PRESS BRIEF


This Report consists of three chapters on Public Sector Undertakings. Chapter 1 provides an overview of Public Sector Undertakings, Chapter 2 contains Performance Audit on provisions of transport services within the State of Himachal Pradesh and Chapter 3 contains compliance audit observations relating to avoidable payment due to non-compliance of rules, directives and procedures, non/ short recovery of energy charges and infructuous expenditure with financial implication of `258.14 crore.

Chapter 1: Functioning of State Public Sector Undertakings

This chapter provides macro level picture of the State Public Sector Undertakings and their performance, budgetary outgo, grants/subsidies, guarantees/loans, arrears in finalisation of accounts/separate audit reports. Some of the significant points are summarized below:

- The State of Himachal Pradesh had 20 working PSUs (18 Government companies and two statutory corporations) and two non-working companies which employed 34,457 employees. As on 31 March 2016, the investment (capital and long-term loans) in 22 PSUs was `10,820.11 crore.
- The investment has grown by 65.28 per cent from `6,527.75 crore in 2011-12 to `10,820.11 crore in 2015-16. The total investment consisted of 33.82 per cent towards capital and 66.18 per cent in long-term loans. The thrust of PSU investment was mainly in power sector which increased from 82.36 per cent to 88.06 per cent of the total investment, i.e. from `5,376.56 crore in 2011-12 to `9,527.82 crore in 2015-16.

2 Performance Audit

A performance audit of transport services within the State of Himachal Pradesh brought out that poor operational efficiencies and productivity, a fare structure that did not adequately match operational expenses and lack of a mechanism for route analysis before allotment between the Himachal Road Transport Corporation and private operators to encourage bunching of profitable routes with uneconomical ones resulted in accumulation of losses of `1,018.64 crore during 2011-16 by the Himachal Road Transport Corporation. Further, the operational performance of the Corporation was below the all India average in respect of hilly States in respect of vehicle productivity, achievement of scheduled kilometres and fuel costs which resulted in depriving the Corporation of potential revenue of `579.23 crore. Some of the highlights are summarised below:

- Poor enforcement of judicial decisions as well as provisions of the Motor Vehicles Act relating to installation of speed governors and vehicle tracking systems and ineffective monitoring compromised road safety and pollution standards in the State.
- Vehicle productivity achieved by the Corporation was 16 to 54 kilometers less than the all India average during 2011-16 which deprived the Corporation of potential traffic revenue of `313.29 crore during 2011-16.
The Corporation consumed 498.38 lakh litres of fuel in excess of the all India average during 2011-16 resulting in extra expenditure of ₹ 240.02 crore.

The State government compensates the Corporation for concessions and free passes for various sections of society. However, the Corporation submitted its claims only on estimation basis and not on actuals. Out of total estimated claims of ₹ 1,111.66 crore during 2011-16, the State Government reimbursed ₹ 895.00 crore leaving ₹ 216.66 crore unrecovered.

3. Audit of Transactions

This chapter deals with audit of State Public Sector Undertakings and brought out avoidable payments due to non-compliance of rules, directives and procedures, non/short recovery of energy charges and infructuous expenditure. Some of the significant points are summarized below:

- Non-completion of Re-Structured Accelerated Power Development and Reforms Program works by the Himachal Pradesh State Electricity Board Limited within schedule time resulted in loss of potential revenue of ₹ 73.06 crore due to non-achievement of envisaged loss reduction targets besides forfeiting grant of ₹ 17.92 crore which was admissible on successful completion of the projects within the time schedule approved by the Government of India. Further, the Company failed to deduct entry tax from the contractors and will have to deposit ₹ 8.64 crore along with interest and penalty as demanded by tax authorities.

- The Himachal Pradesh State Electricity Board Limited failed to recover energy charges of ₹ 18.46 crore due to acceptance of bank guarantee for amount that was less than that stipulated in Government instructions and delay in taking remedial action despite repeated defaults.

- Payment of interest by the Himachal Pradesh State Electricity Board Limited on refund of ₹ 39.49 lakh due to an industrial consumer on monthly compounding basis instead of simple interest resulted in excess payment of interest of ₹ 1.24 crore.

- Incorrect evaluation of bids by the Himachal Pradesh State Electricity Board Limited on number basis instead kilogram basis for galvanized iron wire resulted in extra payment of ₹ 2.55 crore to a contractor.

- The Himachal Pradesh Minorities Finance and Development Corporation failed to meet the target of distribution of assistance to eligible beneficiaries from the minority community and weaker sections and persons with disabilities. The Company failed to disburse sanctioned loan of ₹ 1.94 crore due to non-arrangement of required government guarantee and could not implement Mahila Samridhi Yojana despite allocation of ₹ 1.20 crore by the apex institution. Further, non-provision of calculation of normal interest from defaulters in the software led to short recovery of interest of ₹ 1.44 crore.
- The Himachal Pradesh Power Transmission Corporation Limited had withdrawn excess loan funds without reference to the actual expenditure incurred on the project resulting in an extra financial burden of ₹ 1.52 crore. Non-adherence to norms of debt equity ratio for sharing costs would result in loss on Return on Equity of ₹ 3.80 crore per annum. Further, inconsistent approach in allowing interest free mobilisation advance led to interest loss of ₹ 5.11 crore.

- The Himachal Pradesh Power Corporation Limited failed to claim exemption of excise duty as allowed by the Government of India to Asian Development Bank funded projects resulting in avoidable payment of excise duty of ₹ 36.11 crore.