

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 27 Government companies (19 working companies and eight non-working* companies) and two Statutory corporations (both working) same as on 31 March 2004 under the control of the State Government. In addition, the State had formed Haryana Electricity Regulatory Commission whose audit is also being conducted by Comptroller and Auditor General of India (CAG). 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 the CAG as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for the audit by the CAG	Audit arrangement
1.	Haryana Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951.	Audit by Chartered Accountants and supplementary audit by CAG
2.	Haryana Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962.	Audit by Chartered Accountants and supplementary audit by CAG

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2005, the total investment in 21 working PSUs (19 Government companies and two Statutory corporations) was Rs. 9,706.70 crore (equity: Rs. 2,274.30 crore; long-term loans** : Rs. 7,079.00 crore and share application money: Rs. 353.40 crore) as against total investment of Rs. 9373.98 crore (equity: Rs. 2,121.82 crore, long-term loans: Rs. 6,911.89 crore and share application money: Rs. 340.27 crore) as on 31 March 2004. Analysis of investment in working PSUs is given in the following paragraphs.

* Non-working companies are those, which are under process of liquidation/closure/merger etc.

** Long-term loans mentioned in para 1.2, 1.3 and 1.4 are excluding interest accrued and due on such loans.

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2005 and March 2004 are indicated below in the pie charts:

Working Government companies

1.3 The total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2003-04	19	2,085.06	340.27	6,523.86	8,949.19
2004-05	19	2,237.53	353.40	6756.56	9347.49

As on 31 March 2005, the total investment of working Government companies comprised 27.72 per cent equity capital and 72.28 per cent loans as compared to 27.10 and 72.90 per cent, respectively as on 31 March 2004.

The summarised position of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure 1**.

Due to increase in paid up capital of power sector the debt equity ratio of working Government companies as a whole decreased from 2.69:1 in 2003-04 to 2.61:1 in 2004-05.

Working Statutory corporations

1.4 The total investment in two working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

Name of the corporation	2003-04		2004-05	
	Capital	Long-term loans	Capital	Long-term loans
Haryana Financial Corporation	30.92	377.93	30.93	313.51
Haryana Warehousing Corporation	5.84	10.10	5.84	8.93
Total	36.76	388.03	36.77	322.44

The summarised position of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure 1**.

Due to decrease in long-term loans of both the corporations, the debt equity ratio as a whole decreased from 10.55:1 in 2003-04 to 8.77:1 in 2004-05.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in **Annexure 1** and **3**.

The State Government did not provide financial support in the form of equity capital, loans or grants/subsidies to Statutory corporations during 2002-05 except Rs 0.20 lakh provided as equity capital to Haryana Financial Corporation during 2004-05. The budgetary outgo* in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies during 2002-05 are given below:

(Amount: Rupees in crore)

Particulars	2002-03		2003-04		2004-05	
	No. of companies	Amount	No. of companies	Amount	No. of companies	Amount
Equity capital	6	147.98	10	130.19	7	166.98
Loans	3	40.99	3	87.79	3	21.96
Grants/Subsidy towards						
1. Projects/ Programmes/ Schemes	2	2.84	7	77.74	5	16.10
2. Others	6	851.51	6	926.57	5	1,170.74
Total grants/ subsidy		854.35		1,004.31		1,186.84
Total outgo		1,043.32		1,222.29		1,375.78

During the year 2004-05, the Government had guaranteed loans aggregating Rs.985.54 crore obtained by six working Government companies (Rs. 501.43 crore) and one working statutory corporation (Rs. 484.11 crore). At the end of the year, guarantees* amounting to Rs. 4,167.82 crore against 11 working Government companies (Rs. 4,069.31 crore) and one working Statutory corporation (Rs.98.51 crore) were outstanding. The guarantee commission paid/payable to Government by six Government companies and one Statutory corporation during the year was Rs. 15.95 crore and Rs. 60.51 lakh, respectively.

Finalisation of accounts by working PSUs

1.6 Out of 21 working PSUs (19 Government companies and two Statutory corporations), only three companies had finalised their accounts for the year 2004-05 by 30 September 2005. During the period from October 2004 to September 2005, 13 working Government companies

* Reconciliation of figures with Finance Accounts is pending.

finalised 15 accounts for previous years. Similarly, one corporation finalised two accounts for previous years during this period.

The accounts of 16 working Government companies and two Statutory corporations involving 37 accounts were in arrears for periods ranging from one to seven years as on 30 September 2005 as detailed below:

Sl. No.	Number of working companies/corporations		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	-	1998-99 to 2004-05	7	A-8	-
2.	1	-	2000-01 to 2004-05	5	A-13	-
3.	2	-	2001-02 to 2004-05	4	A-12 and A-15	-
4.	1	-	2002-03 to 2004-05	3	A-16	-
5.	3	-	2003-04 to 2004-05	2	A-5, A-6 and A-16	-
6.	9	2	2004-05	1	A-1, A-2, A-3, A-9, A-10, A-11, A-14, A-18 and A-19	B-1 and B-2

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs as per their latest finalised accounts are given in **Annexure 2**. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years are given in **Annexure 4** and **5**, respectively.

According to the latest finalised accounts of 19 working Government companies and two working Statutory corporations, six companies and one Statutory corporation had incurred an aggregate loss of Rs. 8.04 crore and Rs. 3.82 crore, respectively. Eleven Government companies and one Statutory corporation earned an aggregate profit of Rs.89.68 crore and Rs.13.92 crore, respectively. One company (Sl. No. A10 of **Annexure 2**) did not prepare profit and loss account as it capitalised excess of expenditure over income and another company (Sl. No. A16 of **Annexure 2**) neither showed profit nor loss, as its total income was equal to expenditure.

Working Government companies

Profit earning working Government companies and dividend

1.8 Three Government companies (Sl. No. A4, A7 and A17 of **Annexure 2**) finalised their accounts for the year 2004-05 up to 30 September 2005 and earned aggregate profit of Rs. 7.01 crore. Similarly,

out of 13 Government companies, which finalised their accounts for previous years by 30 September 2005, seven^s companies earned an aggregate profit of Rs.246.89 crore. All these companies earned profit for two or more successive years. 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 contributed by the State Government. No Company had, however, declared dividend during the year.

Loss incurring working Government companies

1.9 Of the six loss incurring working Government companies, one[#] company had accumulated loss of Rs. 9.47 crore which was more than 39 times of its paid-up capital of Rs.24.04 lakh.

Working Statutory corporations

Profit earning Statutory corporation

1.10 Haryana Warehousing Corporation had not finalised its account for the year 2004-05.

Loss incurring Statutory corporation

1.11 Haryana Financial Corporation finalised its accounts for 2002-03 and 2003-04 and suffered a loss of Rs. 2.91 crore and 3.82 crore respectively. The Corporation had accumulated loss of Rs. 143.25 crore, which exceeded its paid-up capital of Rs.30.92 crore by more than four times.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure 6**. In Haryana Financial Corporation, the overdue amount of loans increased from Rs. 1136.92 crore in 2002-03 to Rs. 1,476.31 crore in 2004-05. The percentage of overdue loans to total outstanding loans also increased from 59.91 to 68.80 during this period.

Return on capital employed

1.13 As per the latest finalised accounts (up to 30 September 2005), the capital employed* worked out to Rs. 7,446.50 crore in 19 working Government companies and total return** thereon amounted to Rs. 726.94 crore (9.76 *per cent*) as compared to total return of Rs. 653.34 crore (10.39 *per cent*) on capital employed of Rs. 6,289.28 crore in previous year (accounts finalised up to September 2004). Similarly, the capital employed and total return thereon in case of two working Statutory corporations as per latest finalised accounts (up to 30 September 2005) worked out to Rs. 820.40 crore and Rs. 57.77 crore (7.04 *per cent*), respectively as against capital employed of Rs. 895.98 crore and the total return of Rs. 69.73 crore (7.78 *per cent*) thereon for previous year

\$ Sl. No. A-1, 5,6,14,17,18 and 19 of Annexure 2.

Sl. No. A-9 of Annexure 2.

* Capital employed represents net fixed assets (including capital work-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, bonds, deposits and borrowings (including refinance).

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

(accounts finalised up to September 2004). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure 2**.

Reforms in power sector

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.14 Memorandum of Understanding (MOU) was signed on 13 February 2001 between the Ministry of Power, Government of India (GOI) and the Department of Power, Government of Haryana (State Government) as a joint commitment for implementation of reforms programme in power sector with identified milestones. Status of implementation of reforms programme against each commitment made in the MOU is detailed below:

Sl No.	Commitment as per MOU	Targeted completion schedule	Status (As on 31 March 2005)
Commitments made by the State Government			
1.	Reduction in transmission and distribution (T&D) losses	T&D losses set at 40.76 <i>per cent</i> by HERC during 2000-01 were proposed to be brought down by 5 <i>per cent</i> each year (20.76 <i>per cent</i> by 2004-05).	35.6 <i>per cent</i>
2.	100 <i>per cent</i> metering of all distribution feeders	31 March 2001	Completed in March 2001
3.	100 <i>per cent</i> metering of all consumers	31 December 2001	Metering of all consumers except agriculture (2.20 lakh) has been completed.
4.	Securitize outstanding dues of Central Public Sector Undertakings	Outstanding dues were to be securitised and current dues were not to exceed two months billing.	Regular payments were being made since October 2001 after securitisation of old dues.
5.	Haryana Electricity Regulatory Commission (HERC)		
	Establishment of HERC	-	Already established in August 1998
	Implementation of tariff orders issued by HERC during 2004-05	-	Implemented
Commitments made by the GOI			
6.	Supply of additional power	Not fixed	During 2004-05, additional power ranging between 12 and 28 <i>per cent</i> out of unallocated quota was given.
General			
7.	Monitoring of MOU	Quarterly	Being monitored regularly

State Electricity Regulatory Commission

1.15 Haryana Electricity Regulatory Commission (Commission) was formed on 17 August 1998 under the Haryana Electricity Reforms Act, 1997 (Act) with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. As per Section 8(3) of the Act, all expenditure of the Commission is to be charged to the Consolidated Fund of the State. The audit of accounts of the Commission is conducted by CAG under Section 104(2) of Electricity Act, 2003. Under Section 103 of the Act, *ibid*, the State Government was to constitute a State Electricity Regulatory Commission Fund for crediting its receipts by way of grants/loans, fee etc. to meet out expenses of the commission. The fund is yet to be constituted (30 September 2005). The Commission had finalised its accounts up to 2003-04. During 2004-05, the Commission issued nine orders (one on annual revenue requirements and eight on others) against eight orders (six on annual revenue requirements and two on others) during 2003-04.

Non-working Public Sector Undertakings

Investment in non-working PSUs

1.16 As on 31 March 2005, the total investment in eight non-working PSUs (all Government companies) was Rs. 140.68 crore (equity: Rs. 23.97 crore; long-term loans: Rs. 116.64 crore and share application money: Rs. 7.05 lakh) as against total investment of Rs. 67.45 crore (equity: Rs. 23.97 crore; long-term loans: Rs. 43.41 crore and share application money: Rs. 7.05 lakh) as on 31 March 2004. The summarised position of Government investment in non-working Government companies in the form of equity and loans is detailed in **Annexure 1**.

The classification of the non-working PSUs was as under:

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
1.	Under liquidation ^{##}	2	6.86	3.69
2.	Others (non-working) ^{\$}	6	17.18	112.95
	Total	8	24.04	116.64

^{##} Sl. No. C-1 and C-5 of Annexure 2.

^{\$} Sl. No. C-2, 3, 4, 6, 7 and 8 of Annexure 2.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 The State Government did not release any funds to non-working companies during the year 2004-05. At the end of the year, guarantee amounting to Rs. 30.00 lakh against one non-working Government company was outstanding as against Rs. 31.84 crore as on 31 March 2004.

Total establishment expenditure of non-working PSUs

1.18 The year wise details of total expenditure of non-working Government companies and the sources of financing them during last three years up to 2004-05 are given below:

(Amount: Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Financed by		
			Disposal of investment/assets	Government Loans	Others
2002-03	3*	49.96	31.85	-	18.11
2003-04	4**	31.73	29.36	0.12	2.25
2004-05	4**	65.00	41.72	-	23.28

Finalisation of accounts by non-working PSUs

1.19 Out of eight non-working Government companies, two companies (Sl. No. C-3 and C-4 of **Annexure 2**) finalised their accounts for 2004-05 during October 2004 to September 2005. The accounts of four non-working companies were in arrears for three to five years as on 30 September 2005. Two ^ companies were under liquidation as seen from **Annexure 2**.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure 2**.

The net worth of eight non-working companies against their paid-up capital of Rs. 29.61 crore was (-) Rs. 138.89 crore. These companies suffered cash loss of Rs. 21.27 crore and their accumulated loss worked out to Rs. 168.50 crore.

* Sl. No. C-2, C-6 and C-8 of Annexure 2.

** Sl. No. C-2, C-3, C6 and C-8 of Annexure 2.

^ Sl.No. C-1 and C-5 of Annexure 2.

Status of placement of Separate Audit Reports of Statutory corporations and Haryana Electricity Regulatory Commission in the Legislature

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations and Haryana Electricity Regulatory Commission (HERC), issued by the CAG, in the Legislature by the Government:

Sl. No.	Name of Statutory corporation/Regulatory Commission	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	2000-01	2001-02	3 December 2004	Hindi version of Audit Report has not been sent by the Corporation
			2002-03	4 July 2005	Hindi version of Audit Report has not been sent by the Corporation
			2003-04	under finalisation	-
2.	Haryana Warehousing Corporation	2002-03	2003-04	14 January 2005	SAR for 2003-04 is under print.
3.	Haryana Electricity Regulatory Commission	2002-03	2003-04	22 December 2004	Hindi version of Audit Report was sent to the State Government on 04 March 2005.

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

1.22 The State Government did not undertake the exercise of disinvestment, privatisation and/or restructuring of any of its PSUs during 2004-05.

Results of audit of accounts of PSUs by Comptroller and Auditor General of India

1.23 During the period from October 2004 to September 2005, the accounts of 15 Government companies (13 working and two non-working) and one Statutory corporation were selected for review. The net impact of important audit observations as a result of review of

the accounts of the PSUs was as follows:

Sl No.	Details	Number of Accounts		Amount (Rupees in crore)	
		Government companies	Statutory corporations	Government companies	Statutory corporations
1.	Decrease in profit	3	1	7.56	12.00
2.	Increase in loss	1	1	0.60	3.39
3.	Non disclosure of material facts	1	1	19.66	3.25
4.	Errors of classification	1	-	27.54	-

Some of the major errors and omissions noticed during October 2004 to September 2005 in the course of review of annual accounts of these PSUs are mentioned below:

Errors and omissions in case of Government Companies

Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (1999-2000)

1.24 The Statutory auditor had not quantified that due to non-provision of gratuity and leave encashment provisions and accumulated loss were understated by Rs. 47.93 lakh.

Haryana Roadways Engineering Corporation Limited (2002-03)

1.25 The Statutory auditor had not quantified that due to non-provision of gratuity and leave encashment current liabilities were understated and Reserve and Surplus were overstated by Rs. 1.01 crore.

Uttar Haryana Bijli Vitran Nigam Limited (2003-04)

1.26 The profit was overstated by Rs. 4.68 crore due to non provision of liability for cash financial assistance.

Dakshin Haryana Bijli Vitran Nigam Limited (2003-04)

1.27 The profit was overstated by Rs. 1.87 crore due to refund (July 2004) of Rs. 99.63 lakh charged to consumer for theft of power and non provision of liability of Rs. 87.50 lakh on account of ex-gratia to employees.

Errors and omissions in case of Statutory Corporations

Haryana Financial Corporation (2001-02)

1.28 Short provision of Rs. 88.58 lakh against loans and advances resulted in overstatement of loans & advances and understatement of accumulated loss to that extent.

Haryana Financial Corporation (2002-03)

1.29 Non-provision against non-performing assets in two cases resulted in understatement of accumulated loss by Rs. 86.44 lakh.

1.30 Short provision of Rs. 51.15 lakh against doubtful loans and advances resulted in overstatement of loans and advances and understatement of accumulated loss to that extent

1.31 Claims recoverable, not admitted by the official liquidator, of Rs. 56.25 lakh resulted into overstatement of claims and understatement of loss to that extent.

Haryana Warehousing Corporation (2003-04)

1.32 Inclusion of incidentals recoverable from Food Corporation of India as per provisional rate (Rs. 114.18 per quintal) against the actual expenditure (Rs. 96.52 per quintal) had resulted in overstatement of profit and claims recoverable by Rs. 1.62 crore.

1.33 In violation of Accounting Standard-2 of the Institute of Chartered Accountants of India inclusion of storage charges and interest of Rs. 2.15 crore and Rs. 8.23 crore, respectively as income on undelivered stock had resulted in overstatement of profit by Rs. 10.38 crore.

Recovery at the instance of audit

1.34 The power utilities had recovered Rs. 23.08 lakh in five cases on account of penalty for delay in supply (Rs.12.50 lakh), development charges (Rs. 5.91 lakh), power factor penalty (Rs.3.15 lakh), short billing (Rs.1.41 lakh) and double payment to the contractor (Rs. 0.11 lakh) after being pointed out in audit.

Internal audit/internal control

1.35 The Statutory Auditors (Chartered Accountants) are to furnish a detailed report upon various aspects including the internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major recommendations made/comments made by Statutory Auditors on possible improvement in

the internal audit/internal control system in respect of State Government companies is indicated below:

Sl. No.	Nature of comment made by Statutory Auditors	Number of the companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non preparation of periodical trial balances	2	A-13 and A-14
2.	Absence of system of monitoring and timely recovery of outstanding dues	3	A-13, A-19 and A-14
3.	Non-preparation of segment-wise profit and loss account	1	A-13
4.	Non-fixation of minimum/maximum limits of store and spares and economic order quantity for procurement of stores	1	A-19
5.	Absence of internal audit system commensurate with the nature and size of business of the company	3	A-13, A-19 and A-14
6.	Non-framing of policy for determination of slow and non-moving items	1	A-19
7.	Absence of norms for employment of manpower	2	A-19 and A-14
8.	Non formation of Audit Committee	1	A-13

Recommendations for closure of PSUs

1.36 Even after ten to 40 years of their existence, the individual turnover of six Government companies (four* working and two** non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Two[§] non-working Government companies had been incurring losses for five consecutive years as per their latest finalised accounts leading to negative net worth.

In view of poor turnover and continuous losses, the Government may either improve the performance of above eight Government companies or consider their closure.

* Sl. No. A7, 12, 13 and 14 of Annexure 2.

** Sl. No. C3 and 4 of Annexure 2.

§ Sl. No. C2 and 8 of Annexure 2.

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

1.37 The status of Audit Reports (Commercial) and their reviews and paragraphs pending for discussion as on 30 September 2005 is as under:

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	4	16	4	-
2001-02	2	14	2	11
2002-03	3	19	3	19
2003-04	2	22	2	22

During the year 2004-05, the COPU completed discussion of three paras in respect of Audit Report for the year 2000-01. The COPU also discussed one review of Audit Report for the year 1999-2000, 13 paragraphs of Audit Report for the year 2000-01 and three paragraphs of Audit Report for the year 2001-02 since April 2005 to September 2005. Audit Report (Commercial) for the year 2003-04 was placed before the State Legislature on 22 March 2005.

619-B Companies

1.38 There was no company under Section 619-B of the Companies Act, 1956 in the State.