

## Overview

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

### **1. About the State Public Sector Undertakings**

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

*(Paragraphs 1.1, 1.6, 1.7 and 1.8)*

### **Performance of Public Sector Undertakings**

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

*(Paragraph 1.16)*

### **Arrears in finalisation of accounts**

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

*(Paragraphs 1.10 and 1.11)*

### **2. Performance audit of Government Companies**

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

findings are as under:

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

**(Paragraph 2.6.1.1)**

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

**(Paragraph 2.6.1.3)**

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

**(Paragraph 2.6.1.5(i))**

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

**(Paragraph 2.6.1.7)**

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

**(Paragraph 2.7.6)**

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

**(Paragraph 2.7.8)**

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

**(Paragraph 2.7.9)**

### **3. Transaction audit observations**

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

#### **Haryana Vidyut Prasaran Nigam Limited**

- Lack of timely action to enforce terms of Notice Inviting Tender

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

*(Paragraph 3.1)*

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

*(Paragraph 3.2)*

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

*(Paragraph 3.3)*

### **Uttar Haryana Bijli Vitran Nigam Limited**

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

*(Paragraph 3.4)*

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

*(Paragraph 3.5)*

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

*(Paragraph 3.6)*

### **Dakshin Haryana Bijli Vitran Nigam Limited**

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

*(Paragraph 3.7)*

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

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

*(Paragraph 3.8)*

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

*(Paragraph 3.9)*

#### **Haryana Mass Rapid Transport Corporation Limited**

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

*(Paragraph 3.10)*

#### **Haryana Financial Corporation**

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

*(Paragraph 3.11)*

#### **Haryana Forest Development Corporation Limited**

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

*(Paragraph 3.12)*

#### **Haryana Agro Industries Corporation Limited**

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

*(Paragraph 3.13)*