OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 29 Public Sector Undertakings (PSUs) comprising 27 Government companies and two Statutory corporations as against 30 PSUs comprising 28 Government companies and two Statutory corporations as on 31 March 2003. Out of 27 Government companies, 19 were working and eight were non-working Government companies. Both the Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 8,900.86 crore as on 31 March 2003 to Rs. 9,373.98 crore as on 31 March 2004. The total investment in non-working PSUs increased from Rs. 56.25 crore to Rs. 67.45 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,043.32 crore in 2002-03 to Rs. 1,222.29 crore in 2003-04. The State Government guaranteed loans aggregating Rs. 1,448.90 crore to eight PSUs (all working) during 2003-04. The total amount of outstanding loans guaranteed by the State Government to all PSUs was Rs. 5,756.31 crore as on 31 March 2004.

(Paragraph 1.5)

Out of 19 working Government companies and two working Statutory corporations, only five working companies and one Statutory corporation had finalised their accounts for the year 2003-04 by 30 September 2004. The accounts of 14 working Government companies and one working Statutory corporation were in arrears for period ranging from one to six years.

(Paragraph 1.6)

According to the latest finalised accounts, 14 working PSUs (13 Government companies and one Statutory corporation) earned aggregate profit of Rs. 50.33 crore. Against this, five working PSUs (four Government companies and one Statutory corporation) incurred aggregate loss of Rs. 10.12 crore as per their latest finalised accounts. Of the loss incurring working Government companies, one Company had accumulated loss aggregating Rs. 9.47 crore, which was more than 39 times of its paid-up capital of Rs. 24.04 lakh.

(Paragraphs 1.7 and 1.9)

Even after completion of nine years of their existence, the individual turnover of four working and two non-working Government companies had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two non-working Government companies, had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these eight Government companies or consider their closure.

(Paragraph 1.34)

2. Reviews relating to Government companies

2.1 Haryana Agro Industries Corporation Limited

Haryana Agro Industries Corporation Limited was incorporated in 1967 as a joint venture of the State Government and Government of India with the object to promote agro based industries and provide farmers with agricultural inputs and assist them in farm mechanisation. Sale of wheat and paddy constituted major component of its turnover. The Company could not maintain proper health of the wheat stock, raise bills in time and reconcile accounts with Food Corporation of India resulting in huge losses. The capacity utilisation of its manufacturing plants was very poor. Even after 37 years of its incorporation, the Company has failed to develop an independent market for its products and was depending upon the patronage of the State Government. Some of the important points noticed in the review are as under:

During 2001-04, five farmers service centres (FSCs) of the Company kept fund between Rs. 0.50 lakh and rupees eight crore in their non-operating current accounts for the periods ranging between five and 228 days against the instructions to transfer the fund to main office's account twice a week. Delayed transfer of fund by FSCs from non-operating current accounts resulted in loss of interest of Rs. 42.05 lakh.

(Paragraph 2.1.9)

The Company procured wheat below permissible limit of lustre, which was rejected by Food Corporation of India. Resultantly, the Company had to auction the wheat at a loss of Rs. 2.88 crore.

(Paragraph 2.1.12)

The Company did not recover Rs.2.65 crore towards expenditure incurred during 1998-2003 for transporting paddy to the millers from the mandis within distance of eight kms and beyond, which was recoverable from the millers (Rs. 93.24 lakh) and Food Corporation of India (Rs. 1.72 crore) as per agreement with the millers and Government of India's instructions respectively.

(Paragraph 2.1.20)

The capacity utilisation of pesticide and insecticide plant, Shahabad, cattle feed plant, Jind and agro engineering workshop, Nilokheri was very low due to inadequate marketing infrastructure and dependence on Government orders.

(Paragraph 2.1.23)

Excess purchase of pesticide and its subsequent disposal at reduced rate resulted in loss of Rs. 30. 54 lakh.

(Paragraph 2.1.28)

2.2 Haryana Vidyut Prasaran Nigam Limited

Erection, augmentation and maintenance of high tension lines and sub-stations

The main function of the Company was to transmit power purchased from Haryana Power Generation Corporation Limited and Central Pool to distribution companies through its transmission network consisting of high tension lines and sub-stations. The Company could not achieve its targets for laying transmission lines and addition in transformation capacity. Delay in implementation of transmission schemes/works resulted in cost overruns and non-accrual of envisaged benefits. Construction of sub-stations without assessing actual requirement resulted in blocking of investment. The maintenance and upkeep of the system was marred by deficiencies, which rendered the costly equipments susceptible to a greater risk of damage. Some of the important points noticed in the review are as under:

The State Government did not initiate action to promote private sector participation in power sector companies as envisaged in the reforms programme. As such the dependence of the Company on borrowed funds to finance its transmission works had increased interest burden from Rs. 201.79 crore in 1999-2000 to Rs. 277.61 crore in 2002-03.

(Paragraph 2.2.7)

Of the 28 transmission schemes got financed from financial institutions during 1999-2004, 23 schemes involving creation/augmentation of 51 sub-stations and related link lines were scheduled for completion up to March 2004. Only 12 schemes could be completed by March 2004, which not only increased interest burden during construction but also resulted in non-accrual of envisaged financial benefits of Rs. 89.76 crore per annum on account of reduction in transmission losses.

(Paragraph 2.2.8)

Shortfall of shunt capacitors in the system during 1999-2004 resulted in non-reduction of transmission losses to the extent of 1,122.85 million units valued at Rs. 224.57 crore. The Company also had to pay Rs. 4.22 crore as penalty on account of excess drawal of reactive power from the power grid during April-September 2003.

(Paragraph 2.2.16)

Due to failure of the protection system, one power transformer (100 mega volt ampere) was damaged at 220 kilo volt sub-station, Madanpur, which resulted in estimated loss of Rs. 2.19 crore.

(Paragraph 2.2.23)

3. Transaction audit observations

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

- *Fraud amounting to Rs. 16.10 lakh in one case.*

  (Paragraph 3.5)

- *Unproductive expenditure of Rs.1.42 crore in one case.*

  (Paragraph 3.6)

- *Blocking up of fund and loss of interest amounting to Rs. 1.12 crore in two cases.*

  (Paragraphs 3.7 and 3.14)

- *Extra expenditure amounting to Rs. 6.58 crore in one case.*

  (Paragraph 3.9)

- *Avoidable loss amounting to Rs.2.28 crore in two cases.*

  (Paragraphs 3.12 and 3.19)

- *Loss of revenue of Rs. 89.59 crore in three cases.*

  (Paragraphs 3.8, 3.11 and 3.13)

- *Excess payment of Rs. 1.49 crore in two cases.*

  (Paragraphs 3.2 and 3.4)

- *Non-recovery of dues amounting to Rs. 4.89 crore in five cases.*

  (Paragraphs 3.1, 3.10, 3.16,3.17 and 3.18)

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

Haryana State Industrial Development Corporation Limited

The Company suffered loss of Rs. 39.95 lakh due to contribution to employees provident fund in excess of the limits prescribed under the Employees' Provident Funds Scheme, 1952.

(Paragraph 3.2)

Haryana Roadways Engineering Corporation Limited

The Company made excess payment of Sales Tax of Rs. 1.09 crore on purchase of bus chassis and therefore suffered loss of interest of Rs. 42.51 lakh.

(Paragraph 3.4)

Haryana Vidyut Prasaran Nigam Limited

Defective remote controlled load management scheme coupled with non-implementation of the scheme as per terms of the contract rendered the expenditure of Rs. 1.42 crore infructuous.

(Paragraph 3.6)

Uttar Haryana Bijli Vitran Nigam Limited

Laxity on the part of the Company to enforce the codal provisions for recovery of its dues followed by implementation of the waiver scheme without devising mechanism to ensure that the beneficiaries would be regular in payments thereafter, led to avoidable loss of Rs. 88.52 crore.

(Paragraph 3.8)

Dakshin Haryana Bijli Vitran Nigam Limited

Non implementation of the safety measures recommended by the Chief Engineer and improper storage of highly inflammable material caused avoidable loss of Rs. 1.93 crore due to fire in transformer repair workshop, Hisar.

(Paragraph 3.12)

Haryana Power Generation Corporation Limited

Failure of the Company to synchronise the installation of the fire protection system with the commissioning of Unit VI at Tau Devi Lal Thermal Power Station, Panipat resulted in loss of Rs.80.36 lakh.

(Paragraph 3.14)

Haryana Financial Corporation

Faulty appraisal procedure caused acceptance of false collateral security not having marketable title, resulting in non-recovery of Rs. 1.25 crore.

(Paragraph 3.18)