in 1st Order (in sqft per unit)		Total money value (` in lakh)
		Plywood	Sunmica	Plywood	Sunmica	Plywood	Sunmica	
1	Ambala	11.25	16	10	10.67	1.25	5.33	7.73
2	Kurukshetra	10.04	16	10	10.67	0.04	5.33	15.23
Total								**22.96**

Source: Company data

The Management replied (July 2016) that at the time of second order, the Company again constituted a committee to fix the norms for consumption of raw material and other items as per experience gained from the first supply order. The reply was not tenable as the Company was already manufacturing furniture since 2008 at RO Kurukshetra and should therefore have been aware of consumption of material. Further, excess consumption of sunmica and plywood led to increase in cost and thus profit of the Company was reduced by `22.96 lakh.

3.12.6 Non-adherence to directions for e-tendering

The Head Office had directed (June 2014) adoption of the tendering/ e-tendering for executing work through contractors of value above `one lakh. Audit observed that the regional offices were not adhering to these instructions thereby resulting in lack of transparency in award of works and raising the risk of irregularities.

(i) The Company engages contractors for felling and conversion of trees, loading/ unloading, stacking of timber & firewood, carriage/ transport to sale depots, manufacturing/ transport of furniture. During 2011-16, the selected four ROs paid `71.38 crore to labour and transport contractors other than petty contracts. All the ROs had engaged labour and transport contractors through quotations collected from registered contractors without open tendering. Further, mostly the rates quoted by the lowest contractor were exactly same as the schedule of rates/ cost norms approved by the Head Office. In majority of the cases, the quotations obtained were in identical handwriting (in case of Gurgaon for felling operations only) and without any letter head/ stamp of the contractor. Management stated (July 2016) that some of the contractors who are doing the work of felling are uneducated and may have taken help of

Company's staff in writing the rates but the quotations have been signed by the contractors themselves.

(ii) RO Gurgaon was carrying out projects related to plantation and landscaping for different Government agencies[47] besides developing eco-tourism site at Masani Barrage, Rewari. RO Gurgaon was awarded 61 projects on tender or on nomination basis up to March 2016. Of these, 21 projects were test checked in audit. Of the test checked projects, 16 projects were completed and five projects were under implementation. It was noticed that despite directions (June 2014) of the Head Office for adoption of tendering, the works relating to projects were got executed by the RO on quotation basis. The Company stated (July 2016) that tendering was not possible as some projects were executed in defence areas where security was an issue. The reply was not tenable as the Company had also executed projects for other than defence such as for National Highway Authority of India (NHAI), National Buildings Construction Corporation Limited (NBCC) and Municipal Corporation Gurugram and even in these locations tendering was not done for execution of works.

(iii) Forest Department transferred (October 2015) land measuring 22.57 acres located at Masani Barrage Rewari to the Company for operation and maintenance of eco-tourism facilities. To make it operational, the Company incurred `96.91 lakh up to March 2016. The entire work was executed[48] through quotations (including even in those cases where amount of work exceeded `five lakh) despite Head Office instructions (24 June 2014) to adopt the tendering/ e-tendering system for executing work beyond `one lakh in order to maintain transparency.

Conclusion

Thus, the Company could neither achieve the profit targets fixed by it nor could it ensure the expected return from felled timber and forest produce. The Company also suffered a loss of `3.27 crore due to less recovery compared to norms of minimum 50 *per cent* fixed for the recovery of round timber and faulty planning in respect of plantation project on unsuitable land**.** Lastly, non-adherence to guidelines mandating e-tendering provided no assurance as to the integrity and transparency of the process for award of work to contractors.

[47] Ministry of Defence, National Highway Authority of India, National Building Construction Corporation Limited, RITES, Department of Forests & Wildlife, Municipal Corporation Gurugram, Indian Institute of Technology, New Delhi and Indian Railways.

[48] Construction of boundary wall, assets to be fixed in existing buildings, repair of existing building and creation of nature interpretation centre.

Haryana Agro Industries Corporation Limited

3.13 Disallowance of carryover charges

Failure to comply with instructions of supply of wheat directly to Food Corporation of India resulted in the Company having to bear carryover charges of `2.29 crore.

The Company procures wheat from *mandis* for the central pool on behalf of Food Corporation of India (FCI). Government of India (GoI) fixes the Minimum Support Price (MSP), statutory charges and other incidental charges of wheat. On the basis of these rates, the Company claims reimbursement of cost of food grains and other charges from FCI upon delivery of the wheat.

GoI, while conveying (8 May 2013) the provisional rates of incidentals of wheat procured during Rabi Marketing Season 2013-14, stated that delivery of wheat shall be made immediately after its procurement unless FCI is unable to accept it. The carryover charges (comprising storage charges and interest on funds incurred by the Company) beyond 30 June 2013 were payable only if FCI refused to accept the wheat.

Audit observed (December 2014) that FCI directed Farmer Service Centre[49] (FSC) Karnal, of the Company to directly deliver 33,841 MT of wheat to their godowns by 30 June 2013. The Company could deliver only 18,518.50 MT wheat by 30 June 2013 leaving a short fall of 15,322.50 MT which was delivered between 28 November 2013 and 17 October 2014. Consequently, carryover charges of `2.41 crore[50] were deducted and had to be borne by the Company.

The Company stated (September 2016) that balance quantity of wheat could not be delivered in time due to transportation problems and it would have had to incur extra transportation charges for about 35-40 kms for delivering the wheat. The reply of the Company is not convincing as had the Company carried out cost benefit analysis and delivered the balance quantity of wheat at allocated locations even after incurring extra expenditure of `11.85 lakh[51] on transportation cost for extra 35-40 kms, the denial of `2.29 crore (`2.41 crore - `0.12 crore) on account of carryover charges could have been avoided.

The matter was referred to the Government (May 2016); their reply was awaited (October 2016).

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49 Field office of the Company.

50 Though the short delivery of wheat was 15,322.50 MT, FCI deducted carryover charges of `2.41 crore for 15,052 MT only.

51 Calculated for alternate route of extra 35-40 kms for delayed quantity of 15,052 MT of wheat at approved transport rates for all State procuring agencies.

Haryana State Electronics Development Corporation Limited, Haryana Agro Industries Corporation Limited, Haryana Land Reclamation Development Corporation Limited and Haryana State Industrial and Infrastructure Development Corporation Limited

3.14 Excess payment of Employees' contribution

The Companies incurred an extra expenditure of `1.29 crore due to contribution to Employees' Provident Fund, in excess of the limits prescribed under the Employees' Provident Funds Scheme, 1952.

The Employees' Provident Funds (EPF) Scheme, 1952 provides that the contribution payable by an employer shall be 12 *per cent* of the basic wages, dearness allowance and retaining allowance payable to each employee. Para 26 (A) (2) of the Scheme provided that where the monthly pay of an employee exceeds `6,500[52], the contribution payable by the employer shall be limited to the amounts payable on a monthly pay of `6,500. Para 29(2) of the Scheme further provides that in respect of any employee to whom the Scheme applies, the contribution payable by him may, if he so desires, be an amount exceeding 12 *per cent* of his basic wages, dearness allowance and retaining allowance subject to the condition that employer shall not be under obligation to pay contribution over and above his contribution payable under the Scheme.

The issue of excess payment of employers' contribution by two Companies[53] was earlier reported in the Audit Reports (Commercial) for the years 2002-03 and 2003-04 which was discussed by the Committee on Public Undertakings (COPU) in December 2006. COPU decided that the Haryana Bureau of Public Enterprises will formulate a uniform policy to be followed by all public sector enterprises. Subsequently, the State Government decided (May 2014) that where the actual monthly salary of the employees covered under EPF Act/ Scheme is more than the prescribed limit of `6,500, the State PSU should contribute as employers' share an amount equal to contribution made by the employee to EPF subject to minimum of `780 per month (*i.e.*12 *per cent* of `6,500) and maximum of 10 *per cent* of the actual monthly salary (Basic Pay plus Grade Pay plus Dearness Allowance) of the employee.

Audit observed (May 2015, February, March and June 2016) that during June 2014 to March 2016, these companies continued to contribute their share @ 12 *per cent* despite specific instructions issued by State Government (May 2014) to limit the maximum contribution to 10 *per cent* of actual monthly salary. The Companies did not apprise their Board of Directors of the deviation from Government instructions. Thus, the Companies incurred an extra expenditure of `1.29 crore[54] due to excess contribution towards employer's share.

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[52] Increased to `15,000 w.e.f. September 2014.

[53] Haryana State Electronics Development Corporation Limited (HARTRON) and Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC).

[54] HARTRON: `39.42 lakh, Haryana Agro Industries Corporation Limited: `15.45 lakh, Haryana Land Reclamation Development Corporation Limited: `15.31 lakh and HSIIDC: `58.84 lakh.

In respect of HSIIDC, Government stated (July 2016) that it was contributing employer's share at the rate of 12 *per cent* as per decision taken by its BoDs in the meeting held on 19 January 2004 and Employees' Provident Funds Act, 1952. The reply is not tenable as BoDs had decided in the said meeting to maintain *status quo* till a decision is taken by the State Bureau of Public Enterprises/ State Government. Since the matter had since been decided by the State Government in May 2014, the Company should have changed the percentage of contribution.

In respect of HARTRON, Government stated (August 2016) that it was bifurcated (1982) from HSIIDC and it adopted (December 1982) rules and regulations prevailing in HSIIDC at that time. Reply was not convincing as it should have followed the directions issued in May 2014 which were applicable to all public sector enterprises.

Replies of Government in respect of the remaining enterprises were awaited (October 2016).

(Mahua Pal)

Chandigarh **Principal Accountant General (Audit), Haryana**

Dated:

12 जनवरी JAN 2017

Countersigned

(Shashi Kant Sharma)

New Delhi **Comptroller and Auditor General of India**

Dated: 17 जनवरी JAN 2017

Appendices

Appendix 1

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

(*Referred to in paragraph 1.11)*

(Figures in columns 4 & 6 to 9 are ` in crore)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears			
					Equity	Loans	Grants	Others to be specified (subsidy)
1	2	3	4	5	6	7	8	9
A	**Working Government Companies**							
1	Haryana Scheduled Castes Finance and Development Corporation Limited	2011-12	48.11	2012-13	-	-	-	4.35
				2013-14	-	-	-	6.50
				2014-15	-	-	-	6.75
				2015-16	1.00	-	-	6.75
2	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	2011-12	21.47	2012-13	1.00	-	-	1.25
				2013-14	1.25	-	-	3.55
				2014-15	1.25	-	-	3.50
				2015-16	13.24	-	-	3.50
3	Haryana Women Development Corporation Limited	2010-11	16.61	2011-12	-	-	-	3.35
				2012-13	-	-	-	3.91
				2013-14	-	-	5.00	-
				2014-15	-	-	-	2.10
				2015-16	-	-	-	2.10
4	Haryana State Industrial and Infrastructure Development Corporation Limited	2014-15	48.84	2015-16	-	-	8.51	-
5	Haryana Police Housing Corporation Limited	2013-14	25.00	2014-15	-	-	68.00	-
				2015-16	-	-	72.46	-
6	Haryana Tourism Corporation Limited	2012-13	24.66	2013-14	1.00	-	20.29	-
				2014-15	-	-	21.50	-
				2015-16	4.81	-	21.05	-
7	Haryana Land Reclamation and Development Corporation Limited	2014-15	1.56	2015-16	-	-	-	11.83
8	Haryana Seeds Development Corporation Limited	2014-15	5.00	2015-16	-	-	29.85	-
9	Haryana Agro Industries Corporation Limited	2014-15	4.14	2015-16	-	-	-	5.50
10	Haryana Roadways Engineering Corporation Limited	2013-14	6.60	2015-16	0.05	-	-	-
11	Haryana Vidyut Prasaran Nigam Limited	2014-15	2148.78	2015-16	200.00	97.24	-	-
12	Haryana Power Generation Corporation Limited	2014-15	2890.24	2015-16	31.57	-	-	-
13	Uttar Haryana Bijli Vitran Nigam Limited	2014-15	1640.28	2015-16	831.82	-	2379.37	-

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears			
					Equity	Loans	Grants	Others to be specified (subsidy)
1	2	3	4	5	6	7	8	9
14	Dakshin Haryana Bijli Vitran Nigam Limited	2014-15	1449.12	2015-16	556.03	59.59	1513.13	2534.40
15	Haryana State Electronics Development Corporation Limited	2014-15	9.89	2015-16	0.01	-	-	-
16	Haryana Medical Services Corporation Limited			2014-15	5.00	-	-	-
	Total A (Working Government Companies)		**-**	**-**	**1648.03**	**156.83**	**4139.16**	**2599.34**
B	**Working Statutory corporations**	-	-	-	-	-	-	-
	Total B (Working Statutory Corporations)		**-**	**-**	**-**	**-**	**-**	**-**
	Grand Total (A + B)		**-**	**-**	**1648.03**	**156.83**	**4139.16**	**2599.34**

Appendix 2

Summarised financial position and working results of Government companies and Statutory Corporations as per their latest finalised financial statements/ accounts

(Referred to in paragraph 1.15)

(Figures in columns 5 to 12 are ` in crore)

Sl. No.	Sector/ name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumul-ated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments	Capital employed @	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A.	**WORKING GOVERNMENT COMPANIES**												
AGRICULTURE AND ALLIED													
1	Haryana Agro Industries Corporation Limited	2013-14	2015-16	4.14	13.22	-40.29	2813.55	-45.12	-20.77	-22.93	163.19	-	95
2	Haryana Land Reclamation and Development Corporation Limited	2014-15	2015-16	1.56	-	6.47	64.81	-0.04	-0.49	8.08	-0.04	-	99
3	Haryana Seeds Development Corporation Limited	2014-15	2015-16	5.00	-	9.82	79.92	-1.08	-7.68	25.25	0.84	3.33	222
4	Haryana Forest Development Corporation Limited	2014-15	2016-17	0.20	-	45.70	50.69	2.68	-0.17	45.90	2.68	5.84	67
Sector Wise Total				**10.90**	**13.22**	**21.70**	**3008.97**	**-43.56**	**-29.11**	**56.30**	**166.67**	**296.04**	**483**
FINANCE													
5	Haryana Scheduled Castes Finance and Development Corporation Limited	2010-11	2016-17	48.11	11.18	2.62	1.30	0.99	-0.66	61.91	1.47	2.37	84
		2011-12	2016-17	48.11	9.52	5.36	7.58	2.74	Under finalisation	62.99	3.04	4.83	
6	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	2011-12	2016-17	21.47	66.59	-10.62	1.25	-1.35	-0.68	88.06	0.18	0.20	26
7	Haryana Women Development Corporation Limited	2010-11	2016-17	16.61	-	0.02	3.89	-0.21	Non Review Certificate	17.50	-0.21	-	34
Sector Wise Total				**86.19**	**76.11**	**-5.24**	**12.72**	**1.18**	**-0.68**	**168.55**	**3.01**	**1.79**	**144**
INFRASTRUCTURE													
8	Haryana State Industrial and Infrastructure Development Corporation Limited	2013-14	2015-16	48.83	1934.01	1119.64	5073.29	748.59	-1.97	3154.78	1046.76	33.18	549
		2014-15	2016-17	48.84	1741.02	1160.22	912.19	143.75	Under finalisation	3098.04	342.95	11.07	
9	Haryana Police Housing Corporation Limited	2013-14	2015-16	25.00	183.85	0.35	45.43	0.08	Nil comment	209.20	21.47	10.26	192

Sl. No.	Sector/ name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumul-ated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments	Capital employed @	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
10	Haryana State Roads and Bridges Development Corporation	2013-14	2015-16	122.04	0.00	-29.76	157.13	-4.48	-10.79	92.28	134.74	146.01	66
		2014-15	2016-17	122.04	0.00	39.54	141.86	69.30	-10.51	161.58	86.62	53.61	
Sector Wise Total				**195.88**	**1924.87**	**1200.11**	**1099.48**	**213.13**	**-10.51**	**3468.82**	**451.04**	**13.00**	**807**
POWER													
11	Haryana Power Generation Corporation Limited	2014-15	2015-16	2890.24	3310.28	-333.68	6377.45	108.21	-106.39	6340.73	758.05	11.96	2920
12	Haryana Vidyut Prasaran Nigam Limited	2014-15	2015-16	2148.78	5818.45	189.26	1377.61	-8.42	1.26	8495.48	468.04	5.51	4061
13	Uttar Haryana Bijli Vitran Nigam Limited	2014-15	2016-17	1640.28	18140.21	-16309.78	10550.54	-1480.57	-57.97	3966.89	-55.57	-	8764
14	Dakshin Haryana Bijli Vitran Nigam Limited	2014-15	2016-17	1449.12	13370.58	-12719.03	11170.03	-636.16	-89.96	3206.18	314.34	9.80	9682
Sector Wise Total				**8128.42**	**40639.52**	**-29173.23**	**29475.63**	**-2016.94**	**-253.06**	**22009.28**	**1484.86**	**6.75**	**25427**
SERVICE													
15	Haryana Tourism Corporation Limited	2012-13	2015-16	24.66	-	25.78	264.92	-6.12	Non Review Certificate	52.21	-6.12	-	1406
16	Haryana Roadways Engineering Corporation Limited	2013-14	2016-17	6.60	-	16.10	132.24	2.23	Non Review Certificate	23.58	4.81	20.40	114
17	Haryana State Electronics Development Corporation Limited	2014-15	2015-16	9.89	-	61.20	25.93	3.51	-3.66	75.97	6.19	8.15	189
18	Hartron Informatics Limited	2014-15	2015-16	0.50	-	3.24	0.61	0.26	Non Review Certificate	3.74	0.26	6.95	-
19	Gurgaon Technology Park Limited	2011-12	2016-17	14.72	-	13.40	2.22	4.41	0	41.35	4.41	10.67	1
		2012-13	2016-17	14.72	-	13.56	0.90	0.16	0	41.51	0.16	0.39	
		2013-14	2016-17	14.72	-	14.00	0.67	0.26	0	41.95	0.26	0.62	
20	Haryana Mass Rapid Transport Corporation Limited	2014-15	2015-16	1.00	-	0.12	-	0.27	Non Review Certificate	1.12	0.27	24.11	-
21	Haryana Medical Services Corporation Limited*												
Sector Wise Total				**57.37**	**-**	**120.44**	**424.37**	**0.41**	**-3.66**	**198.57**	**5.67**	**2.86**	**1710**
Total A (All sector wise working Government companies)				**8478.76**	**42653.72**	**-27836.22**	**34021.17**	**-1845.78**	**-297.02**	**25901.52**	**2111.25**	**8.15**	**28571**

Sl. No.	Sector/ name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumul-ated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments	Capital employed @	Return on capital employed	Percentage of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
B.	**Statutory corporations**												
AGRICULTURE AND ALLIED													
1	Haryana State Warehousing Corporation	2014-15	2016-17	5.84	30.54	-	95.77	30.83	-3.24	352.60	33.25	9.43	609
		2015-16	2016-17	5.84	50.21	-	84.22	23.45	under finalisation	393.64	26.54	6.74	
Sector Wise Total				5.84	50.21	-	84.22	23.45	-	393.64	26.54	6.74	609
FINANCE													
2	Haryana Financial Corporation	2014-15	2015-16	207.66	-	-108.77	4.02	51.83	-0.04	224.24	52.13	23.25	66
Sector Wise Total				**207.66**	**0.00**	**-108.77**	**4.02**	**51.83**	**-0.04**	**224.24**	**52.13**	**23.25**	**66**
Total B (All sector wise working Statutory corporations)				**213.50**	**50.21**	**-108.77**	**88.24**	**75.28**	**-0.04**	**617.88**	**78.67**	**12.73**	**675**
Grand Total (A+B)				**8692.26**	**42703.93**	**-27944.99**	**34109.41**	**-1770.50**	**-297.06**	**26519.40**	**2189.92**	**8.26**	**29246**
C. NON- WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1	Haryana State Minor Irrigation and Tubewell Corporation Limited	2014-15	2016-17	10.89	-	-353.23	0.00	-0.34	Non Review Certificate	-342.34	-0.34	-	-
Sector Wise Total				**10.89**	**-**	**-353.23**	**0.00**	**-0.34**	**0.00**	**-342.34**	**-0.34**	**-**	**-**
FINANCE													
2	Haryana State Housing Finance Corporation Limited #	ended 31 Aug 2001	2003-04	-	-	-	-	-	Non Review Certificate	-	-	-	-
Sector Wise Total				-	-	-	-	-	**0**	-	-	-	-
POWER													
3	Yamuna Coal Company Private Limited	2015-16	2016-17	1.24	-	-0.37	-	-0.32	Non Review Certificate	0.87	-0.32	-	-
4	HARUP Coal Corporation Limited*			-	-	-	-	-	-	-	-	-	-
Sector Wise Total				1.24	-	-0.37	-	-0.32	-	0.87	-0.32	-	-
INFRASTRUCTURE													
5	Haryana Concast Limited #	1997-98	1998-99	6.85	3.69	-27.18	-	-7.97	-	9.40	-3.57	-	-
Sector Wise Total				**6.85**	**3.69**	**-27.18**	**-**	**-7.97**	**-**	**9.40**	**-3.57**	**0.00**	**-**

Sl. No.	Sector/ name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumul-ated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments	Capital employed @	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
MISCELLANEOUS													
6	Haryana Minerals Limited	2013-14	2015-16	0.24	5.03	-12.30	-	-0.05	Non Review Certificate	-4.46	0.05	-	-
		2014-15	2016-17	0.24	5.03	-12.40	-	-0.11	-	-4.57	-0.01	-	
Sector Wise Total				**0.24**	**5.03**	**-12.40**	**-**	**-0.11**	**-**	**-4.57**	**-0.01**	**-**	**-**
Total C (All sector wise non working Government companies)				**19.22**	**8.72**	**-393.18**	**-**	**-8.74**	**-**	**-336.64**	**-4.24**	**-**	**-**
Grand Total (A+B+C)				**8711.48**	**42712.65**	**-28338.17**	**34109.41**	**-1779.24**	**-297.06**	**26182.76**	**2185.68**	**8.35**	**29246**

@ Capital employed represents Shareholders' funds and long term borrowings.

Companies under liquidation.

* First Accounts still awaited.

Appendix 3

Statement showing loss of interest for non receipt of subsidy claimed from the State Government

(Referred to in Paragraph 2.6.1.5 ii)

(` in crore)

Year	Subsidy claimed by the DISCOMs	Subsidy received by the DISCOMs	Subsidy yet to be released by the GoH	UHBVNL subsidy (as per annual Accounts)	UH subsidy (in % to total subsidy)	UH share in unreleased subsidy	Interest loss of Holding cost
2011-12	4,298.96	3,576.58	722.38	1,946.75	54.43	393.19	48.17
2012-13	5,287.65	5,129.13	158.52	3,620.03	70.58	111.88	13.43
2013-14	7,065.93	5,200.00	1,865.93	3,520.48	67.70	1,263.26	151.59
2014-15	7,805.37	5,234.63	2,570.74	3,136.59	59.92	1,540.39	184.86
2015-16	11,193.35	6,323.35	4,870.00	3,794.01	60.00	2,922.00	350.64
Total							**748.69**

Appendix 4

Statement showing the AT&C losses of the Company during 2011-12 to 2015-16

(Referred to in Paragraph 2.7.9)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	No. of consumers (in lakh)	26.18	27.27	25.48	26.36	27.27
2	No of units received for sale (in MUs)	16,744.46	17,648.62	17,719.70	19,312.01	19,647.87
3	No. of units sold/billed (in MUs)	13,202.51	12,131.74	11,979.05	13,406.00	13,459.84
4	No. of units realised (in MUs)	12,146.86	11,365.93	11,361.01	12,738.78	12,991.44
5	Revenue assessed (in ` crore)	3,902.42	4,908.88	6,158.95	6,924.23	7,872.33
6	Revenue realised (in ` crore)	3,590.39	4,599.01	5,841.19	6,579.61	7,598.50
7	Average realisation rate per unit(in `)	3.18	4.35	4.86	4.75	5.52
8	Actual AT&C losses (in MUs) (2-4)	4,597.60	6,282.69	6,358.69	6,573.23	6,656.43
9	AT&C losses allowed by HERC(in *per cent*)	36.42	34.68	31.53	28.38	25.67
10	Actual AT&C losses(in *per cent*) (8/2*100)	27.46	35.60	34.30	34.04	33.88
11	Excess losses than norms (in *per cent*) (10-9)	-	0.92	2.77	5.66	8.21
12	Excess losses than norms (in MUs) (8*11/10)	-	162.36	513.52	1,092.96	1,613.03
13	Value of excess losses (` in crore) (12*7*0.1)	-	70.63	249.57	519.16	890.39
Total (` in crore)			**1729.75**			

Appendix 5

Statement showing revenue assessed, its collection and outstanding during five years up to 2015-16

(Referred to in paragraph 2.8.1)

(Figure ` in crore)

Sl.No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Balance outstanding at the beginning of the year	2,377.97	2,735.84	3,148.94	2,860.09	3,357.59
2	Revenue assessed/billed during the year	3,902.42	4,908.88	6,158.95	6,924.23	8,209.19
3	Total amount due for realisation (1+2)	6,280.39	7,644.72	9,307.89	9,784.32	11,566.78
4	Amount realised during the year	3,590.39	4,599.01	5,841.19	6,579.61	7,764.31
5	Amount written off during the year	-	-	-	-	-
6	Balance outstanding at the end of the year	2,735.84	3,148.94	2,860.09	3,357.59	3,802.47
7	Percentage of amount realised to total dues (4/3 x 100)	57.17	60.16	62.76	67.25	67.13
8	Arrear in terms of nos. of months assessment [(column 6/(Column 2/12)]	8.41	7.70	5.57	5.82	5.56

Appendix 6

Statement showing category wise position of arrears of revenue (excluding Jind Circle) for the year 2011-12 and the period ending March 2016.

(Referred to in Paragraph 2.8.3)

(` in lakh)

Category of consumer	Connected consumers				Disconnected consumers			
	2011-12		March 2016		2011-12		March 2016	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Domestic (Rural)	246760	46044.72	304461	65764.89	200483	38989.63	234374	57126.11
Domestic (Urban)	53943	6360.17	73198	8009.91	64437	5807.69	81344	8552.96
Total Domestic	300703	52404.89	377659	73774.80	264920	44797.32	315718	65679.07
Non Domestic	24789	5234.71	50662	8597.21	33877	4105.83	40699	6516.38
Agriculture	86560	6904.22	110115	6122.40	8132	1530.74	13331	1617.77
Industrial	2505	6284.59	5719	12455.43	6200	4314.44	6290	4502.95
Govt. Dept.	5555	7320.09	5938	12798.24	316	226.95	532	490.12
Total	**420112**	**78148.5**	**550093**	**113748.08**	**313445**	**54975.28**	**376570**	**78806.29**

Appendix 7

Statement showing cases where Corporation either failed to link the settlement amount with the value of mortgaged security or failed to settle the account in accordance with the guidelines of the Scheme

(Referred to in paragraph 3.11.3.1)

Sl. No.	Name of the borrower	Facts of the case	Reply of the Corporation
1	J B Agro, Yamuna nagar (3 loan accounts)	Three loans amounting to `16.10 lakh were disbursed during January 1995 to December 1998. The unit was in default since inception. The Corporation approved (March 2010) borrower's case for one time settlement (as an individual case and not under any OTS Scheme) at `0.32 crore against outstanding dues of `1.24 crore which was not paid and the OTS decision was cancelled (July 2011). Upon request from the borrower (August 2012) its earlier settlement decision was revived (December 2012) at `0.38 crore (OTS amount `0.32 crore and for the interest `0.06 crore). The borrower deposited the amount in July 2013. Audit observed that the borrower had mortgaged the land valuing `0.66 crore (December 2008) with Corporation. Since the OTS – NPA policy 2011 also covered those cases in which earlier OTS stood cancelled so this case was to be considered and settled under OTS Scheme 2011 and should not have been settled at the value less than the value of mortgaged property. This settlement favouring the borrower resulted in loss of `0.28 crore (`0.66 crore - `0.38 crore) to the Corporation.	The Corporation stated (July 2016) that collateral security could not be sold as the same was under illegal encroachment since more than 20 years and hence the settlement amount was not linked with the value of security. The reply is not tenable as loan was granted 18 years back (1995 to 1998) against the security and at the time of sanctioning the loan the Corporation should have physically verified the security besides verifying from revenue records whereas also as per reply the names of encroacher were recorded.
2	A D L International (2 loan accounts)	The Corporation accepted (January 2012) the proposal (January 2011) of the borrower to settle the loan at `0.61 crore against the outstanding dues of `5.07 crore whereas the value (February 2011) of assets mortgaged with the Corporation was `2.14 crore. This resulted in self inflicted loss of `1.53 crore (`2.14 crore - `0.61 crore).	The Corporation stated that the loanee offered `0.61 crore which was accepted by the Corporation citing financial crunch of loanee as a reason. The reply is not tenable as the settlement was made violating the policy of linking settlement amount with value of security.
3	Gobinda Builders, Sonipat (1 loan account)	The Corporation settled (June 2013) a loan account of a borrower at `0.43 crore against outstanding dues (April 2013) of `20.88 crore and the value (March 2012) of mortgaged property was `2.45 crore. Audit noticed that the loan was settled (June 2013) at `42.89 lakh, without considering the realizable value (March 2012) of collateral security of `2.45 crore, which resulted in loss of `2.02 crore (`2.45 crore - `42.89 lakh).	The Corporation stated (July 2016) that the main promoter had already expired and the guarantor was willing to pay OTS amount of `42.89 lakh only. The reply is not tenable as the value of security available was `2.45 crore and should have been linked to work out the OTS amount.
4	National Steel Tube, Bhiwani (1 loan account)	As against the outstanding dues of `92.53 lakh of the borrower, the value (May 2012) of the property mortgaged with the Corporation was `44.42 lakh. However, the Corporation settled (December 2012) at `0.32 lakh only. Thus, settlement of loans at less than the value of property mortgaged resulted in loss of `44.10 lakh (`44.42 lakh - `0.32 lakh).	The Corporation stated (July 2016) that the original documents of one collateral security were missing and remaining two collateral securities could not be sold. Hence, the settlement was arrived at without linking with value of security. The reply is not acceptable as the documents of security should have been kept by the Corporation in safe custody.

Sl. No.	Name of the borrower	Facts of the case	Reply of the Corporation
5	Parsley Foods Limited, Hisar. (2 loan accounts)	Against outstanding (November 2012) dues of `8.06 crore in case of a borrower the assessed value of the security was `56.23 lakh. The Corporation worked out settlement amount at `88.12 lakh. The account was settled at `70 lakh by the Board of Directors on the proposal of the sub-committee which was in violation of the policy and resulted in loss of `18.12 lakh.	The Corporation stated (July 2016) that the available security was disputed and the process under Section 31 of the SFC Act, 1951 would be time consuming. Hence, settlement arrived at the amount stated by the borrower. The reply is not tenable as the recourse available in Act should have been resorted to and settlement done as per policy.
6	Mukund Pipe, Sirsa (2 loan accounts)	Out of the two Settlement Schemes, minimum settlement amount in the case of OTS-NPA was higher than OTS - Loss scheme as in case of the latter, only principal amount of the re-cast accounts is recovered, whereas in case of former, principal as well as interest of re-cast account is recovered. Audit observed that total outstanding (December 2012) amount against four loans sanctioned to a unit was `22.17 crore. The Corporation accepted (March 1996) the collateral security at `52 lakh but had not reassessed the same. The borrower applied (July 2012) for the settlement of loan under OTS-Loss Scheme. Since the Corporation was having the collateral security so the case was to be covered under OTS-NPA Scheme and minimum settlement amount under it worked out to `1.07 crore. However, the Corporation agreed (July 2012) to settle the account for `72.32 lakh under OTS Loss Scheme. This resulted in loss of `34.30 lakh (`106.62 lakh - `72.32 lakh) to the Corporation.	The Corporation stated (July 2016) that the borrower informed the Corporation about its poor financial position and was able to pay the OTS amount as per loss policy instead of NPA policy. Thus, the loan was settled as per loss policy. The reply was not acceptable as the security of the borrower was available and should have been covered under NPA policy.
7	Bhiwani Fibers, Bhiwani (3 loan accounts)	A unit had outstanding balances (May 2013) of `39.30 crore in three accounts applied (June 2013) for settlement of loan under OTS-NPA Scheme and the Corporation worked out (January 2014) the settlement amount at `2.34 crore. The borrower disputed the date of one account becoming doubtful and worked out (January 2014) the settlement amount as `1.55 crore. The Board of Directors while deciding (September 2014) the settlement amount, observed that the minimum recoverable amount would remain at `2.34 crore irrespective of the date of account becoming doubtful. Audit noticed that the Corporation settled (December 2014) the account at `1.86 crore as offered (May 2014) by the borrower, citing the reasons that the available mortgaged security could not be sold as the borrower had approached (2003) Board of Industrial Financing and Restructuring (BIFR) for winding up. Since the settlement amount worked out to `2.34 crore as such, the decision to settle the account at `1.86 crore resulted in loss of `0.47 crore to the Corporation.	The Corporation stated (July 2016) that the value of the available security was `1.34 crore and BIFR had ordered winding up of the borrower Company. Hence, the proposal of the borrower for settlement at `1.86 crore were accepted. The reply is not tenable as in terms of policy, the OTS amount could not be less than the principal amount of `2.34 crore. Further, even if BIFR orders for winding up are passed, the claim for the Corporation would remain and the recovery can be affected through liquidator. However, after settlement at lesser amount the claim of the Corporation is treated as already settled.
8.	Air Impact, Bahadurgarh (1 loan account)	Against Outstanding dues (January 2012) of a unit of `25.41 crore (principal & miscellaneous expenses `0.87 crore and interest `24.54 crore), the assessed value (February 2012) of the mortgaged property was `6.15 crore. The Corporation decided (March 2012) to settle loan at `0.98 crore due to the fact that it had not been able to sell the primary security (valuing `0.98 crore) as well as collateral security (valuing `5.18 crore) for last 11 years. The primary security could not be sold because some portion of land was acquired by HUDA and the remaining land had not been demarcated. The Corporation did not consider the valuation of prime and collateral security by an independent agency and settled the loan at `0.98 crore instead of `6.15 crore which caused a loss of `5.17 crore (`6.15 crore - `0.98 crore).	The Corporation stated (July 2016) that the security could not be sold despite a lapse of 11 years and in case the Corporation filed case under Section 31 of SFC Act, 1951 for recovery of dues by disposing collateral security, it would be lengthy process. The reply is not tenable as the recourses available in SFC Act should have been exhausted and settlement done as per policy.

Appendix 8

Statement showing financial position and working results of Haryana Forest Development Corporation Limited for the last four years ending March -2015

(Referred to in Para 3.12.2)

(` in crore)

Particulars	2011-12	2012-13	2013-14	2014-15
Liabilities				
Paid Up Capital	0.20	0.20	0.20	0.20
Reserve & Surplus	31.93	38.10	43.23	45.70
Borrowings	0	0	0	0
Other Long Term Liabilities	0.79	0.51	0.71	0.74
Current Liabilities and Provisions	8.89	27.86	29.18	28.49
Deferred tax Liabilities	0	0.03	0.06	0.01
Total	**41.81**	**66.70**	**73.38**	**75.14**
Assets				
Net Fixed Assets	3.24	3.17	3.37	5.43
Long Term Loans/Advances	0.57	0.51	0.34	0.45
Other Non-Current Assets	3.43	2.95	2.54	2.83
Current Assets/ Advances	34.56	60.07	67.13	66.43
Deferred Tax Assets	0.01	-	-	-
Total	**41.81**	**66.70**	**73.38**	**75.14**
Capital Employed[1]	32.92	38.81	44.14	46.64
Net Worth[2]	32.13	38.30	43.43	45.90
Income	48.41	87.60	76.12	53.91
Expenditure	42.45	78.22	67.50	49.93
Profit (+) or Loss (-) for the year	5.97	9.38	8.62	3.97
Prior Period adjustment	-	-	-	-
Less Provision for tax	1.74	3.09	2.81	1.29
Net Profit(+)/Loss(-)	4.23	6.29	5.81	2.68
Dividend paid to State Government	0.06	0.06	0.06	NA

[1] Shareholders' funds plus Long term liabilities.
[2] Total assets less total liabilities.

Glossary

Glossary of Abbreviations	
ACD	Advance Consumption Deposit
AP	Agriculture Pumpset
ARR	Annual Revenue Requirement
AT&C	Aggregate Technical and Commercial
BER	Bid Evaluation Report
BG	Bank Guarantee
BoDs	Board of Directors
BSE	Bombay Stock Exchange
CAPEX	Capital Expenditure
CCB	Consumer Care Billing
COPU	Committee on Public Undertakings
CRF	Contingency Reserve Fund
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
DISCOMs	Distribution Companies
DMRC	Delhi Metro Rail Corporation
DPR	Detailed Project Reports
DS	Domestic Supply
DTs	Distribution Transformers
ED	Electricity Duty
EoI	Expression of Interest
EPF	Employees' Provident Fund
FCI	Food Corporation of India
FD	Finance Department
FDRs	Fixed Deposit Receipts
FFC	Fare Fixation Committee
FSA	Fuel Surcharge Adjustment
FSC	Farmer Service Centre
GDP	Gross Domestic Product
GoH	Government of Haryana
GoI	Government of India
HERC	Haryana Electricity Regulatory Commission
HFC	Haryana Financial Corporation
HLRDC	Haryana Land Reclamation Development Corporation
HMRTC	Haryana Mass Rapid Transport Corporation
HSWC	Haryana State Warehousing Corporation
HT	High Tension
HUDA	Haryana Urban Development Authority
IDEA	Interactive Data Extraction and Analysis
ITIA	Information Technology Implementation Agency
JV	Joint Venture
JVR	Joint Verification Report
KV	Kilo Volt
KVA	Kilo Volte Ampere
KW	Kilo Watt
KWH	Kilo Watt Hour
LD	Liquidated Damages
LDHF	L-Load, D- Day, H-Hour, F-Factor

Glossary of Abbreviations	
LoA	Letter of Acceptance
LS	Large Supply
LT	Low Tension
MD	Managing Director
MDAS	Meter Data Acquisition System
MoP	Ministry of Power
MoUD	Ministry of Urban Development
MS	Medium Supply
MSP	Minimum Support Price
MT	Metric Tonne
MU	Million Units
MYT	Multi Year Tariff
NDS	Non Domestic Supply
NHAI	National Highway Authority of India
NIT	Notice Inviting Tender
NPAs	Non-Performing Assets
OTS	One Time Settlement
PBG	Performance Bank Guarantee
PFC	Power Finance Corporation
PG	Performance Guarantee
PPP	Public Private Partnership
PRMs	Power Regulatory Measures
PSUs	Public Sector Undertakings
PTFs	Power Transformers
PVC	Poly Vinyl Chloride
PWW	Public Water Works
RA	Regulatory Assets
R-APDRP	Restructured Accelerated Power Development Reforms Programme
RCs	Recovery Certificates
RDS	Rural Domestic Supply
REC	Rural Electrification Corporation
RMGL	Rapid Metro Rail Gurgaon Limited
ROs	Regional Offices
SAR	Separate Audit Report
SCADA	Supervisory Control and Data Acquisition System
SCC	Service Connection Charges
SDO	Sub Divisional Officer
SFC	State Financial Corporation
SoP	Sale of Power
TDS	Tax Deducted at Source
THW	Transformers Handling Workshops
TRW	Transformers Repair Workshops
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
VAT	Value Added Tax
WB	World Bank
WTDs	Whole Time Directors