

This inspection Report has been prepared on the basis of information provided by Managing Director, U.P. Hill Electronics Corporation Ltd. (HILTRON), Dehradun. The office of the Principal Accountant General (Audit) Uttarakhand, Dehradun disclaims any responsibility for any misinformation, non submission or submission of incomplete records.

Audit inspection of accounting records of Managing Director, U.P. Hill Electronics Corporation Ltd. (HILTRON), Dehradun for the period October 2010 to March 2018 was carried out in exercise of the power conferred by section 19 of the C&AG, DPC Act, 1971 read with section 143 of Companies Act, 2013. Audit inspection was conducted by Shri Khub Chand, Assistant Audit Officer under the supervision of Ms. Usha Singh, Audit Officer during the period from 24.09.2018 to 09.10.2018.

Part-I-A

1. **Introduction:-** The last audit of this unit was conducted by Shri Amit Kumar Mishra, Assistant Audit Officer, Shri Naveen Singh, Assistant Audit Officer under the supervision of Shri J.R. Dhaundiyal, Sr. Audit Officer in which accounting records for the period from January 2010 to September 2010 were generally examined. In current audit, accounting records of the period from October 2010 to March 2018 were examined.

2. (i) **Functions and geographical jurisdiction of the unit:**

The function of the Managing Director, U.P. Hill Electronics Corporation Ltd. (HILTRON), Dehradun is to promote development and growth of electronics industry in hilly region by helping entrepreneurs and prospective entrepreneurs in setting up new units. Geographical jurisdiction of the office is Dehradun.

(ii) **Auditing methodology and scope of audit:**

Managing Director, UP Hill Electronics Corporation Ltd. (HILTRON), Dehradun was covered in the audit. This inspection report is based on findings of audit and March 13, March 14, September 16, March 16 and March 18 was selected for detailed examination of expenditure and September 13, October 14, February 16 March 17 and March 18 were selected for detailed examination of revenue.

(iii)

Amount in ₹

Year	Revenue	Expenditure	Profit
Oct.10 to March 11	22800735	40317589	--
2011-12	80530692	111431074	--
2012-13	46042873	74785082	--

2013-14	67753061	89822935	--
2014-15	71811330	83021936	--
2015-16	233414945	88462549	--
2016-17	13167456	75032868	--
2017-18	10361713	94683000	--

(To the extent this information is available & applicable)

(iv) Organisation structure of the unit and reporting lines.

The U.P. Hill Electronics Corporation Ltd. (HILTRON), Dehradun is an electronic industry which is officiated by the Managing Director.

Part II (A)

Para 1: Non payment of Advance Income Tax resulted in avoidable payment of interest of ₹ 35.95 lakh.

As per section 208 of the Income Tax Act, 1961 (Act) Advance tax is payable during a financial year if the amount of such tax payable by the assessee during the year is rupees ten thousand or more. Further, Section 234B of the Act stipulates that where in any financial year, an assessee who is liable to pay advance tax under Section 208 failed to pay such tax or where the advance tax paid by such assessee is less than 90 *per cent* of the assessed tax, the assessee shall be liable to pay simple interest at the rate of one percent for every month from the first day of April on the amount by which the advance tax paid fell short of the assessed tax. Also, Section 234C of the Act provides that if an assessee fails to pay advance tax or the advance tax paid is less than 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of the tax due till 15 June, 15 September, 15 December and 15 March respectively, the assessee shall be liable to pay simple interest at the rate of one *per cent* per month on the amount of the shortfall.

As a result of the decision of winding up of U.P. Hill Electronics Corporation Ltd. (HILTRON), the Government of Uttarakhand (GoU) approved a grant of ₹ 21.00 crore for making various payments related to reinstatement of the employees in other departments and other liabilities of the company. The grant was received in two instalments of ₹ 7.00 crore (17 Dec 2015) and ₹ 14.09 crore (24 Feb 2016).

During the audit it was observed that the company had no system for the assessment of income for payment of advance tax. As such the company did not remit the advance tax on the due dates for the financial year 2015-16. Further, the company paid its actual tax liability in October 2016 and February 2018 of ₹ 3.62 crore (after the assessment u/s 143(1)). As a result of delay in payment of advance tax the company had to pay interest of ₹ 35.95 lakh under Sections 234B (₹ 20.88 lakh) and 234C (₹ 15.06 lakh).

Thus, the failure of the company to make timely payment of Advance Income Tax resulted in avoidable payment of ₹ 35.95 lakh besides non compliance with tax laws.

Management stated in its reply that due to non receipt of reply from the Government regarding settlement of certain important issues related to winding up of the corporation, advance tax could not be deposited.

The reply of the management is not tenable as payment of advance tax is a statutory obligation which is to be deposited in accordance to the tax laws.

Para 2: Non recovery of lease rent- ₹ 21.93 lakh.

The U.P. Hill Electronics Corporation Ltd. (HILTRON) has a building in New Tehri District. The Hotel Management Institute, Uttarakhand Tourism Development Board requested HILTRON (January 2015) to provide the building temporarily on rent for the commencing the academic session 2015-16 of Hotel Management Institute. The proposal was approved by the HILTRON (March 2015) and the building was given on rent with the condition that the rent shall be paid in advance. A Lease Deed was entered (19.08.2015) between HILTRON and Uttarakhand Tourism Development Board for the use of HILTRON building at New Tehri initially for a period of 2 years on the monthly rent of ₹ 74,570.

During the review of records it was seen that the Hotel Management Institute did not pay the advance rent for the building. After a number of reminders, the Institute paid ₹ 596500 as rent for the period 1.05.2015 to 31.12.2015. Thereafter, no rent has been paid by the institute till date. The unpaid rent accumulated to ₹ 21,93,250 till March 2018. In the event of non payment of any rent by the institute, no action taken by HILTRON could be found on record furnished to audit. Had HILTRON terminated the lease agreement with the institute and leased out the space to some other organisation, it could have compensated for the rent not received. Thus, lack of timely action by HILTRON led to non-recovery of rent amounting to ₹ 21.93 lakh.

The management stated in its reply that matter under discussion with the Tourism Department.

The reply of the management is not tenable because the building is not under possession of HILTRON due to which it could not be leased out. Further the outstanding rent could also not be recovered till date. Further, there is no provision/Guideline in the lease agreement regarding if the lessor failed to pay the rent, what would be the next course of action to recover the same.

Part II (B)

Para 1: Loss of ₹ 158.48 lakhs due to improper and poor investment planning.

HILTRON is a Company registered under Companies Act, 1956. The main objective of the company was to promote development and growth of electronics industry in hilly region by helping entrepreneurs and prospective entrepreneurs in setting up new units or to improve existing units by tendering managerial, financial, industrial, technical and other assistance and consultation. The corporation was also engaged in investing in shares and debentures or underwriters the same or otherwise participates in capital of new or existing units.

In the 75th Board Meeting held on 20 April 2013, it was decided to discontinue the activities of HILTRON and wind up the corporation except the HILTRON CALC centres for imparting the computer education.

The records of the Corporation revealed that there are investments of ₹ 1.58 crore in 11 companies. However, these companies are not under operation and have closed down and this amount has now become irrecoverable. No efforts taken by the corporation to recover this amount were found on record furnished to audit. In the event of winding up of the corporation, it is in utmost need of funds which could have been managed to a certain extent with the realisation from these investments.

Management stated in its reply that the matter is put up in every Board Meeting and efforts are being made to recover the amount as soon as possible.

The matter may be watched in next audit.

Para 2: Corporate Governance.

Corporate Governance is the system by which companies are directed and controlled in the best interest of the shareholders and others to ensure greater transparency and better and timely financial reporting. The Board of Directors is responsible for the governance of the companies. According to Section 173 (1) of the Companies Act, 2013 “Every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation and thereafter hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board”. It is also provided in the Companies Act that every company whose paid up capital is more than ₹ 5 crore, a meeting of its Board of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year.

During the examination of Minutes Book of the meeting of Board of Directors, the following is the status of the board meetings:

Year	No .of Board Meeting held
2014-15	1
2015-16	2
2016-17	0
2017-18	1

From the above table it is clear that against that only 4 meeting¹ were held during 01 April 2014 to 31 March 2018 against the minimum 16 meetings.

Thus due to non-holding of the regular Board meeting as envisaged in the Companies Act, 2013, the Board could not be apprised with the progress of various projects and utilisation of the funds.

The management stated in its reply that it has noted the points for future compliance. The matter shall be watched in future audits.

¹ 77th Board Meeting Dated 14.01.2015, 78th Board Meeting Dated 25.05.2015, 79th Board Meeting Dated 28.12.2015 and 80th Board Meeting Dated 28.02.2018.

Part III

(In this part, detail of unsettled paras of previous inspection reports to be reported in below given format.)

Detail of unsettled paras of previous inspection reports:-

Sl. No.	AIR for the period	Part-II-A	Part-II-B
1.	04/1995 to 03/1998	1 to 06	1,2
2.	04/1998 to 03/1999	1 to 6	--
3.	03/1999 to 03/2000	1 to 4	1 to 3
4.	04/2000 to 03/2001	1	1,2
5.	04/2001 to 03/2003	1 to 3	1,2
6.	04/2003 to 03/2004	1 to 6	1 to 5
7.	04/2004 to 03/2005	--	1
8.	04/2005 to 03/2007	1	1 to 4
9.	04/2007 to 12/2009	1 to 3	--
10.	01/2010 to 09/2010	1	1 to 4

Compliance report of unsettled paras of previous inspection report-

Inspection report period and number	Para No. Audit observation	Compliance report	Comments of Audit Party	Remarks
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Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Principal Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Managing Director, U.P. Hill Electronics Corporation Ltd. (HILTRON), Dehradun and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.

Though following documents were not produced during audit:

NIL

2. **Persistent irregularities.**

NIL

3. **The following officers held the charge of head of the office during the audit period:**

Sr. no.	Name	Period	Post
(i)	Shri Vijay K Dhondiyal	01.05.2008 to 13.08.2012	Managing Director
(ii)	Shri B.V.R.C. Purusotam	14.08.2012 to 27.02.2013	Managing Director
(iii)	Shri Ravi Nath Raman	28.02.2013 to 04.11.2014	Managing Director
(iv)	Shri Arunendra Singh Chauhan	05.11.2014 to 02.08.2016	Managing Director
(v)	Shri Dharmendra Singh	03.08.2016 to 25.05.2017	Managing Director
(vi)	Shri Amit Kumar Sinha	26.05.2017 to Till Date	Managing Director

Minor and operational irregularities which could not be resolved at the time of audit and have been included in Temporary Audit Note with the request that the compliance report on the same may be sent to Sr. DAG/DAG within one month of receipt of the letter.

Sr. Audit Officer/ES-1