

Chapter-1

General view of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2000, State had 25 Government companies and 2 Statutory corporations

As on 31 March 2000, there were 25 Government companies (including 5 subsidiaries) and 2 Statutory corporations as against 24 Government companies (including 4 subsidiaries) and 2 Statutory corporations as on 31 March 1999 under the control of the State Government. During the year Haryana Hotels Limited was merged with Haryana Tourism Corporation Limited. On the other hand two companies viz. Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) were incorporated (15 March 1999) to undertake distribution of power in the State. These are the subsidiaries of Haryana Vidyut Prasaran Nigam Limited. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956), are audited by Statutory Auditors who are appointed by Government of India on the advice of Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the Comptroller and Auditor General of India as per provisions of Section 619 of the Companies Act, 1956. The audit of the Statutory corporations is conducted under the provisions of the respective Acts as detailed below:

Name of the Corporation	Authority for the audit by the CAG	Audit arrangement
Haryana Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and Supplementary Audit by CAG
Haryana Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and Supplementary Audit by CAG

1.2 Investment in Public Sector Undertakings (PSUs)

Investment was Rs 4745.96 crore in 27 PSUs

As on 31 March 2000, the total investment in 27 Public Sector Undertakings (25 Government companies including 5 subsidiaries and 2 Statutory corporations) was Rs 4745.96 crore (equity: Rs 1048.95 crore; long-term loans*: Rs 3258.13 crore; and share application money: Rs 438.88 crore) as against a total investment of Rs 3543.47 crore (equity: Rs 337.97 crore; long term

* Long term loans mentioned in para 1.2, 1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.

loans: Rs 2922.59 crore; and share application money: Rs 282.91 crore) in PSUs (24 Government companies including 4 subsidiaries and 2 Statutory corporations) as on 31 March 1999. The analysis of investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Investment in 25 Government companies was Rs 4177.66 crore

Total investment in 25 companies (including 5 subsidiaries) as on 31 March 2000 was Rs 4177.66 crore (equity: Rs 1009.24 crore; long term loans: Rs 2729.54 crore, share application money: Rs 438.88 crore) as against total investment of Rs 2918.01 crore (equity: Rs 298.26 crore; long term loans: Rs 2336.84 crore, share application money: Rs 282.91 crore) as on 31 March 1999 in 24 Government companies (including 4 subsidiaries).

The classification of the Government companies was as under:

Status of companies	Number of companies	Investment (Rupees in crore)	
		Paid up capital	Long term loans
(a) Working companies	23 (22)	1446.69 (579.74)	2723.85 (2333.29)
(b) Non working companies	-	--	-
i) Under liquidation	-	-	-
ii) Under closure	-	-	-
iii) Under merger	-	-	-
iv) Others	2A (2)	1.43 (1.43)	5.70 (3.55)\$
Total	25 (24)	1448.12 (581.17)	2729.55 (2336.84)

(Figures in brackets are previous year figures)

Investment in non-working companies was Rs 7.13 crore

As 2 companies were non-working for 12 to 35 years and substantial investment of Rs 7.13 crore was involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

The summarised financial results of Government companies are detailed in Annexures-2 and 3.

Sector wise investment in Government companies

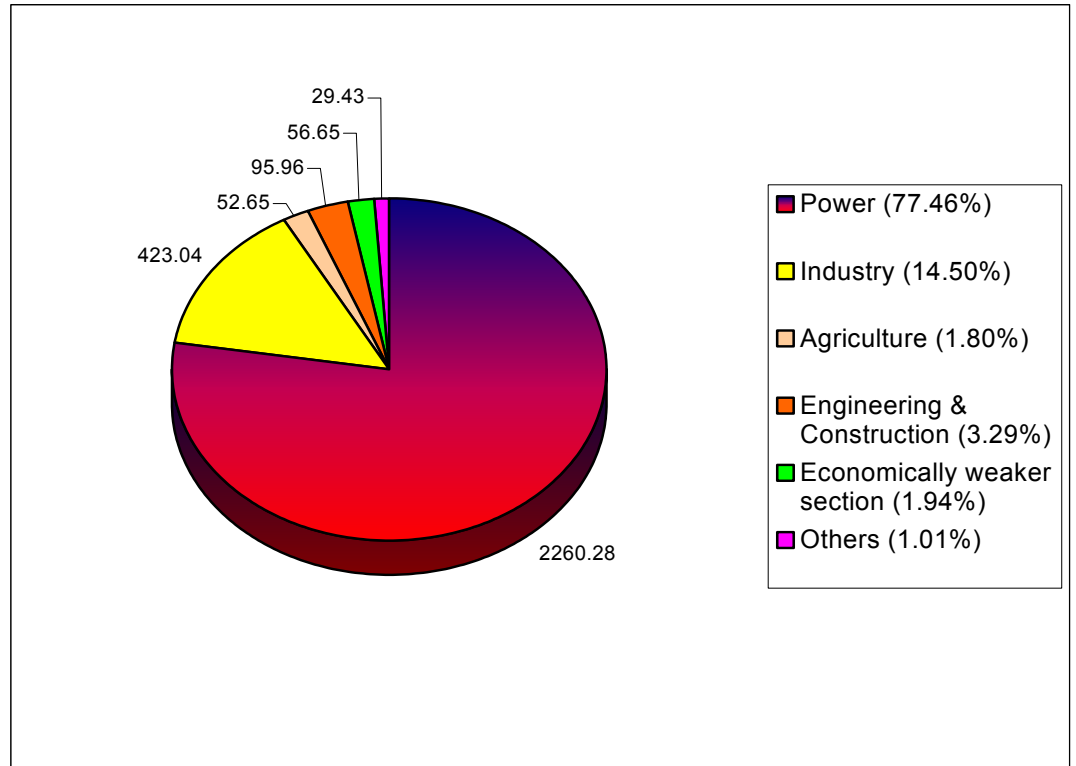
As on 31 March 2000, of total investment of Government companies, 34.66* per cent comprised equity capital and 65.34 per cent comprised loans compared to 19.92 per cent and 80.08 per cent respectively as on 31 March 1999. The sector wise investment (equity including share application money and long term loans) for the year ended 31 March 1999 and 31 March 2000 is given in 2 pie diagrams.

A Serial number 8 and 9 of Annexure-2 are defunct companies.

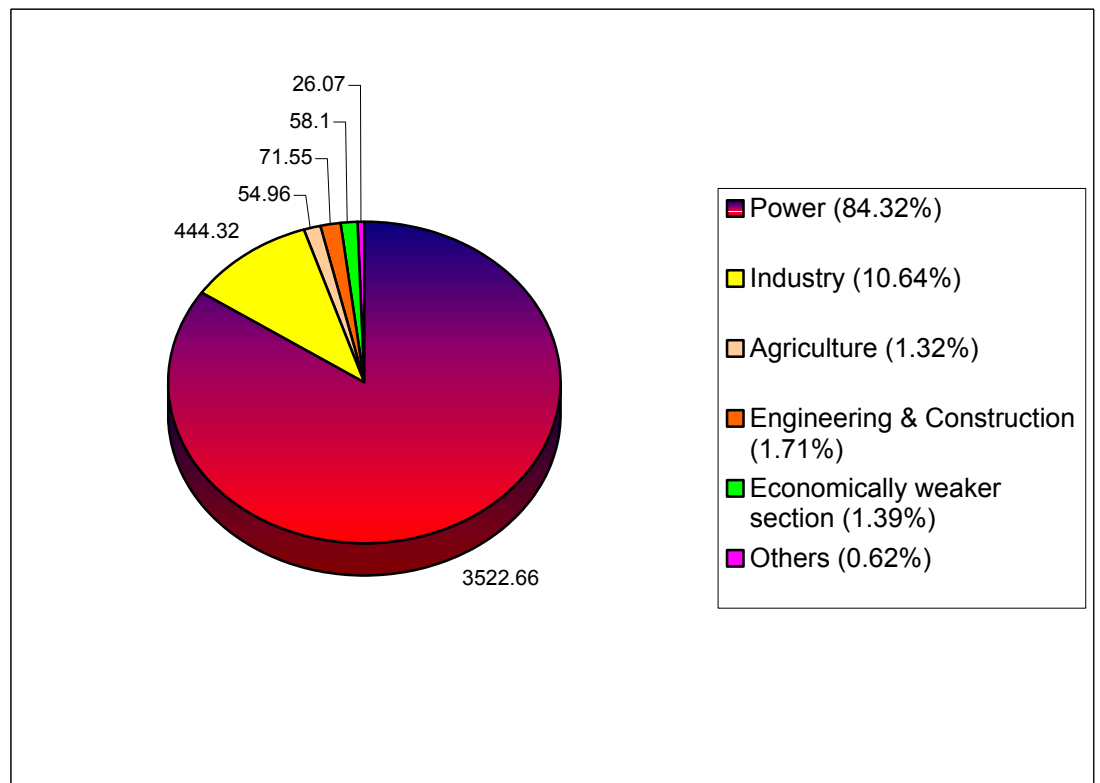
\$ Previous year figure, as reported by the management did not include interest of Rs 2.14 crore.

* The increase in percentage of equity capital was mainly on account of incorporation of two power sector companies viz UHBVNL and DHBVNL.

**Investment as on 31 March 1999
(Rupees in crore)**



**Investment as on 31 March 2000
(Rupees in crore)**



1.2.2 Statutory corporations

Investment in 2 Statutory corporations was Rs 568.30 crore

The total investment in 2 Statutory corporations at the end of March 2000 and March 1999 was as follows:

Name of corporation	1998-99		1999-2000	
	Capital	Loan	Capital	Loan
	(Rupees in crore)			
Haryana Financial Corporation	33.87	585.75	33.87	528.59
Haryana Warehousing Corporation	5.84	-	5.84	-
Total	39.71	585.75	39.71	528.59

As on 31 March 2000, of total investment of Statutory corporations, 6.99 per cent comprised equity capital and 93.01 per cent comprised loans compared to 6.35 per cent and 93.65 per cent respectively as on 31 March 1999.

The summarised financial results of all the Statutory corporations as per the latest finalised accounts are given in Annexures-3. Financial position and working results of individual Statutory corporation for the three years up to 1999-2000 are given in Annexures-6 and 7 respectively.

1.3 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Power distribution was transferred to two newly formed companies

No disinvestment and privatisation of Public Sector Undertakings have taken place during the year 1999-2000. However, the State Government transferred the distribution function of power to two newly incorporated companies viz. Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited (date of incorporation 15 March 1999 for both) which started functioning from 1 July 1999. One company namely Haryana Hotels Limited was merged with an existing company namely Haryana Tourism Corporation Limited as per Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs notification of September 1999.

1.4 Budgetary outgo, subsidies, guarantees and waiver of dues

The details of budgetary outgo, subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to Government companies and Statutory corporations are given in Annexures-2 and 4.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the 3 years up to 1999-2000 in the form of

equity capital, loans, grants and subsidy is given below:

(Amount in Rupees in crore)												
	1997-98				1998-99				1999-2000			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
Particulars	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital	10	16.64	1	12.54	9	353.48	-	-	6	351.28	-	-
Loans	1	0.05	1	317.40	2	20.05	-	-	2	27.55	-	-
Grants	8	8.13	-	-	6	9.93	-	-	7	7.53	-	-
Subsidy towards												
i) Projects/ Programmes/Schemes	-	-	-	-	-	-	-	-	5	49.63	-	-
ii) Other Subsidy	7	26.00	2	251.22	9	309.74	1	1.26	4	412.32	-	-
iii) Total subsidy	7	26.00	2	251.22	9	309.74	1	1.26	9	461.95	-	-
Total outgo	14 x	50.82	2 x	581.16	14 x	693.20	1 x	1.26	15 x	848.31	--	--

Guarantees for loans of PSUs given by State Government were outstanding to the tune of Rs 2841.31 crore as on 31 March 2000

During the year 1999-2000, the Government had guaranteed the loans aggregating Rs 1814.22 crore obtained by 8 Government companies (Rs 1604.22 crore) and one Statutory corporation (Rs 210 crore). At the end of the year, guarantees amounting to Rs 2841.31 crore against 13 Government companies (Rs 2526.97 crore) and two Statutory corporation (Rs 314.34 crore) were outstanding. One company had defaulted in repayment of guaranteed loans during the year. State Government had not allowed moratorium on repayment of loan for any company.

1.5 Finalisation of accounts by PSUs

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

Accounts of 18 companies and one corporation were in arrears

However, as could be noticed from Annexure-3, out of 25 Government companies, only 7 companies and out of 2 Statutory corporations one corporation had finalised its accounts for the year, within the stipulated period. During the period from October 1999 to September 2000, 16 Government companies finalised 19 accounts for 1999-2000 or the previous years (12 accounts for previous years by 9 companies and 7 accounts for 1999-2000 by 7 companies). Similarly, during this period, 2 Statutory corporations finalised

x Actual number of companies/corporations which received equity/loans/grants/subsidy from the State Government

2 accounts for 1999-2000 or previous year (one account for previous year by one corporation). The accounts of other 18 Government companies and one Statutory corporation were in arrears for period ranging from one year to five years as on 30 September 2000 as detailed below:

Sl. No.	Year from which accounts are in arrears	Number of Years for which accounts are in arrears	No. of companies/ corporations		Reference to serial no. of Annexure-3	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1.	1999-2000	1	8	1	8,9,12,14,17,22, 24, 25	1
2.	1998-99	2	4	-	10,16,20,23	-
3.	1997-98	3	4	-	11,18,19,21	-
4.	1995-96	5	2	-	1,15	-

Of the above 18 Government companies, whose accounts were in arrears, 2 companies were non-working companies (Sl. No. 8 and 9 of Annexure-3).

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

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

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government:

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	Reasons for delay in placement in Legislature
1.	Haryana Financial Corporation	1997-98	1998-99	20.6.2000	Assembly session not held (August 2000)
2.	Haryana@ Warehousing Corporation	1997-98	1998-99	18.1.2000	Non-receipt of printed copies of Balance sheet in the legislature

@ The audit of annual accounts for the year 1999-2000 was in progress (September 2000).

1.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 23* Government companies and 2 Statutory corporations, 11 companies had incurred an aggregate loss of Rs 73.92 crore and the remaining 11 companies and 2 corporations earned an aggregate profit of Rs 14.17 crore and Rs 14.64 crore respectively.

The summarised financial results of Government companies and Statutory corporations as per latest finalised accounts are given in Annexure -3. Financial position, working results and operational performance of power sector companies are also given in Annexure-5. Besides, working results of individual corporations for the latest 3 years for which accounts are finalised are given in Annexure-7.

1.6.1 Government companies

1.6.1.1. Profit earning companies and dividend

Out of 7 companies (including one subsidiary) which finalised their accounts for 1999-2000 by September 2000, 5 companies earned an aggregate profit of Rs. 12.71 crore. The State Government had invested an equity of Rs 855.13 crore, however, it did not receive any dividend during 1999-2000.

Similarly, out of 9** companies which finalised their accounts for previous years by September 2000, 4 companies earned an aggregate profit of Rs 1.35 crore and all four companies earned profit for two or more successive years.

The State Government had not formulated any dividend policy but the same is declared by companies on the recommendations of their Board of Directors and approved by the shareholders in the Annual General Meeting.

1.6.1.2 Loss incurring companies

Out of 7 companies which finalised their accounts for the year 1999-2000 by September 2000, 2 companies incurred losses aggregating Rs 1.76 crore. Similarly, out of 9 companies which finalised their accounts for previous years by September 2000, 4 companies incurred losses aggregating Rs 60.37 crore.

Of the 11 loss incurring companies, 5 companies had accumulated losses aggregating Rs 111.91 crore which had far exceeded their aggregate paid-up capital of Rs 27.62 crore as per the latest finalised accounts.

In spite of poor performance leading to complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, subsidy, etc. According to available information, the total financial support so

Despite State Government investment of Rs. 855.13 crore in Government companies, no dividend was received.

Accumulated loss of five companies had eroded their paid-up capital

* First accounts of two companies are awaited (Sl. Nos. 24 and 25 of Annexure-3).
 ** One company (Sl. No. 17 of Annexure-3) capitalised excess of expenditure over income and did not prepare profit and loss account.

provided by the State Government by way of subsidy during 1999-2000 to 2 companies amounted to Rs 47.20 crore.

1.6.2 Statutory corporations

1.6.2.1 Profit earning Statutory corporations and dividend

Out of 2 corporations, Haryana Warehousing Corporation finalised its accounts for 1999-2000 by September 2000 and earned profit of Rs 13.06 crore and declared dividend of Rs 0.58 crore. The dividend as percentage of share capital in the above profit making corporation worked out to 10. The return by way of dividend of Rs 0.58 crore, worked out to 2.06 *per cent* in 1999-2000 on total equity investment of Rs 28.20 crore by the State Government in all Government corporations as against 2.06 *per cent* in the previous year.

Haryana Financial Corporation which finalised its accounts for previous year (1998-99) by September 2000, earned an aggregate profit of Rs 1.58 crore and declared dividend of Rs 1.94 crore for the year 1998-99. However, dividend of Rs 1.79 crore payable to the State Government and IDBI had not been released (September 2000). It earned profit for preceding three years.

1.6.2.2 Operational performance of Statutory corporations

The operational performance of the Statutory corporations is given in Annexure-8.

In respect of Haryana Warehousing Corporation, profit per tonne decreased sharply from Rs 365.67 in 1997-98 to Rs 11.95 in 1999-2000.

Performance of Haryana Financial Corporation started declining gradually from 1997-98 as the disbursements had come down from Rs 106.94 crore in 1997-98 to Rs 65.45 crore in 1999-2000 and the amount overdue had risen steeply from Rs 318.50 crore in 1997-98 to Rs 573.73 crore in 1999-2000.

1.7 Return on capital employed

During 1999-2000, as per latest finalised accounts, the capital employed* worked out to Rs 1798.70 crore in 25 companies and total return** thereon amounted to Rs 59.91 crore which is 3.33 *per cent* as compared to total return of Rs 44.62 crore in respect of 24 companies (6.68 *per cent*) in 1998-99. Similarly, during 1999-2000, the capital employed and total return thereon in case of Statutory corporations amounted to Rs 926.47 crore and Rs 94.91 crore

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

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

(10.24 per cent) respectively against the total return of Rs 116 crore (12.87 per cent) for 1998-99. The details of capital employed and total return on capital employed in case of Government companies and corporations are given in Annexure-3.

1.8 Results of audit by Comptroller and Auditor General of India

The summarised financial results of all the 25 Government companies and 2 Statutory corporations based on the latest available accounts are given in Annexure -3. During the period from October 1999 to September 2000, the audit of accounts of 14 companies and 2 corporations were selected for review. No company/corporation had revised its accounts during the period from October 1999 to September 2000. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Sl No.	Details	No. of Accounts		Rupees in lakh	
		Government companies	Statutory corporations	Government companies	Statutory corporations
(i)	Decrease in profit	2	1	25.72	292.78
(ii)	Increase in profit	--	--	--	--
(iii)	Increase in losses	1	1	148.65	944.83
(iv)	Decrease in losses	--	--	--	--
(v)	Non disclosure of material facts	--	--	--	--
(vi)	Errors of classification	--	--	--	--

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

A Errors and Omissions in case of Government companies

(a) Haryana Roadways Engineering Corporation Limited (1996-97)

Non-provision of arrears of pay and allowances has resulted in overstatement of profit and understatement of current liabilities and provisions by Rs 16.87 lakh.

(b) Haryana State Minor Irrigation and Tubewells Corporation Limited (1993-94)

(i) Fixed assets and current liabilities have been understated by Rs 66.24 lakh due to non-provision for enhancement of cost of land.

(ii) Current assets include Rs 164.06 lakh recoverable from Government (Rs 94.20 lakh), HSEB (Rs 57.68 lakh) and suppliers (Rs 12.18 lakh) which have become irrecoverable. Accordingly, Current assets have been overstated by Rs 164.06 lakh and loss has been understated by Rs 148.65 lakh, fixed assets by Rs 13.06 lakh and overstatement of current liabilities by Rs 2.35 lakh.

(c) Haryana Agro Industries Corporation Limited (1999-2000)

Failure to provide liability for interest on account of delayed payment to HUDA has resulted in overstatement of profit by Rs 8.85 lakh.

B Errors and Omissions in case of Statutory corporations

(a) Haryana Financial Corporation (1998-99)

(i) Current assets (investment) and accumulated loss have been understated by Rs 912.83 lakh due to non-provision of diminution in the value of investment.

(ii) Other assets (advance to Housing Board) have been overstated by Rs 64.71 lakh due to under valuation of cost of residential flats. This has resulted in understatement of accumulated loss by Rs 12 lakh due to under provision of depreciation and understatement of net block by Rs 52.71 lakh.

(iii) Other assets include one time non-refundable membership fee of Rs 20 lakh and should have been charged to profit and loss account. This has resulted in overstatement of other assets and understatement of accumulated loss by Rs 20 lakh.

(b) Haryana Warehousing Corporation (1998-99)

Profit has been overstated by Rs 292.78 lakh due to inclusion of incidentals recoverable from Food Corporation of India as per provisional rates (Rs 82.45 per quintal) against the actual expenditure (Rs 61.24 per quintal).

C Persistent Irregularities and system deficiencies in financial matter of PSUs

The following persistent irregularities and system deficiencies in financial matters of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action was taken by these PSUs so far.

C (1) Government Companies

Haryana State Minor Irrigation and Tubewells Corporation Limited (1993-94)

Despite being pointed out in the comments on the accounts of the Company for the years ended 1983 to 1993, adjustments have not been made in the accounts in respect of following:

- (a) Cost of obsolete and unserviceable stores written off by the Board of Directors in November 1979 (Rs 3.25 lakh).
- (b) Provision of energy charges (Rs 6.88 lakh).
- (c) Losses on account of fire in Company store at Tohana (Rs 0.36 lakh).
- (d) Tubewells not in operation (Rs 0.59 lakh).
- (e) Tubewells written off during previous years (Rs 12.35 lakh).
- (f) Capital loss (Rs 18.13 lakh) on abandonment of tubewells.

C (2) Statutory Corporations

Haryana Financial Corporation

Corporation had not made any provision for diminution in the value of investments (Rs 301.42 lakh in 1996-97, Rs 696.72 lakh in 1997-98 and Rs 912.83 lakh in 1998-99).

D PSUs recommended for closure/merger

Out of 27 Government Companies/Corporations as on 31 March 2000, three Companies namely Haryana State Minor Irrigation and Tubewells Corporation Limited, Haryana Handloom and Handicrafts Corporation Limited and Haryana Concast Limited had incurred losses consecutively for the last five accounting years and their accumulated losses were Rs 65.80 crore, Rs 4.97 crore and Rs 27.18 crore respectively.

Two companies viz. Haryana Tanneries Limited and Punjab State Irons Limited are non-functional for the last 12 and 35 years respectively. Haryana Dairy Development Corporation Limited was having turnover of less than Rs 5 crore in each of the preceding five years.

After evaluating financial parameters and in view of the continuous losses (three companies) non-functional (two companies) and poor turnover (one company) closure of these six companies was recommended to the State Government. The merger of the Haryana Harijan Kalyan Nigam Limited, Haryana Backward Classes Kalyan Nigam Limited and Haryana Women Development Corporation Limited was also recommended as all these companies are performing similar nature of functions. State Government in its reply had stated (August 2000) that Haryana Tanneries Limited had been sold (May 1999) by Haryana Financial Corporation for Rs 1.65 crore and for the remaining recommendations, no final decision had been taken so far (September 2000).

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

During the year 1999-2000, the COPU completed discussion of remaining 2 reviews and 4 paras of Audit Report 1995-96 and discussed 8 paras out of 3 reviews and 18 paras of Audit report 1996-97. Position of discussion of Audit Reports and reviews/paras pending in the COPU as on 31 March 2000 is shown below:

Period of Audit Report	Number of reviews/ paragraphs			
	Total number appeared in Audit Report		Total number pending for discussion	
	Reviews	Paras	Reviews	Paras
1996-97	3	18	3	10
1997-98	3	16	3	16

Report of the Comptroller and Auditor General of India for the year 1998-99 was placed before the State Legislature on 5 September 2000.

In respect of Audit Reports (Commercial) up to 1995-96 discussed in the COPU, recommendations in respect of 292 draft paragraphs/reviews pertaining to Audit Reports from 1971-72 to 1995-96 were pending for settlement as on 31 March 2000.

1.10 619-B companies

Some non-Government companies are deemed to be Government companies under section 619-B of the Companies Act, 1956 for the limited purpose of extending to them the provisions relating to audit of Government companies contained in Section 619 of the Act. There was no such company in the State.

1.11 Companies not subject to Audit by Comptroller and Auditor General of India

The State Government had invested Rs 67.64 lakh in 4 companies which were not subject to audit by the CAG as the aggregate amount of investment made by the State Government was less than 51 *per cent* of the equity capital of respective companies. The particulars of such companies in which the investment of State Government was more than Rs 10 lakh in each as on 31 March 2000 are given in Annexure-1.