

Chapter-I
Functioning of State Public Sector
Undertakings

Chapter I

Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature and occupy an important place in the State's economy. As on 31 March 2017, there were 31 PSUs. Of these, only Haryana Financial Corporation was listed on the Bombay Stock Exchange (BSE). During the year 2016-17, three¹ PSUs were incorporated and one² PSU was dissolved. The details of the State PSUs as on 31 March 2017 are given in table 1.1 below:

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government Companies	24 ⁴	5	29
Statutory Corporations	2	Nil	2
Total	26	5	31

The working PSUs registered a turnover of ` 36,269.41 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 8.35 *per cent* of the State's Gross Domestic Product (GDP) for 2016-17. The working PSUs earned profit of ` 72 crore as per their latest finalised accounts as of 30 September 2017. They had 27,763 employees as at the end of March 2017.

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 19A of the Comptroller and Auditor General's (Duties, Powers and

¹ Saur Urja Nigam Haryana Limited, Faridabad Smart City Limited and Panipat Plastic Park Haryana Limited.

² Harup Coal Corporation Limited.

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ Includes one company *i.e.* Faridabad Smart City Limited under Section 143(7) of the Companies Act, 2013.

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.

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 per latest finalised accounts of working PSUs as on 30 September 2017, the Investment (Paid-up capital, Free Reserves and Long-term loans) in 31 PSUs was ₹ 44,361.19 crore as depicted below:

Table 1.2: Total Investment in PSUs

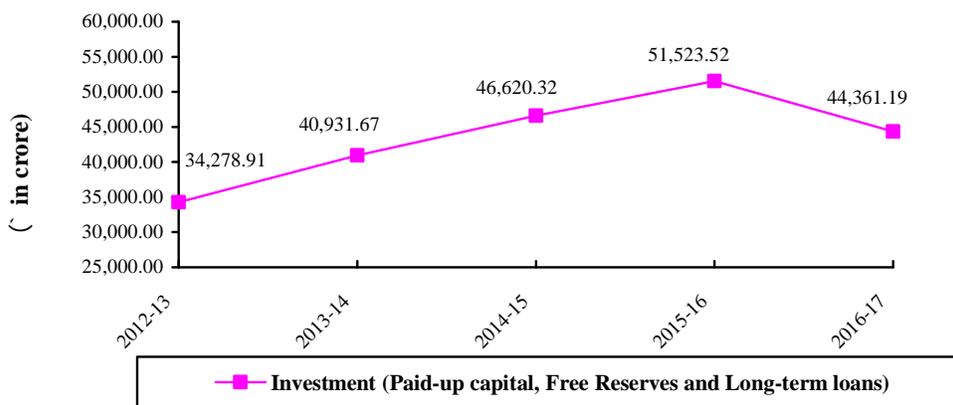
(₹ in crore)

Type of PSUs	Government Companies				Statutory Corporations				Grand Total
	Paid-up Capital	Long Term Loans	Free Reserves	Total	Paid-up Capital	Long Term Loans	Free Reserves	Total	
Working PSUs	11,658.66	32,321.21	92.14	44,072.01	213.50	50.21	-	263.71	44,335.72
Non-working PSUs	19.22	3.69	2.56	25.47	-	-	-	-	25.47
Total	11,677.88	32,324.90	94.70	44,097.48	213.50	50.21	-	263.71	44,361.19

Source: Information collected from PSUs

As on 31 March 2017, of the total investment in State PSUs, 99.40 per cent was in working PSUs and the remaining 0.60 per cent in non-working PSUs. This total investment consisted of 26.81 per cent towards paid-up capital, 72.98 per cent in long-term loans and 0.21 per cent in free reserves. The investment has grown by 29.41 per cent from ₹ 34,278.91 crore in 2012-13 to ₹ 44,361.19 crore in 2016-17 as shown in chart 1.1 below:

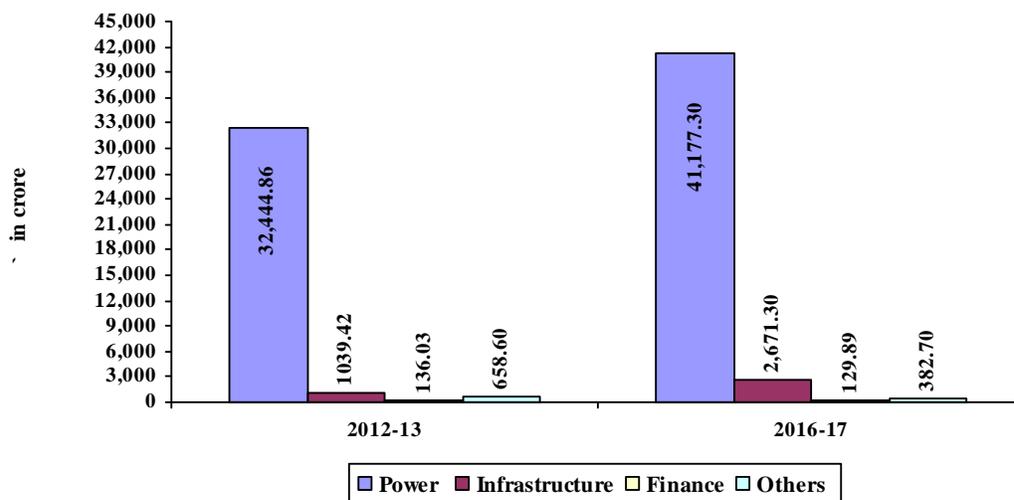
Chart 1.1: Total Investment in PSUs



1.7 The investment in four significant sectors and percentage thereof

at the end of 31 March 2013 and 31 March 2017 are indicated in chart 1.2 below:

Chart 1.2: Sector wise Investment in PSUs



- It is observed that investment in power sector⁵ has increased from ` 32,444.86 crore in 2012-13 to ` 41,177.30 crore in 2016-17.
- It is also observed that investment in infrastructure companies⁶ has increased from ` 1,039.42 crore in 2012-13 to ` 2,671.30 crore in 2016-17, but investment in finance companies⁷ has decreased from ` 136.03 crore to ` 129.89 crore during this period.

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 share capital, loans, grants/ subsidies, loans written off and interest

⁵ Haryana Power Generation Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited and Saur Urja Nigam Haryana Limited.

⁶ Haryana State Industrial and Infrastructure Development Corporation Limited, Haryana Police Housing Corporation Limited and Haryana State Roads & Bridges Development Corporation Limited.

⁷ Haryana Scheduled Castes Finance and Development Corporation Limited, Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited, Haryana Women Development Corporation Limited and Haryana Financial Corporation.

waived in respect of State PSUs are given in table 1.3 below for the three years ended 2016-17.

Table 1.3: Details regarding budgetary support to PSUs
(` in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Share Capital outgo from budget	7	68.22	9	1,638.53	6	1,931.08
2.	Loans given from budget	2	153.25	2	156.83	3	1,974.67
3.	Grants/ Subsidy from budget	9	5,357.76	12	6,588.45	11	10,946.43
4.	Total Outgo (1+2+3)		5,579.23		8,383.81		14,852.18
5.	Waiver of loans and interest	1	81.24	-	-	1	81.24
6.	Guarantees issued	6	3,966.62	7	4,380.42	6	765.01
7.	Guarantee Commitment	8	28,746.85	9	15,447.21	9	6,647.54

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 ` 6,647.54 crore during 2016-17 from ` 28,746.85 crore in 2014-15. During 2016-17, four PSUs paid guarantee fee of ` 12.77 crore. There were three PSUs which did not pay guarantee fee during the year and the accumulated/ outstanding guarantee fee thereagainst was ` 18 crore as on 31 March 2017. The defaulters were Haryana State Industrial and Infrastructure Development Corporation Limited (` 12.75 crore), Haryana State Warehousing Corporation (` 5.23 crore) and Haryana Scheduled Castes Finance and Development Corporation Limited (` 0.02 crore).

Reconciliation with Finance Accounts

1.9 The figures in respect of share capital, 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 2017

is given in table 1.4 below:

Table 1.4: Share Capital, loans, guarantees outstanding as per finance accounts vis- a- vis records of PSUs

(` in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs*	Difference (+ excess/ - deficit)
Share Capital	10,834.85	11,101.91	(+)267.06
Loans	17,005.42 ⁸	10,677.59	(-)6,327.83
Guarantees	6,650.03	6,647.54	(-)2.49

*Source: Information collected from PSUs

Audit observed that the differences occurred in respect of 17 PSUs and some of the differences were pending reconciliation since 2004-05. Non reconciliation of the figures may lead to fraud and leakage of public money apart from violation of the provisions of the relevant statutes. 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.

Table 1.5 below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2017.

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

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of Working PSUs	24	24	25	23	26
2.	Number of accounts finalised and received for supplementary audit during the year	18	23	22	21	20
3.	Number of accounts in arrears	34	35	36	39	45
4.	Number of Working PSUs with arrears in accounts	19	19	19	22	23
5.	Extent of arrears (numbers in years)	1 to 4	1 to 4	1 to 5	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.

⁸ This includes loans of ` 15,570 crore advanced to Haryana DISCOMs and Haryana Vidyut Prasaran Nigam Limited on 31 March 2017 under Ujjwal Discom Assurance Yojana scheme.

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 Audit, 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 ` 1,549.94 crore in 11 PSUs {share capital: ` 371.70 crore (six PSUs), loans: ` 173.26 crore (two PSUs), given grants: ` 821.78 crore (six PSUs) and subsidy ` 183.20 crore (five 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 five non-working PSUs, two⁹ were in the process of liquidation. Of remaining three non-working PSUs¹⁰, Yamuna Coal Company Private Limited had no arrear of accounts. Haryana Minerals Limited had arrears of accounts for the year 2016-17 and Haryana State Minor Irrigation and Tubewell Corporation Limited had arrears of accounts for two years (2015-16 and 2016-17).

Placement of Separate Audit Reports

1.13 The Separate Audit Report (SAR) up to 2015-16 issued by the CAG on accounts of Haryana Financial Corporation was placed in the Legislature while for Haryana State Warehousing Corporation the SAR up to 2014-15 was placed in Legislature.

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 contribution of PSUs to the State GDP for the year 2016-17 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*. The ratio of PSUs

⁹ Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

¹⁰ Haryana Minerals Limited, Haryana State Minor Irrigation and Tubewell Corporation Limited and Yamuna Coal Company Private Limited.

turnover to State GDP shows the extent of PSUs activities in the State economy. Table 1.6 below provides the details of turnover of working PSUs and State GDP for the period of five years ending 2016-17.

Table 1.6: Details of working PSUs turnover vis-a-vis State GDP

(` in crore)

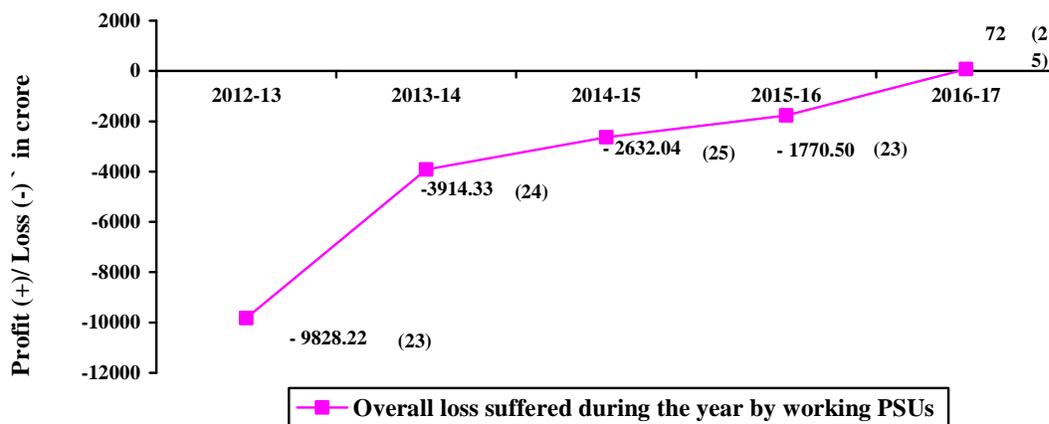
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover ¹¹	22,384.88	25,262.69	36,608.23	34,109.41	36,269.41
State GDP ¹²	3,50,406.61	3,95,747.73	4,41,864.26	4,92,656.90	4,34,607.93
Percentage of Turnover to State GDP	6.39	6.38	8.28	6.92	8.35

Source: Information collected from PSUs and State GDP Data

It is observed that the turnover of State PSUs to the State GDP in percentage terms increased from 6.39 per cent in 2012-13 to 8.35 per cent in 2016-17.

1.16 The profit earned / losses incurred by working PSUs during 2012-13 to 2016-17 are given in a chart 1.3 below:

Chart 1.3: Profit/ Loss of working PSUs



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

- It is observed that the overall losses suffered by the working PSUs to the extent of ` 9,828.22 crore in 2012-13 has turned to profit of ` 72 crore during 2016-17.
- The main reason for turnaround was grant of financial package in the form of share capital, loans and grants-in-aid by the State Government to DISCOMs and HVPNL under Ujjwal DISCOM Assurance Yojana (UDAY) Scheme.

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 2016 to 30 September 2017, 20 accounts were received in respect of 17 working PSUs. Three working PSUs viz. Saur Urja Nigam Haryana Limited,

¹¹ Turnover as per the latest finalised accounts as of 30 September 2017.

¹² At current prices.

Faridabad Smart City Limited and Panipat Plastic Park Haryana Limited have not prepared their first accounts. Out of 20 accounts received, nine accounts reflected profit of ₹ 271.48 crore and 11 accounts reflected loss of ₹ 1,107.51 crore as depicted below:

Table 1.7(a): Details of working PSUs registering profit (₹ in crore)

Name of the Company	Period of accounts	Year in which accounts finalised	Net profit
Haryana Scheduled Castes Finance and Development Corporation Limited	2012-13	2017-18	1.99
Haryana Financial Corporation	2015-16	2016-17	3.55
Haryana State Industrial and Infrastructure Development Corporation Limited	2015-16	2017-18	60.30
Haryana Vidyut Prasaran Nigam Limited	2015-16	2016-17	153.99
Haryana Power Generation Corporation Limited	2015-16	2016-17	31.12
Hartron Informatics Limited	2015-16	2016-17	0.18
Dakshin Haryana Bijli Vitran Nigam Limited	2016-17	2017-18	11.96
Haryana Tourism Corporation Limited	2013-14	2016-17	1.47
Haryana State Electronics Development Corporation Limited	2015-16	2016-17	6.92
Total			271.48

Table 1.7(b): Details of working PSUs registering loss (₹ in crore)

Name of the Company	Period of accounts	Year in which accounts finalised	Net loss(-)
Haryana Agro Industries Corporation Limited	2014-15	2016-17	-82.48
Haryana Seeds Development Corporation Limited	2015-16	2016-17	-2.38
	2016-17	2017-18	-5.75
Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	2012-13	2016-17	-1.36
Haryana Women Development Corporation Limited	2011-12	2016-17	-0.66
Uttar Haryana Bijli Vitran Nigam Limited	2015-16	2016-17	-336.37
	2016-17	2017-18	-205.01
Dakshin Haryana Bijli Vitran Nigam Limited	2015-16	2016-17	-471.58
Gurgaon Technology Park Limited	2014-15	2016-17	-0.14
Haryana Mass Rapid Transport Corporation Limited	2015-16	2016-17	-0.28
Haryana Medical Services Corporation Limited	2014-15	2017-18	-1.50
Total			-1,107.51

- The major contributors to profit were Haryana Vidyut Prasaran Nigam Limited (₹ 153.99 crore), Haryana State Industrial and Infrastructure Development Corporation Limited (₹ 60.30 crore) and Haryana Power Generation Corporation Limited (₹ 31.12 crore).
- Heavy losses were incurred by Dakshin Haryana Bijli Vitran Nigam Limited (₹ 471.58 crore during 2015-16) and Uttar Haryana Bijli Vitran Nigam Limited (₹ 336.37 crore during 2015-16 and ₹ 205.01 crore in 2016-17).

1.17 Return on Investment indicates how efficiently a PSU can generate

profits from its investment by comparing net operating profit (before interest, tax and dividend) to investment. A debt to turnover ratio on the other hand is a measure that compares PSUs debt payment to its overall turnover. A debt-to-turnover ratio is PSU's ability to manage monthly payment and repay debts. Some key parameters of PSUs are depicted below:

Table 1.8: Key Parameters of State PSUs

(` in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Equity	-13,795.48	-15,149.63	-15,274.29	-19,528.36	-17,284.70
Investment	34,278.91	40,931.67	46,620.32	51,523.52	44,361.19
Profit before interest, Tax and Dividend	324.12	612.86	2,247.46	2,350.78	4,044.65
Net profit after tax less Preference dividend	-3,227.09	-3,808.31	-2,652.64	-1,782.62	72.94
Return on Investment ¹³ (per cent)	0.95	1.50	4.82	4.56	9.12
Return on Equity ¹⁴ (per cent)	The return is not measurable as equity is negative in all the years.				
Debt	26,861.94	32,265.75	37,847.90	42,712.65	32,375.11
Turnover	22,384.88	25,262.69	36,608.23	34,109.41	36,269.41
Debt/ Turnover Ratio	1.20:1	1.28:1	1.03:1	1.25:1	0.89:1
Interest Payments	3,526.20	4,361.24	4,411.32	3,960.52	3,835.19
Accumulated losses	21,210.01	23,813.48	24,043.86	28,338.17	29,269.73

Source: As per latest finalised Annual Accounts of PSUs

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

- Return on Investment (RoI) has increased from 0.95 per cent in 2012-13 to 9.12 per cent in 2016-17.

The main reason for improvement in RoI was grant of financial package in the form of share capital, loans and grants-in-aid by the State Government to DISCOMs and HVPNL under Ujjwal DISCOM Assurance Yojana (UDAY) Scheme.

- The ratio of the debts to the turnover which was 1.20:1 in 2012-13 decreased to 0.89:1 in 2016-17. This was due to increase in the turnover during this period.

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, 14 working PSUs earned an aggregate profit of ` 369.22 crore but only four¹⁵ PSUs declared a dividend of ` 6.85 crore. The remaining ten PSUs did not declare dividend despite earning profit of ` 281.32 crore.

¹³ Return on Investment= Net profit before dividend, tax and interest/ Investment where Investment = Paid up Capital + Free Reserves + Long term loans

¹⁴ Return on Equity = (Net Profit after tax minus Preference dividend)/ Equity where Equity = Paid up share capital + Free Reserves and Surplus minus Accumulated losses minus Deferred Revenue Expenditure.

¹⁵ Haryana Forest Development Corporation Limited- 30 per cent; Haryana State Warehousing Corporation- 15 per cent, Haryana Tourism Corporation Limited - 4 per cent (of net profit) and Haryana State Industrial and Infrastructure Development Corporation Limited- 10.24 per cent.

Winding up of non-working PSUs

1.19 There were five non-working PSUs (all companies) as on 31 March 2017. Of these, two PSUs¹⁶ have commenced liquidation process for a period ranging from 13 to 18 years and instructions for closure have been issued for remaining three PSUs as depicted below:

Table 1.9: Closure of Non-working PSUs

Sl. No.	Particulars	Companies
1	Total No. of non-working PSUs	5
2	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	-
(b)	Voluntary winding up (liquidator appointed)	2
(c)	Closure, <i>i.e.</i> closing orders/ instructions issued but liquidation process not yet started.	3

During 2016-17, remaining three non-working PSUs incurred an expenditure of ` 0.34 crore towards salary and establishment expenditure. This expenditure was managed through interest on FDR.

Accounts Comments

1.20 Sixteen working companies forwarded their 19 audited accounts to Principal Accountant General, Audit (PAG) during the period October 2016 to September 2017. Of these, 12 accounts of 10 companies were selected for supplementary audit. Besides, three accounts of three companies which were under finalisation as on 30 September 2016 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 depicted below:

Table 1.10: Impact of audit comments on working Companies

(` in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in profit	5	2.83	9	122.69	-	-
2.	Increase in profit	-	-	-	-	8	27.47
3.	Increase in loss	6	1,074.35	9	1,067.77	-	-
4.	Decrease in loss	-	-	-	-	6	248.65
5.	Non-disclosure of material facts	4	3,805.09	7	2,448.82	2	111.17
6.	Errors of classification	5	5,979.35	11	1,239.19	8	701.83

- It was observed that during the year, the statutory auditors gave qualified certificates for 12 accounts and adverse certificate (*i.e.* accounts do not reflect a true and fair position) for two accounts.

¹⁶ Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

- Qualifications by statutory auditors had the effect of decreasing the reported loss (₹ 471.58 crore) of Dakshin Haryana Bijli Vitran Nigam Limited by ₹ 380.23 crore for the year 2015-16. In addition to the above, after taking into consideration the effect of CAG's qualifications on the accounts of DHBVNL, the loss for the year 2015-16 (after statutory auditor's qualification) of ₹ 471.58 crore would increase to ₹ 541.13 crore. Similarly, qualifications by the CAG had the effect of increasing the reported profit (₹ 31.12 crore) of Haryana Power Generation Corporation Limited for the year 2015-16 by ₹ 79.68 crore.
- The compliance of Companies with the Accounting Standards remained poor. There were 43 instances of non-compliance in 18 accounts finalised during the year.

1.21 Similarly, out of two working statutory corporations, Haryana Financial Corporation forwarded its accounts for the year 2015-16 for supplementary audit during the period October 2016 to September 2017. The comments for the year 2015-16 have been finalised. Besides, accounts of Haryana State Warehousing Corporation for the year 2015-16, which were under finalisation as on 30 September 2016 were also finalised during the above period as depicted below:

Table 1.11: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in profit	1	2.28	3	7.49	3	10.71
2.	Increase in loss	-	-	-	-	-	-
3.	Non-disclosure of material facts	-	-	2	7.07	2	1.23
4.	Errors of classification	2	4.39	2	28.82	2	19.99

- The Audit Reports of statutory auditors and supplementary audit of CAG indicated the need to improve the quality of maintenance of the accounts.
- During the period October 2016 to September 2017, accounts of Haryana Financial Corporation for the year 2015-16 were received and were given qualified certificate by the statutory auditors.

Response of the Government to Audit

Performance Audits and Paragraphs

1.22 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one performance audit and 17 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 nine compliance audit paragraphs were awaited from the State Government as of November 2017.

Follow up action on Audit Reports

Replies outstanding

1.23 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 33 *per cent* of the performance audits and 55 *per cent* of the audit paragraphs as on 30 November 2017 as depicted below:

Table No.1.12: Explanatory notes not received (as on 30 November 2017)

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
2014-15	14.3.2016	2	15	1	8
2015-16	27.2.2017	1	14	-	8
Total	-	3	29	1	16

Discussion of Audit Reports by COPU

1.24 The status as on 30 November 2017 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as depicted below:

Table No.1.13: Reviews/ Paras appeared in Audit Reports *vis-a-vis* discussed as on 30 November 2017

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2012-13	2	10	1	10
2013-14	2	9	1	7
2014-15	2	15	-	-
2015-16	1	14	-	-
Total	7	48	2	17

Compliance to Reports of Committee on Public Undertakings (COPU)

1.25 Action Taken Notes (ATN) to 36 paragraphs pertaining to seven Reports of COPU presented to the State Legislature between March 2011 and

March 2017 had not been received (30 November 2017) as depicted 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
2010-11	1	10	1 (Para No. 8)
2011-12	1	8	2 (Para No. 3 & 5)
2012-13	1	16	2 (Para No. 4,5)
2013-14	1	10	4 (Para No.3,5,6 &10)
2014-15	1	12	6 (Para No. 4,5,8,10 to 12)
2015-16	1	16	7 (Para No. 1 to 4 & 12 to 14)
2016-17	1	15	14 (Para No. 1 to 14)
Total	7	87	36

These Reports of COPU contained recommendations in respect of paragraphs pertaining to nine departments¹⁷ which appeared in the Reports of the CAG of India for the years 2003-04 to 2012-13.

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

1.26 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2016-17.

Coverage of this Report

1.27 This Report contains 17 paragraphs and one Performance Audit *i.e.* 'Acquisition, development of land and management of industrial estates by Haryana State Industrial and Infrastructure Development Corporation Limited' involving financial implications of ` 5,725.18 crore. The management did not reply to three paragraphs while the response of the Government of Haryana was awaited to nine paragraphs and to the performance audit.

¹⁷ Agriculture, Forest, Home, Industries, Power, PWD (B&R), SC and BC Welfare, Transport and Tourism.