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HARYANA VIDHAN SABHA PUBLIC ACCOUNTS COMMITTEE (1975-76)

(NINTH REPORT)

REPORT

ON THE

Appropriation Accounts and Finance Accounts of the Haryana Government
for the year 1971-72 and the Report of the Comptroller and Auditor
General of India for the year 1971-72



VIDHAN SABHA SECRETARIAT
CHANDIGARH

March, 1976

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
1975-76**

CHAIRMAN

- 1 Chaudhri Ishwar Singh

MEMBERS

- 2 Shri Amar Singh
- 3 Shri Girish Chander Joshi
- 4 Shri Gulab Singh Jain
- 5 Shri Om Parkash Garg
- 6 Chaudhri Phool Chand (Mullana)
- 7 Chaudhri Ram Lal Wadhwa
- 8 Malik Sat Ram Dass Batra
- 9 *Chaudhri Surjit Singh Mann

SECRETARIAT

Shri Raj Kumar Malhotra Secretary

*Resigned from membership of the Public Accounts Committee with effect from the 3rd December 1975 on his appointment as a Minister of State

INTRODUCTION

1, the Chairman of the Public Accounts Committee having been authorised by the Committee in this behalf present this their Ninth Report on the Appropriation Accounts and Finance Accounts of the Haryana Government for the year 1971 72 and the Report of the Comptroller and Auditor General of India for the year 1971 72

2 During oral evidence the Committee examined the representatives of the departments concerned A brief record of the proceedings of each meeting of the Committee during the year 1975 76 has been kept in the Haryana Vidhan Sabha Secretariat

3 The Committee place on record their appreciation of the valuable assistance given to them by the Accountant General Haryana and his staff and are thankful to the Secretary to Government Haryana, Finance Department and his representatives and the representatives of various departments who appeared before them from time to time The Committee are also thankful to the Secretary, Haryana Vidhan Sabha and his officers and staff for the whole hearted co operation and assistance given by them

ISHWAR SINGH,
Chairman

Chandigarh
The 30th March 1976

REPORT

1 The present Public Accounts Committee was constituted by election and notified vide notification No EC 3 75 76/24 dated the 14th May 1975

2 The Committee held 67 meetings till the writing of the Report at Chandigarh and other places

3 The Committee observed from time to time that the Departmental representatives, who appeared before the Committee for oral examination, were generally not prepared with all facts and figures despite adequate notice having been given to them well in advance and even the answers given by them at times were either not informative or were incomplete/evasive

The Committee wish to point out that in the absence of proper and comprehensive replies, it is difficult for them to arrive at correct conclusions and to discharge the functions entrusted to them by the Legislature smoothly. The Committee also find that the written replies which were required to be supplied within the specified periods, were furnished, in many cases, after long delay or at the nick of time, thus, affording practically no opportunity to the members of the Committee to examine them. This obviously results in waste of considerable precious time of the Committee. The Committee hope that there would be no occasion in future for this kind of situation and that necessary instructions would be issued afresh to various departments.

The Committee also observed that in many a case departmental proceedings were considerably delayed. In some cases, the delinquent officers retired from service or died rendering the action against such officers ineffective. The Committee feel that delays in taking action against the delinquents might even lead to disappearance of or tampering with valuable relevant records and would ultimately weaken prosecution cases when launched. The Committee feel that action in such cases has been slow and the resultant failure to bring the erring officials to book could only be termed as lack of efficiency. The Committee, therefore, strongly recommend that Government should impress upon all officials the paramount need for finalization of cases at the quickest possible pace.

Excess over voted Grants/charged Appropriation

4 Cases of excess over voted grants/charged appropriation for

the year 1971-72 requiring regularisation by the Legislature in accordance with the provisions of Article 205 of the Constitution are detailed below —

<i>Excess over voted grants</i>						
Sr No	Particulars of grant	Original grant	Supplementary grant	Total grant	Expenditure	Excess
1	2	3	4	5	6	7
		Rs	Rs	Rs	Rs	Rs
1	27 Irrigation (Works)	4 51 43 850	38 28 000	4 89 71 850	5 13 79 384	24 07 534
2	29 Public Works	4 59 64 840	2 27 01 160	6 86 66 000	7 61 50 332	74 84 332
3	30-Charges on Public Works Department Buildings & Roads Establishment	1 74 30 600	15 00 000	1 89 30 600	1 91 68 997	2 38 397
4	34 Pension and other Retirement Benefits	1 25 03 500	39 50 500	1 64 54 000	1 80 95 453	16 41 453
5	36 Stationery and Printing	81 70 850	20 71 130	1 02 41 980	1 10 14 830	7 72 850
6	42 Capital Outlay on Multipurpose River Schemes	5 30 00 000		5 30 00 000	9 90 81 119	4 60 81 119
7	43 Irrigation (Capital)	11 91 30 190	3 47 28 950	15 38 59 140	15 74 49 880	35 90 740
8	44-Capital outlay on Public Works	22 16 04 000	6 43 05 010	28 59 09 010	29 01 12 759	42 03 749
9	47 Payments of Commuted Value of pensions	2 90 000		2 90 000	2 98 852	8 852
10	49 Loans to Local Funds Private Parties etc and Loans to Govt servants	19 11 15 300	35 00 010	19 46 15 310	20 63 75 092	1 17 59 782
<i>Excess over charged appropriations</i>						
Sr No	Particulars of appropriation	Original appropriation	Supplementary appropriation	Total appropriation	Expenditure	Excess
1	2	3	4	5	6	7
		Rs	Rs	Rs	Rs	Rs
1	2 State Excise Duties	3 000		3 000	14 531	11 531
2	28 Charges on Irrigation Establishment				66 607	66 607
3	43 Irrigation (Capital)		4 05 000	4 05 000	6 37 617	2 32 617
4	Public Debt	42 42 07 850	48 08 40 980	90 50 48 830	1 03 80 51 413	13 30 02 583
5	50 Inter State Settlement				73 97 806	73 97 806

The Committee observe that expenditure was incurred in excess of the grants/appropriations by certain departments, most notable being the Public Works Department—Buildings and Roads and the Irrigation Department. Normally, there should be no case of excess over a grant of appropriation, and on certain occasions, if the incurring of expenditure in excess of grant of appropriations is unavoidable, all out efforts should be made either to avoid such excess expenditure over the approved demand of appropriation or to seek sanction of the Legislature during the financial year. If for some cogent reason it is not possible to get the expenditure approved by the Legislature during the financial year, the Constitutional provision of taking advance from the Contingency Fund should be resorted to.

The Committee have observed that in certain cases reasons for the excess were not communicated in time and, therefore, recommend that reasons for the excess expenditure over and above the budget allotment be invariably communicated to the Accountant General, Haryana, well in time.

Subject to the above observations, the Committee recommend that the excess expenditure mentioned above may be regularised by the Legislature in the manner prescribed under Article 205 of the Constitution.

INDUSTRIES

Paragraph 20—Credit facilities for development of small scale industries

5. The scheme envisages credit facilities in the form of loans for development and expansion of small scale units. Recovery of loan with interest is ordinarily to be completed in seven years from the date of payment.

The result of review covering two districts (Karnal and Rohtak) was included in paragraph 27 of the Report of the Comptroller and Auditor General for the year 1970-71. A review of the remaining five districts brought out the following —

(i) The position of loans advanced upto and arrears in recovery as on 31st March 1972 is as under —

District	Loans advanced		Total amount of arrears in recovery			Arrears in recovery more than 4 years old		
	No of cases	Amount (Rs lakhs)	No of cases	Principal (Rs lakhs)	Interest	No of cases	Principal (Rs lakhs)	Interest
Ambala	1 482	47 47	295	3 96	1 27	175	2 30	0 85
Hissar	2 341	65 31	510	3 62	1 95	50	0 45	0 08
Mohandergarh	1 419	20 76	183	0 63	0 08	141	0 33	0 04
Gurgaon	2 065	51 17	643	2 55	1 39	239	0 49	0 12
Jind	764	15 83	104	1 01	0 20	42	0 33	0 06
Total	8 071	2 00 54	1 735	11 77	4 89	647	3 90	1 15

23/11/2021

(ii) Loans in 1 139 cases (Rs 22 16 lakhs) were not properly utilised and thus became recoverable in lump with interest thereon. Of these recoveries in 400 cases for Rs 13 72 lakhs (principal Rs 10 63 lakhs interest Rs 3 09 lakhs) are yet to be made (March 1972) as detailed below. Some of the outstanding cases date back to 1956-57.

District	Loans not properly utilised		Outstanding recoveries of such loans		
	No of cases	Amount (Rs lakhs)	No of cases	Principal (Rs lakhs)	Interest (Rs lakhs)
Ambala	81	2 90	67	2 62	0 61
Hissar	372	6 32	104	2 27	0 86
Mohindergharh	206	1 88	49	0 73	0 16
Gurgaon	331	8 23	93	3 30	1 08
Jind	149	2 83	87	1 71	0 38
Total	1 139	22 16	400	10 63	3 09

(iii) In September 1950 Rs 30,000 were paid to a private limited company at Jagadhri for purchasing machines for brass copper and steel utensils industry. The company did not purchase any machine from out of the loan. It stopped working from 1955. No part of the loan which was completely repayable by July 1957 was paid to Government by the firm. In April 1956 Rs 6 700 were realised by Government by auction of the firm's building and existing machines (pledged by the firm for securing the loan). The remaining amount of the loan and interest due was ordered in June 1956 to be recovered as arrears of land revenue. According to Director of Industries (March 1972) the Managing Director and the Directors of the company were not traceable since March 1964. However whereabouts of one of the Directors have since been traced and recovery certificate issued on 10th August 1972. Recovery of Rs 74 772 (principal Rs 27 005 interest Rs 47 767) as on 31st March 1972 is yet to be made (January 1974).

(iv) In March 1964 a co-operative society at Jagadhri was paid Rs 50 000 as loan (Rs 30 000 for purchase of rolling mill and Rs 20 000 as working capital). It was repayable by March 1971. Rolling mill however was not purchased and Rs 4 000 was repaid in April 1966. In December 1967 recovery of the remaining amount together with interest was ordered to be effected as arrears of land revenue. Recovery proceedings were however delayed in the department and in the meantime the society went into liquidation (March 1971) a liquidator was appointed in March 1971. Rupees 71 774 (principal Rs 44 000 interest Rs 27 774) were due from the society (March 1972). Recovery is yet to be made (January 1974).

(v) In March 1965 Rs 50 000 were paid as loan to a firm at Hodel (district Gurgaon) for construction of factory building for manufacture

of hooks hinges washers chains etc. The loan was repayable by March 1972. Though the department had held (August 1968) that the loan had been misutilised and was therefore recoverable in lump sum a warrant for attachment of pledged immovable property was issued only in March 1972 for recovery of Rs 82 953 (loan and interest due upto March 1972). Further progress is awaited (February 1973).

(vi) In April 1958 a party at Faridabad was paid Rs 30 000 for construction of factory building and purchase of machines for development of shoe tick industry. The loan was repayable by May 1965. It was repaid in irregular instalments rendering the party liable to penal interest neither the interest nor the penal interest has yet (March 1972) been recovered. It was found in November 1964 that the factory building and machines had been transferred by the borrower to another firm and that the borrower has also died in the meantime. No action to effect recovery by sale of the borrower's immovable property was taken till July 1971 when the Sub Divisional Officer (Civil) Ballabgarh was approached for issue of warrants of attachment of his property. The warrants have not yet been executed (March 1972).

Another loan of Rs 20 000 was given to the same party in January 1960 for the same industry which was also not properly utilised. Recovery of Rs 55 610 as interest (Rs 37 720 in the former and Rs 17 890 in the latter case) was due on 31st March 1972.

The department stated in its written reply the financial assistance given under the Scheme in the form of loans had been helpful in the promotion of Small Scale Industries programme in the State. However no specific evaluation study had been undertaken so far as the growth rate had been substantial as compared to the All India average.

The department stated in evidence that a sum of Rs 30 000 was given to a Private Ltd Company (M/s New Standard Metal Works) Jagadhri in September 1950. It came to the notice of the department that the loan given to the aforesaid company had been misutilised and the Managing Director had absconded. The Department stated in its written reply that in April 1956 Rs 6 700 were realised by the Government by auction of the firm's building and existing machines pledged by the firm as security. The Managing Director and Directors of the Company were not traceable. However the whereabouts of one of the Directors were traced out and recovery certificate issued on 10.8.1972. Now in consultation with Legal Remembrancer it has been decided to file petition in the Court for winding up the Company, and then to proceed against the Directors for the recovery. The matter had been entrusted by the Advocate General Haryana to an Advocate (Shri Subhash Chander Kapoor) who is expert in Company law for filing petition in the court and the matter was under examination.

The Committee feel that the loan to M/s New Standard Metal Works, Jagadhri, would have been advanced by the Government against the security of tangible assets of this firm and as such there should not be any difficulty in the recovery of the outstanding amount of loan with interest thereon. If for some reason or the other the Government fail to effect the recovery, responsibility for the non recovery be fixed and suitable action taken against the person at fault. The result of the petition when filed in the Court of Law be intimated to the Committee early.

The Committee also recommend that the recovery a sum of Rs 71 774 outstanding as loan with interest against the Rolling Mill at Jaga dhri be effected expeditiously from its President who stood surety for the re-payment of the loan and the Committee informed after the recovery in made from him

Regarding the case for auctioning the property of the firm at Hodel said to be pending with the Collector, Gurgaon, the Committee recommend that the matter be pursued vigorously and amount due (Rs 50 000 plus interest) from the firm recovered expeditiously under intimation to the Committee

The Committee further recommend that immediate steps be taken to effect the recovery of penal interest by attaching the property of the lonee (M/s Krishna & Company Faridabad) as the principal has already been recovered So far as the recovery of loans is concerned, the Committee would urge that action regarding the recovery should be expedited and progress intimated specially in respect of 203 cases in arrears

The Committee recommend that necessary steps be taken at an early date to conduct a specific evaluation study of the Small Scale Industries in the State In order to achieve more progress, it is urged that the Small Scale Industrial growth be stepped up still further as by doing so the Government will be able to provide more employment opportunities to the persons in the State

The Government should also take necessary steps to provide technical know how to persons particularly to those living in rural areas who may be interested in setting up Small Scale Industries in the State The Committee feel that cumber some procedure is prevalent at present for getting loans etc from the Banks and other Financial Institutions The Committee, therefore, recommend that necessary steps be taken to simplify the procedure

AGRICULTURE

Paragraph 22—Production of fruits and vegetables

6 The following five schemes were in operation in Haryana from the years shown against them —

Scheme	Since when in operation
(i) Intensification of horticulture in hilly areas	1961 62
(ii) Development of horticulture (loans)	1962 63
(iii) Intensification of grapewine cultivation	1963 64
(iv) Intensification of vegetable production	1964 65
(v) Fruit production in selected areas	1966 67

The above schemes were integrated in 1967 68 into a single programme The objective of the integrated programme was to increase the area under fruit and vegetable cultivation and to improve their production which was to be secured by supply of pedigree fruit plants and improved vegetable seeds at cheap rates by payment of loans to fruit and vegetable growers and by providing facilities for training to the growers in the use of fertilizers, improved seeds and plant protection measures

Under the programme one seed farm at Gharaunda and four nurseries cum gardens at Pinjore, Jind, Hansi and Sirsa were to be improved and one nursery cum garden at Sirsa set up

Rupees 26.09 lakhs (revenue Rs 17.59 lakhs, loans Rs 8.50 lakhs) have been spent on the programme since 1967-68. A review of the programme disclosed the following —

(i) For establishing a progeny orchard cum nursery at Sirsa 24 acres of land was transferred from Agriculture section to Horticulture section in January 1967. Selection of the land was based on visual observation. Later when chemical analysis of the soil was done in August 1967 the land was found to be unsuitable for fruit plantation. Accordingly the land was handed back to Agriculture section in April 1969.

From January 1967 to April 1969 the land was used for growing farm crops. In lieu of the above land 21 acres were ordered (May 1969) to be transferred from Agriculture section. The transfer has not yet (January 1974) been made and hence the nursery has not yet been established.

(ii) At the seed farm Gharaunda out of 22 acres available for cultivation the actual area under cultivation during 1967-68 to 1970-71 was between 9 and 20 acres. This was due to lack of adequate irrigation facilities at the farm.

(iii) More than fifty per cent of the available land (21 acres out of 36 acres) at the nursery cum garden Jind is yet (April 1972) to be brought under cultivation though a tubewell was installed at a cost of Rs 6,000 in October 1969 to supplement canal water supply which was considered insufficient.

(iv) According to the departmental records, against 15,465 hectares in 1966-67 the area under fruit and vegetable increased to 22,244 hectares in 1970-71 as shown in the table below. However, as per records of the Director of Land Records the area decreased from 34,906 to 32,159 hectares during the same period.

Year	Fruit		Vegetables	
	As per depart- mental records	As per Director Land Records	As per depart- mental records	As per Director Land Records
		(Area in Hectares)		
1966-67	7,865	10,803	7,600	24,103
1967-68	8,173	10,991	16,309	19,614
1968-69	8,550	11,211	18,447	22,549
1969-70	9,258	11,911	22,545	26,384
1970-71	9,594	9,943*	12,650	22,216*

(v) The department has so far not ascertained whether and if so to what extent the yield of fruits and vegetables has increased after the introduction of the programme

The Department stated in their written reply that since the amalgamation of the said five schemes into 'integrated scheme' the area as well as production under fruit and vegetable had increased considerably by providing latest technical know how and improved varieties to the growers by the field staff. This was also evident from the fact that at the time of re organisation of Haryana the area under fruit and vegetable was only 7 865 and 7,600 hectares respectively whereas by the end of 1973 74 it had increased to 13 523 and 26 717 hectares. Consequently the production under fruit and vegetables had also increased.

The expenditure incurring on the scheme year wise from 1967 68 to 1973 74 was given as under —

Year	Amount Rs
1967 68	2 67,530
1968 69	2 78 615
1969 70	3 88 095
1970 71	3 66 320
1971 72	4 58 058
1972 73	4 61 567
1973 74	5 58 170
1974 75	2,49 600 (upto September 1974)

In reply to a question by the Committee as to why all formalities such as chemical analysis etc were not completed before the land was transferred from Agriculture to Horticulture Section in January 1967 the department stated that the visual observation for selecting the land for establishing progeny orchard cum nursery at Sirsa was done by then Deputy Director of Horticulture and Vegetables, Horticulture Development Officer Hansi and the Horticulture Inspector Sirsa. According to the Department there was nothing on record about this lapse. The land was however, handed over back to Agriculture.

The Department further stated that the area under fruit & vegetable had increased considerably as was apparent from the table given below —

Name of item	Unit	At the time of re organisation	1973 74
Area under fruit	Hectares	7 865	13 523
Area under vegetable	Hectares	7 600	26 717

From the above it was clear that since the organisation of Haryana and amalgamation of the five schemes which were in vogue in joint Punjab

to 'Integrated Scheme' the area under fruit and vegetable had increased approximately 2 & 3 times respectively. So it could not be said that the area has decreased. Regarding the variation in the figures as shown by the Director of Land Records and those given by the deptt. it was intimated that the Patwaries count that area under fruit and vegetable which was in the bearing stage and only these figures were given by the D L R whereas the Departmental figures were of bearing as well as non bearing area. In fact the figures given by the department as well as D L R, were correct but for the reasons given above.

The Committee are not satisfied with the reply of the departmental representatives given during the course of oral evidence that the different figures stated both by the Agricultural Department and the Director of Land Records in regard to area under fruit and vegetable are correct. The reason assigned by the Agriculture Department therefor is that they adopt a different method whereas the D L R adopts a different method for assessing such area. The Committee recommend that a uniform method for assessing the area under fruit and vegetable be evolved early in consultation with the D L R.

The Committee are extremely unhappy to note that no record with regard to the chemical analysis etc., of the land which was transferred from the Agriculture to the Horticulture Section is available in the Department. In the absence of any record the Committee are unable to arrive at conclusion as to whether any chemical analysis etc., which was very essential before transferring the land was conducted at all or not. The Committee recommend that this matter may be probed into still further and the responsibility fixed on the defaulting officers/officials at an early date.

The Committee would also like to know the progress made in the nursery cum garden at Jind so far as the work of uprooting old and unserviceable trees is concerned.

Paragraph 31—Shortage of stores

7 For sale to cane growers 18 578 litres of insecticides (cost Rs 2 20 512) were placed at the disposal of the Cane Development Officer Yamuna Nagar in 1964 65. Out of this 16 478 litres were sold while 2 100 litres valuing Rs 26 832 were found short during February 1965 to December 1971. Periodical physical verification of stocks was not conducted. The shortages were stated to be mainly due to leakage of containers.

The department stated (April 1972) that the purchases were made in 1964 65 without correct assessment of the requirement of cane growers. Government also intimated (April 1972) that the Director of Agriculture has been asked to enquire into the matter and suitable action will be taken against the delinquents if any.

The department stated in their written reply that the insecticides in question were purchased under the Scheme 124 Capital Outlay and Pilot Project for sugarcane cultivation in selected districts on the lines of package programme during 1964 65 i.e. before coming into being of the State of Haryana. A sum of Rs 4 84 000 was provided under this scheme for giving 50% subsidy on pesticides for 30,000 acres.

The leakage was stated to be due to the rusting of containers and also due to eroding effect of the insecticides. On investigation it was found by the Department that one Shri Sujan Singh did not report any leakage which was detected at the time of handing over charge of account on transfer and was therefore, responsible for shortage of 300 litres Gamma B H C, and 200 litres Heptachlor valuing Rs 6 066

As the official was allocated to Punjab the matter for recovery of Rs 6 066 being the cost of 300 litres of Gamma B H C and 200 litres Heptachlor had been taken by the Director of Agriculture Haryana with his counterpart in Punjab

The Committee recommend that the case be pursued till the recovery is made from the delinquent official

The Committee reiterate once again that codal provisions in regard to physical verification of stores at regular intervals be strictly complied with so that the discrepancy, if any, between the ground balance and the balance shown in the books may come to surface without avoidable delay and be reconciled and remedial measures taken expeditiously to check the possible loss in stores

HARYANA AGRO INDUSTRIES CORPORATION

Paragraph 46—Introductory

8 The Company jointly owned by the State Government and the Government of India was incorporated in March 1967 with the object —

- (i) to undertake assist aid finance and promote agro industries such as poultry dairying land development seed production manufacture of agricultural implements and machinery
- (ii) to organise setting up of workshops including mobile work shops the sale of agricultural machinery and implements on cash or hire purchase
- (iii) to promote or conduct any agricultural commercial or industrial enterprises

The authorised capital of the company is Rs 2 crores The paid up capital on 30th June 1971 was Rs 1 60 64 lakhs contributed equally by the Central and State Governments

(a) **Working Results**—The table given below indicates the financial results of the company for the year 1969 70 to 1971 72 —

	1969 70	1970 71	1971 72
	(Rupees in lakhs)		
<i>Liabilities—</i>			
Paid up capital	1 29 26	1 60 64	1,70 56
Reserves and surplus	14 03	23 36	34 30

	1969 70	1970 71	1971 72
	(Rupees in lakhs)		
Unsecured loans		0 22	35 58
Current liabilities	55 12	44 94	1 56 55
Provisions	9 59	18 12	23 68
Total	2 08 00	2 47 28	4 20 67
<i>Assets—</i>			
Net block	20 29	32 74	61 91
Current assets	99 37	1,80 37	3 11 82
Loans and advances including suspense	87 75	33 52	46 68
Development and Deferred revenue expenditure	0 59	0 65	0 26
Total	2 08 00	2 47 28	4 20 67
Turnover	2 47 22	2 71 43	3 10 41
Net profit (+)/Loss(—) before tax and Development Rebate Reserve	+16 93	+15 92	+14 52
Capital employed	1 42 70	1,83 57	2 40 18
Percentage of profit on capital employed	11 86	8 67	6 04

The decline in the percentages of profit in 1970 71 and 1971 72 as compared to 1969 70 is mainly due to —

(i) Increase in the employment of capital

(ii) Increase in percentage of expenditure to turnover

The company had not declared dividend since its inception. According to the Board of Directors as a couple of approved schemes were to be financed from internal resources no surplus was available for distribution as dividend.

(b) Expansion Programme —In April 1968 the company decided to establish a Plant at Jind with a capacity to produce 5 to 8 tonnes of cattle *cum* poultry feed per hour and with a provision for expansion up to 10 tonnes per hour. The Project was estimated (March 1971) to cost Rs 72.56 lakhs and was scheduled to be completed by February 1972. The work of erection and installation of the plant was entrusted (December 1970) to the National Dairy Development Board on a turn

key basis. The delay in the award of work was attributed (July 1972) by the Management to delay in the appointment of Project Officer preparation of project report and award of work to the contractor.

Though the Project was to be completed by February 1972 the work was still in progress (June 1973). The total expenditure incurred upto June 1973 amounted to Rs 36.66 lakhs. The Management intimated (November 1972) that the delay was due to import of machinery by the Corporation.

(c) Custom Services—

(i) *Farmers Service Centres*—As on 30th June 1972 there were eight main farmers centres (Nilokheri, Hissar, Panipat, Sirsa, Ambala, Jind, Rohtak and Gurgaon) and two sub centres (Karnal and Ladwa). These Centres *inter alia* provide custom hiring services and service workshop facilities to agriculturists. The Centre wise position of losses for the year ending 30th June, 1971 on the basis of the information available was as under—

Sr No	Name of the Centre	Losses		Total
		Custom hiring	Service workshop	
		(Rupees in lakhs)		
1	Nilokheri	2.71	0.54	3.25
2	Hissar	0.98	0.35	1.33
3	Panipat	0.95	0.38	1.33
	Total	4.64	1.27	5.91

(ii) *Purchase of Machinery and its utilisation*—

1. *Purchases*—The following machines and implements purchased for custom hiring work at a total cost of Rs 3.17 lakhs were found to be defective.

Sr No	Particulars of machinery/ implements purchased	Period in which purchased	Cost (Rupees in lakhs)	Remarks
1	2 nos. Massey Ferguson Harvester Combines (2nd hand)	April 1971	1.41	On receipt at Nilokheri the machines were found defective and even after repairs there were frequent break downs.
2	4 nos. Vicone Combines (New) Tractor Driver	April 1971	1.06	The Vicone Combines were purchased although the Chief Technical Officer opined (November 1970) that from practical and technical angles such Combines were not profitable proposition for Custom services. The performance of the machines was not upto the expected standard.
3	26 nos. Thrashers	April-May 1969	0.70	The thrashers did not give the desired output.

2 Utilization—The extent of utilisation in report of the above machines is given below

(i) Massey Ferguson Harvester Combines

Sr No	No of machines	Particulars of crop	Expected utilisation as recommended by manufacturers		Actual utilisation	
			Hours	Acres	Hours	Acreage
1		Rabi 1971	500	500	The machinery did not work	
2	2	Kharif 1971	500	500	171	58 5
3	2	Rabi 1972	500	500	129	80

(ii) Vicone Combines

Sr No	Name of crop	Name of Centre	No of combines	Expected out put (per machine) as recommended by manufacturers		Actual output		Remarks
				Hours	Acreage	Hours	Acreage	
1	Rabi 1971	Nilokheri Hissar Panipat	1	332	250	40	12 5	
			2	664	500	130	53	
			1	332	250			
2	Kharif 1971	Nilokheri Hissar Panipat	1	332	250	37	15 25	
			2	664	500	133	59	
			1	332	250			
3	Rabi 1972	Nilokheri	1	332	250	170	63	In addition 35 quintals of thrashing was done
		Hissar	2	664	500	304	46 5	In addition 656 quintals of thrashing was done with own tractors and 357 quintals with the party's tractors
		Panipat	1	332	250			

(iii) Thrashers

Sr No	Crop	H P of tractor	Rate fixed per hour for thrashing Rupees	Rate of thrashing per quintal Rupees	Thrashing in quintal required per hour	Total hours of tractors run	Total thrashing in quintals	Thrashing in quintals per hour
1	Rabi 1969	30 H P	20 00	5 50	3 8	2816	4521	1 6
2	Rabi 1967	50 H P	30 00	5 50	5 4	3012	6874	2 3

The above data shows that the performance of the machines/implements was not up to the expected standard

The performance of these machines/implements was reviewed in January 1972 and it was decided to dispose of Massey Ferguson Harvester Combines and Thrashers by public auction and to give Vicone Combines another trial on the condition that the suppliers would take back their machines if these failed to achieve the required output. During Rabi 1972 3 such machines were put into operation but these did not give the required output. The machines have not been returned to the suppliers (May 1973)

The Massey Ferguson Combines and Thrashers were yet to be auctioned (May 1973)

(c) *Assembly plant at Nilokheri*—The Company had an assembly plant at Nilokheri where tractors imported through the State Trading Corporation of India Limited in semi knocked down condition are assembled for sale to agriculturists in Haryana State/other Agro Corporations. Under the scheme landed cost of tractors (*i.e.* CIF value) plus margin of 1.5 per cent was payable to State Trading Corporation and the Company was liable to meet the entire expenditure on clearance of consignments from port, transportation, handling, assembly etc. A review of the expenditure incurred by the Company brought out the following points —

(i) *Expenditure on double Insurance*—The landed cost of tractors included an element of insurance charges at the rate of 1.2 per cent (1 per cent for marine insurance and 0.2 per cent for surface insurance) to cover risk upto warehouse at destination. In spite of the coverage provided by the State Trading Corporation of India the Company got 6 consignments (both assembled tractors and in semi knocked down condition) insured during 1970-71 from another insurance company to cover transit risk from the port of disembarkation to destination and paid insurance charged amounting to Rs 0.55 lakh. The management stated (July 1973) that the matter for obtaining refund of this amount had been taken up with the insurance company.

(ii) *Double payment of Excise Duty*—In July 1971 the Company paid a custom duty of Rs 22.33 lakhs which included Rs 6.86 lakhs on account of countervailing duty (excise) for 500 semi knocked down tractors. The Company also paid excise duty (Rs 9.27 lakhs upto 13th March 1973) at 10 per cent *ad valorem* on the release of 473 assembled tractors from the plant at Nilokheri. The Company's claim for refund of excise duty amounting to Rs 6.86 lakhs was rejected by the Central Excise authorities in March 1972 in the absence of an endorsement on the bill of entry to the effect that they intend to avail the proforma credit under Rule 56 A of Central Excise Rules. The management stated (July 1972) that an appeal has been filed before the Appellate Collector of Central Excise. The same is still pending (May 1973).

CUSTOM SERVICES

In regard to the loss of Rs 5.91 lakhs suffered by the Corporation on account of custom service at Nilokheri, Hissar and Panipat during the year ending 30th June 1971 the department stated in evidence

that the machinery or tractors etc were only required in two seasons in a year i.e. at the time of *Kharif* or *Rabi*. This meant that the department had work only for a period of three months at the most in a year. But the department was required to maintain the engineers and other technical staff throughout the year as also the machinery including spare parts. All this meant that it was a losing proposition but in view of the fact that the Corporation was to do service to the farmers this being their fundamental job it was decided to continue this Service. It was further stated that the Board had now decided to set up more centres with small machinery only because most of the farmers had got their own tractors and the farmers charged much lesser hiring charges from their neighbours as compared to the Government charges. Most of the time the Government tractors remained idle because when there was no season there was no work.

In reply to a question as to how many custom hiring services centres had been opened by the department to help the farmers for custom hiring and servicing facilities the department stated in its written reply that 17 Farmers Service Centres with 34 Sub Centres under them had been opened so far. The Sub Centres had been opened so that the custom hiring facilities were easily available to the farmers and efficient use of the machinery was made. During the year 1972-73, the tractors and combines had worked for 80,000 hours and 12,000 acres respectively.

In reply to a question by the Committee as to why were the Vicone Combines which were considered to be below standard purchased the department stated in evidence that at that time the combines were not readily available reference was made to the Government of India who advised the Department to take up the matter with the firm i.e. M/S Vicone Ltd who were manufacturing tractor drawn combines. The Superintending Engineer who was a field officer opined for the purchase of these combines and four such combines were purchased on a trial basis. Later on with the arrival of the self propelled combines the people were attracted to them and there was no demand for the Vicone combines. These, thus became unserviceable. One of these combines had been disposed off and efforts were being made to dispose off the remaining three vicone combines.

ASSEMBLY PLANT NILOKHERI

In reply to a question why were the consignments insured for second time when these were already insured by the State Trading Corporation the department stated in evidence that these consignments had been insured by the S.T.C. from warehouse to warehouse but the Corporation had no information about it. Therefore to avoid any risk at a later date the same were got insured from the Bombay Port to the warehouse at Nilokheri by the Corporation to avoid any possible loss in transit. When the fact that these had already been insured upto warehouse by the S.T.C. came to notice the matter was taken up with them for the refund of the insurance charges paid by the department. They were prepared to refund the money and the claim was likely to be settled soon.

The Committee do not appreciate the act of the Agro Industries Corporation of going ahead with the purchase of four Vicone Combines

ignoring the technical advice of the Chief Technical Officer of the Corporation. In the opinion of the Committee the Chief Technical Officer being in possession of better technical know how should have been depended upon in preference to the advice of the Superintending Engineer, who was stated to be a field officer. The Committee recommend that in future every type of machinery that is required by the Corporation should be purchased keeping in view the practical and technical angles thereby avoiding any possible loss to the Corporation.

At present there are eight Farmers Service Centres functioning at Nilokheri, Hissar, Panipat, Sirsa, Ambala, Jind, Rohtak and Gurgaon and two sub centres at Karnal and Ladwa.

These centres/sub centres *inter alia* provide custom hiring services and service work shop facilities to agriculturists.

With a view to provide service work shop facilities to the agriculturists at their doorsteps and to ameliorate their hardship in this behalf, the Committee recommend that a mobile van be arranged to repair the defective parts of the machinery of the tractors of the agriculturists at various convenient places on fixed dates which may be made known to them well in advance. The Committee feel that by taking this step the agriculturist will be able to avail themselves of this facility without experiencing any difficulty in getting their tractors repaired.

As regards the insurance of the consignment of 6 tractors from the Bombay Port to the Warehouse at Nilokheri, the Committee recommend that the matter be pursued vigorously so that the refund of double insurance charges paid to the Insurance Company is obtained at a very early date.

LOTTERIES

Paragraph 23— Lottery Commission

9 Under Haryana State Lotteries (Agency) Rules additional commission is admissible to agents on purchase of lottery tickets in excess of certain prescribed limits. Additional commission of Rs 24 976 was allowed for fourteenth to thirty first draws to certain individuals though the purchases made by them did not exceed the limits prescribed. This was stated to have been done taking into consideration the collective purchases made by individuals applying jointly for a single agency.

On being asked how the department was ensuring that the individuals constituted genuine firms and why payment of additional commission was being made to individuals (proportionate to their purchases) and not to the firm the department intimated (June 1972) that no verification of the genuineness of such firms is made and that additional commission is paid to individuals to avoid disputes among the partners. This was also stated to be in the interest of sales.

With regard to the recovery of the excess commission/bonus paid

to individuals (proportionate to their purchase) the department stated in its written reply that out of the total amount of Rs 24 976 pointed out by Audit payment of Rs 21 694 was justified and recovery was not called for. From the remaining Rs 3 282 a recovery of Rs 1 462 had been effected thus leaving an amount of Rs 1 820 paid by the Department during the year 1970 71 and 1971 72. This money could not be recovered as the agents had left the lottery business and were not traceable. Steps were being taken to have this amount written off.

The department further stated in the written reply to the question as to the circumstances under which the collective purchases made by individuals were clubbed together to give benefit for higher commission to them that the Agents of all State Lotteries being in a limited number requested the department to allow them to form association to enable them to derive the benefit of higher commission. In the prevailing competitive market and to check the adverse effect on the sale of the Haryana State Lottery tickets the Department acceded to their request. This was also stated to have been done in the interest of extra sale.

The Committee having not concurred with the plea taken by the department that individuals were entitled to the benefit for high commission for the collective purchases made by them, recommend that the whole excess amount of Rs 24,976, thus paid may either be recovered or got written off under intimation to the Committee.

The Committee would like to have information as to the amount of special commission at higher rates paid in similar other cases from September 1968 onwards after clubbing the individual purchases and the action taken so far to recover it. The Committee regret to observe that this information was not supplied to them earlier. This may now be done without any further delay.

HARYANA STATE MINOR IRRIGATION (TUBE WELLS) CORPORATION LIMITED

Paragraph 47—Introductory

10 (a) The Haryana State Minor Irrigation (Tubewells) Corporation Limited was established in March 1970 as a private company with the object of taking over from Government the State owned irrigation and augmentation tubewells and to promote improve establish execute install manage and administer tubewells and other minor irrigation projects or enterprises.

The authorised capital of the Company is Rs 6 crores out of which Government agreed to take shares of the value of Rs 3 99 95 lakhs. Government's investment in the share capital of the Company as on 31st March was however Rs 4 25 lakhs. The Company has not submitted its accounts so far (August 1972).

(b) *Expansion schemes*—The execution of the following schemes for installation of direct tubewells formulated by Government in 1968 for providing irrigation facilities in certain areas of Ambala, Karnal and

Mohindergarh districts were taken over by the Company in March 1970

Name of the Scheme	Date of sanction of the project estimate	Project estimate	Anticipated date of completion	Date of commencement of scheme	Expenditure incurred up to March 1972
		(Rupees in lakhs)			(Rupees in lakhs)
1 Installation of 30 Nos Direct Irrigation Tube wells Group I in Ambala district	January 1969	22 88	1969 70	January 1968	23 52
2 Installation of 25 Nos Direct Irrigation Tube wells Group II in Ambala district	October 1968	26 31	1970 71	April 1969	15 96
3 Installation of 25 Nos Direct Irrigation Tube wells near Indri in Karnal district	Not sanctioned	20 23	1969 70	@	4 70
4 Installation of 25 Nos Direct Irrigation Tube wells in Krishnawati belt in Mohindergarh district	Not sanctioned	23 21	July 1970	August 1968	3 90

@The work on this scheme has not commenced except for transfer of 9 Nos tubewells from another scheme

Operational performance of the schemes

(i) The table below indicates the number of tubewells to be installed actually completed and commissioned during 1968 69 to 1971 72 —

Name of the scheme	No of tubewells to be installed	No of tubewells completed during the year					No of tubewells from which supply of water commenced during the year						
		1967	1968	1969	1970	1971	Total	1967	1968	1969	1970	1971	Total
		—68	—69	—70	—71	—72		—68	—69	—70	—71	—72	
1 Ambala district Group I	30	1	10	16		(a) 27		1	6	20		27	
2 Ambala district Group II	25			2	7	4	(b) 13			1	8	(c) 3	12
3 Karnal district	25		(d) 9				(d) 9		9				9
4 Mohindergarh district	25		3	2	2		(e) 7		3	2	2		7

(a) (i) One tubewell was abandoned in May 1969 as assembly got cracked while drilling and installing it vertically

(ii) Two tubewells were abandoned in October 1969 and February 1970 due to low yield of water bearing strata

(b) (i) One tubewell was abandoned in July 1969 due to breakage of assembly below ground level and filling of pipes with gravel

(ii) The project became a part of Installation of 170 deep tubewells for direct irrigation in Naraingarh Tehsil

Out of 25 tubewells merged with the new scheme 23 had been completed upto September 1972

(c) One tubewell completed in April 1971 started supply of water in August 1972

(d) Nine tubewells taken up under tubewells augmentation scheme alongwith Jamuna Canal in 1967 68 were transferred to this project in 1968 69 Further work on this project was abandoned as number of private tubewells had come up

(e) In addition two tubewells installed in November 1970 were not energised till November 1971 due to misplacement of applications for supply of electric connections

Before the remaining work could be taken up another project report for 31 tubewells which included 25 tubewells covered under this scheme was prepared

(ii) The table given below indicates the period of delay in the first supply of water after drilling of tubewells —

Sr No	Name of the Scheme	No of tubewells in respect of which delay exceeded		
		12 months	18 months	24 months
1	Ambala district Group I	11	8	3
2	Ambala district Group II	5	3	1
3	Mohindergarh district	1	1	2@

According to the Corporation, (October 1972) in the earlier stages supply of water after drilling used to get delayed on account of delay in construction of pump houses and tubewell channels which were small works scattered in the interior of the district. The pipe manufacturing concerns also did not supply pipes in time.

(iii) Working Results of the Schemes

(a) *Karnal District Schemes*—The scheme in Karnal district was envisaged to be completed by 1969-70. Nine tubewells already installed during 1967-68 as part of another scheme transferred to this project were to achieve 100 per cent intensity during 2nd year of their completion i.e. 1969-70.

The table below indicates the intensity of irrigation achieved *vis a vis* that provided during the year 1969-70 to 1971-72.

	1969-70		1970-71		1971-72
	Kharif	Rabi	Kharif	Rabi	Kharif
Intensity (per cent) as provided	50	83	50	83	50
Intensity (per cent) as achieved	12	17	15	42	18

Reasons for low intensity of irrigation were stated by the Company (October 1971) to be due to —

- (i) the soil of the area being very hard needed deep ploughing but the land owners being poor had no tractors

@These tubewells drilled in April 1969 and September 1969 were not even energised till November 1971 due to misplacement of applications for the supply of electric connections —

- (ii) most of the lands included in the tubewell *chaks* belonged to panchayats who could lease out the same only for one year. As these lands were not given on long lease, no progressive farmer came forward to reclaim the same and make use of the tubewells already installed
- (iii) increase in the water rate, and
- (iv) the area being suited for installation of shallow tubewells there was increase in the installation of private tubewells

The scheme incurred losses year after year as against annual working expenses of Rs 36 498 and Rs 32 827 during the years 1970 71 and 1971 72— revenue receipts were Rs 22 052 and Rs 16 892 respectively

(b) *Ambala District Schemes*—A contract for sinking of a tube well (drilling and developing) in Group I of Ambala District was awarded to a firm of New Delhi. The tubewell was planned to have a safe yield of 2 cusecs of discharge. The drilling was done by the firm in June 1968. As further execution was being delayed, by the firm and there was difference of opinion with the firm regarding the process to be adopted for development, Department undertook in November 1968 to develop the tubewell on behalf of the contractor. The development was completed at a cost of Rs 7 935 in January 1970. The discharge of water however did not go beyond 1.22 cusecs. The Department attributed poor discharge to defective drilling/lowering of the assembly by the firm.

The table below indicates the intensity of irrigation achieved *vis a vis* that expected during the years 1970 71 and 1971 72

	1970 71		1971 72	
	Kharif	Rabi	Kharif	Rabi
Group I				
Intensity (per cent) as provided	20	30	30	
Intensity (per cent) as achieved	8.5	43.4	10.9	
Group II				
Intensity (per cent) as provided	25	41.5	50	
Intensity (per cent) as achieved	0.23	13	4.4	

The reasons for the low intensity of irrigation were stated (October 1971) by the Management to be as under —

- (i) the tubewells were not fully completed during 1969 70
- (ii) the supply of tubewell water involved carrier channels (under ground) which were constructed during 1970 71
- (iii) the utilisation of irrigation potential during Kharif 1971

required improvement which was possible only by introduction of improved varieties of crops and for this purpose the corporation intends to put up demonstration plots soon

The scheme incurred losses year after year the total expenditure during the years 1970 71 and 1971 72 amounted to Rs 2 10 459 and Rs 3 71 589 against which the revenue receipts were Rs 2 01 114 and Rs 2 75 678 respectively

(c) *Mohindergarh District Schemes*—The above scheme was unproductive and to make it productive a betterment levy of Rs 5 per acre of matured area was proposed (June 1969) by the Chief Engineer Irrigation for a period of 4 years Neither any notification was issued for this levy under the Punjab Betterment Charges and Acreage Rates Act 1952 nor these charges were recovered Similarly owners rate at the rate of Rs 3 per acre leviable on the owners for the benefit which they derive from irrigation was not recovered

The project estimates provided for maintenance of water courses at Government expense even though the cost of construction and maintenance of water courses was to be borne by the cultivators under the relevant Acts The department spent Rs 11 36 lakhs (March 1972) on this account in respect of schemes in Ambala and Karnal districts

The matter was brought to the notice of the Government in March 1972 final reply was still awaited (July 1972)

The scheme incurred losses year after year as against annual working expenses of Rs 1 78 132 and Rs 1 52 606 during the years 1970 71 and 1971 72, revenue receipt were Rs 1,50,068 and Rs 86,886, respectively

The table below indicates the intensity of irrigation achieved *vis a vis* that provided during the year 1969 70 to 1971 72

	1969 70		1970 71		1971 72
	Kharif	Rabi	Kharif	Rabi	Kharif
1 Intensity (per cent) as provided	25	41 5	50	83	50
2 Intensity (per cent) as achieved	3	21	3	21	1 5

The company had attributed (November 1971) the following reasons for the low intensity of irrigation

- (i) leakage in underground water source
- (ii) improper electric supply and breakdown
- (iii) increase in water rates

In reply to a question of the Committee as to how far the objective for which the M I T C was established has been achieved so far and how many tubewells were installed and brought under use yearwise the Department stated that during the fourth five year plan 368 Nos Direct Irrigation Tubewells (D I T) & 921 Nos Augmentation tubewells were proposed to be drilled against which 200 D I T tubewells and 513 augmentation tubewells were installed Besides this corporation installed 312 tubewells in Bihar State also

Year wise details are

	1971 72	1972 73	1973 74
	*		
Direct Irrigation T/wells	105 66	141 65	183 169
Augmentation T/wells	260 43	295 298	151 172**

*T/wells drilled during the year

**T/wells brought under use

Upto the period ending 1973 74, 1 143 D I T and 1 086 augmentation tubewells were administered by this Corporation The year wise position of tubewells which were actually completed after year 1971 72 was given as under —

Name of Scheme	No of T/wells to be installed	No of T/wells completed during the year		No of T/wells from which supply of water commenced during the year	
		1972 73	1973 74	1972 73	1973 74
1 Ambala Distt Group I	30	30	30	30	30
2 Ambala Distt Group II	25 (Revised to 175 Nos)	132	142	117	131
3 Karnal Distt	25 (Revised to 9 Nos)	9	9	9	9
4 Mohinderghar Distt	25 (Revised to 43 Nos)	30	10	27	5

As the final accounts relating to these four schemes were under scrutiny the Corporation could not say whether it suffered any loss in the implementation of these schemes This will, however, be ensured by them

In order to improve the utility of the scheme the Corporation suggested the following steps —

- (i) Banning the installation of private tubewells in the commanded area of the Corporation's tubewells

- (ii) Change in the crop sowing patterns with the help of Agriculture Department
- (iii) Banning of the movement of stray cattle during April to June to enable the progressive farmers to utilize tubewells water
- (iv) To take effective afforestation measures to reduce the intensity of stores in Mohindergarh District
- (v) To ensure the adequate supply of electricity without which the optimum capacity of tubewells cannot be utilized

The departmental representatives during the course of oral evidence stated that the tubewells were normally discharging water to their full capacity and were working efficiently. But certain Government tubewells in commanded areas were running in loss because the farmers had installed their own tubewells resulting in less demand of the Government owned tubewells.

The Committee would like to know whether responsibility for the loss incurred in the implementation of the four schemes has been fixed.

The Committee would further like to know the effect of remedial measures taken to improve the utility of the scheme.

The Committee recommend that a suitable programme be formulated at a very early date to make full use of the Government owned tubewells thereby avoiding the loss of revenue to the State exchequer.

EXCISE AND TAXATION DEPTT

Paragraph -32—Results of-audit — — — —

11. The test-audit conducted during 1971-72 in 6,984 cases (seven districts) revealed under assessment of Rs. 79,272 (58 cases). Some of these cases are discussed in paragraph 33.

During oral examination the department intimated that the assessment framed by an Assessing Authority were also checked by higher authorities and *suo moto* action taken where necessary. To an enquiry made by the Committee whether any under assessment was noticed by such authorities in addition to those pointed out by Audit as a result of test audit only the departmental representative replied in affirmative and promised to send the detailed information to the Committee especially relating to the three districts not test checked by Audit.

The Committee would like to know the details of the cases detected by the department of its own accord and action taken thereon. The Committee would urge that such internal check be intensified so that the cases of under assessment are reduced to the minimum.

The Committee would also recommend that some regular arrangement be made to apprise the Assessing Authorities of the pronouncements of the High Courts/Supreme Court so that assessments are framed according to the Law in force.

Paragraph (33) (i) under assessment of tax

(i) Central Sales Tax Act, 1956

Non levy of Central Sales Tax—Rs 9,249

12 If a commodity is generally exempt from Sales Tax under the State Law it is also exempt from tax under the Central Law. Agricultural implements are exempt from levy of sales tax under the State Act but the list of agricultural implements circulated by State Government in March 1959 did not include Wheat Thrashers and therefore they being not exempt under the State Act were also not exempt from the Central Tax.

In the assessment of a dealer for the year 1968-69 a deduction of Rs 92,490 from the gross turnover was however allowed on account of inter State sale of Wheat Thrashers resulting in non levy of Central Tax of Rs 9,249. On this being pointed out (February 1972) department referred the case for *suo moto* action and the revisional authority created (September 1972) a demand of Rs 9,249.

In reply to the question of the Committee as to the reasons due to which the Wheat Thrashers were not included in the list of Agricultural Implements showing the items which were exempted from the levy of Sales Tax and circulated by the State Government in the month of March 1959 resulting in the non levy of Central Tax of Rs 9,249 the department stated that upto 17.10.1972 the liability of Tax of Thrashers was in dispute. In support of their contention they invited the attention of the Committee to entry No 34 of Schedule B appended there to which reads as under —

34—Agricultural Implements

The list prepared by Government and circulated in March 1959 at best could be regarded as guideline to the Assessing Authorities and could not have determined the liability of any particular agricultural implement to tax. The assessing authorities were not barred from applying their mind particularly if any court judgement so warranted. Also such questions were to be determined by the Assessing Authorities on case to case basis. In the case Commissioner of Income Tax versus Raja Benoy Kumar Sircar Roy (1957 32 I T R —466) the Supreme Court made the following observations —

Agriculture in its primary sense denotes the cultivation of the field and is restricted to cultivation of the land in the strict sense of the term meaning thereby tilling of the land sowing of the seeds planting and similar operations on the land. These are basic operations and require the expenditure of human skill and labour upon the land itself. These operations which the agriculturist has to resort to and which are absolutely necessary for the purpose of effectively raising produce from the land operations which are to be performed after the produce sprouts from the land e.g weeding digging the soil around the growth removal of undesirable undergrowth and all operations which foster

the growth and preservation of the same not only from insects and pests but also from the deprecation from outside tending pruning cutting harvesting and tendering the produce fit for the market would all be agricultural operations, when taken in conjunction with the basic operations. Wheat Thrashers would evidently fall in this category

The department further stated that the entry was suitably amended subsequently vide Haryana Act 19 of 1972 whereby the Thrashers were specifically excluded from agricultural implements. This amendment was carried out retrospectively but Government decided that for the previous period tax would not be charged in those cases where the dealer had not collected the tax.

The additional demand of Rs 9 249 had also been recovered by the Government from the dealer.

In the Haryana General Sales Tax Act, 1973 the entry for exemption to agriculture implements had been modified and recast as follow —

21—Agricultural implements as may be specified by the State Government by notification in the official gazette

Now only these items would be eligible for exemption which are specifically included in the list by the Government. This list which was notified on 12 1974 includes Thrashers also.

The Committee recommend that in future necessary effective steps be taken to avoid wrong deductions being allowed by the Assessing Authorities. Necessary instructions should be issued from time to time to keep the Assessing Authorities well informed of the factual or legal position.

Paragraph 33 (ii) (a) Under assessment of tax

Punjab General Sales Tax Act, 1948

(a) Non levy of tax due to taxable goods treated as tax free—
Rs 61,602

13 Under the Punjab General Sales Tax Act, agricultural implements are exempt from sales tax. Though the list of such exempted implements circulated in March 1959 did not include Wheat/Maize Thrashers in the assessments for the years 1964 65 to 1969 70, of seven dealers deductions of Rs 10,26 709 were allowed on account of sale of Wheat/Maize Thrashers. This resulted in under assessment of tax of Rs 61 602.

On this being pointed out the department accepted the objection and advised the Excise and Taxation Officer to refer the cases for *suo moto* action.

The department was asked (May 1971) to find out similar cases relating to other districts, information is awaited (May 1973).

When asked by the Committee to apprise them of the circumstances under which deductions were allowed to seven dealers on account of sales of wheat/Maize Thrashers although it was not admissible under the Rules the department in their written reply stated that its reply to para 33 (i) applied *mutatis mutandis* to para 33 (ii) (a) in so far as the legality and propriety of levy of tax on Wheat/Maize Thrashers was concerned. Out of seven cases in one case a tax of Rs 387 10 was deposited on 29 12 72. In three cases the dealers had not charged the Sales Tax on the sale of Thrashers. In view of Government instructions that no tax was to be charged from the dealers who did not charge the tax on the sale of Thrashers prior to 17 10 72, no tax was levied.

The remaining three dealers have filed writ petitions in the Punjab and Haryana High Court against the levy of Sales Tax on the sale of Thrashers in accordance with the provisions of Punjab General Sales Tax (Haryana Amendment and Validation) Act 1972.

As regards the position in other districts the department stated that there were 51 such dealers (including in Karnal district) who dealt in Thrashers at the relevant time from 1964 65 to 1971 72. Out of them 36 dealers were assessed to a tax of Rs 42 086 which had since been recovered and deposited. Six dealers had filed writ petitions in the Punjab and Haryana High Court against the levy of tax on the sale of Thrashers under Punjab General Sales Tax (Haryana Amendment & Validation) Act 1972.

In seven cases no tax was assessed as the dealers did not charge the tax on the sale of Thrashers in view of Government's instructions. In the remaining 2 cases the dealers were assessed to the tune of Rs 4 421 49 but no recovery was effected as the dealers did not charge the tax on sales of Thrashers.

The Committee would urge the Government to fix responsibility on the officials found at fault and intimate the action taken against them. The Committee would further like to know the decision of the Punjab and Haryana High Court as and when made in the cases of writ petitions filed by the dealers.

Paragraph 33 (ii) (b) under assessment of tax
Short levy of tax Rs 7,387

14 Under the Punjab General Sales Tax Act 1948 sales tax on cement and vegetable ghee was leviable at the first stage of sale in the State from 1st April 1966. As consignment sales are not sales in law they attract tax only when sold by the dealer who received them on consignment. Similarly goods imported from outside the State attract tax when sold by the importer.

In the assessments of a dealer for the years 1966 67 and 1967 68 sales of cement and vegetable ghee purchased from outside Haryana after the formation of the State on 1st November 1966 or received on consignment from within the State were treated as other than first stage sales and were thus not subjected to tax. This resulted in under assessment of tax of Rs 7 387. On this being pointed out the mistake was admitted by the department and the cases referred for *suo moto* action (March 1972).

To a question of the Committee as to why were the sales of cement and vegetable ghee purchased from outside Haryana treated as other than first stage sales and were not subjected to tax the department stated that the facts of the case were that the Assessing Authority accepted the declaration in form S T XXII-A furnished by M/S Bhuria Mal Parmeshwari Dass of Bhudhlada (Punjab) after 1 11 66. On audit objection the case was taken up by the Deputy Excise and Taxation Commissioner (Appeals) having the power of revising authority who levied a tax amounting to Rs 375 54 on the sales of cement amounting to Rs 6 275 50 for the year 1966 67 and a tax of Rs 2 790 84 on the sales of cement amounting to Rs 46 514 for the year 1967 68 treating the cement as imported by M/S Charanj Lal Nanak Chand of Uklana (Haryana).

The dealer preferred an appeal before the Sales Tax Tribunal Haryana and agitated that the cement in dispute was received direct from the Dalmia Dadri Cement Company Dadri. The case was remanded to the Deputy Excise and Taxation Commissioner (Appeals) for verification of the facts stated by the appellant firm before the Tribunal who remanded the case further to the Assessing Authority for further probe into the matter.

The Assessing Authority verified that the cement was consigned direct from Dadri to Uklana. This fact was also confirmed by the sole selling agent M/S Bhuria Mal Parmeshwari Dass of Budhlada (Punjab) under whose agency Uklana fell. It was also confirmed from the Railway Authorities that the cement was consigned direct from Dadri to Uklana. In the circumstances the first sale of cement was made by the Cement Factory Dadri and liability to pay tax was of this factory. It was being verified if the factory had paid the tax as declared by the Uklana dealer in Form S T XXII A.

The department further stated that the ghee imported by the dealer from Ludhiana was not taxed in the first instance by the Assessing authority and he wrongly accepted ST XXII A Form for the year 1966 67. This mistake had since been rectified by the Revising Authority in *suo moto* action in the case of this dealer. The tax of Rs 1 554 had since been recovered.

Shri Chain Lal the then Assessing Authority who framed the assessment in this case had since retired so no further action was possible.

In the instant case the dealer purchased vegetable ghee from Ludhiana which formed part of Punjab State after 1 11 1966. Before 1 11 1966 Haryana and Punjab were one state. Due to oversight the Assessing Authority wrongly accepted the declarations S T XXII A furnished by the dealer for the assessment year 1966 67. No other similar case had come to the notice of the department.

The Committee take a serious view of the inordinate delay made by the department in verifying from the Dalmia Dadri Cement Factory, Dadri as to whether the Sales Tax has been paid by it or not as the liability to pay the tax was stated to be that of the Factory. The Committee would like the department to expedite verification and the recovery of tax.

The Committee are surprised to know that the Assessing Authority wrongly accepted the declaration S T XXII A furnished by the dealer for the assessment year 1966 67 due to over sight The Committee would also like to know as to why the omission could not be detected in internal scrutiny of the department

The Committee feel that a suitable action in this case is called for against the officials at fault, and the Committee informed of the action taken against them

Paragraph 34—Mistakes in computation of tax

15 There was under assessment of Rs 75 850 (34 cases) due to mistakes in applying the rates of tax

The department stated in written reply that in fact the under assessment amounted to Rs 72 556 18 in 33 cases On scrutiny of 33 cases it was revealed that there were only 4 cases in which mistake in applying the rate of tax was involved to the tune of Rs 714 15 Ps in all which was a nominal amount This mistake actually occurred on account of not applying the revised rate of tax which escaped the notice of the Assessing Authorities inadvertently

The department further stated that every possible effort was made by the department to recover the short recoveries as soon as these came to the notice of the department Most of these cases contained small mistakes The cases involving bigger amounts were however being scrutinised with a view to fixing responsibility Actually out of 33 cases there was no under assessment of tax in two cases In 30 cases out of the remaining 31 cases under assessment of Rs 41 133 09 was involved according to Audit Against this a demand of Rs 41 369 42 was created and had been recovered The remaining one case involving under assessment of Rs 30 518 as pointed by the Audit pertained to sale of thrashers It could not be finalized as the dealer had filed a writ petition in the Punjab and Haryana High Court

The Committee would like to be informed of the result of the writ Petition involving under assessment of Rs 30,518

The Committee recommend that suitable instructions be issued to the Assessing authorities from time to time drawing their specific attention to the revised rates of Sales Tax so that these may not escape their notice at the time of applying the revised rates The Assessing Authorities should also be very vigilant in this behalf so that no under assessment of tax is made due to the non application of the revised rates of sales Tax at any stage

Paragraph 35—Arrears in assessment and collection of sales tax

16 (a) Arrears in assessments—The progress of assessment of sales

tax during the year 1970 71 and 1971 72 was as under —

Year	Total number of assessment cases	Number of assessments completed			Number of assessments pending at the end of the year
		Out of current	Out of arrears	Total	
1970 71	62,339*	25 686	12 678	38,364	23 975* (38 percent)
1971 72	72 229	23,594	18 571	42 165	30 064 (42 percent)

The following is the year wise break up of outstanding cases —

Year	Cases pending assess ment at the end of	
	March 1971	March 1972
1961 62	2	2
1962 63	4	4
1963 64	6	4
1964 65	10	8
1965 66	34	20
1966 67	207	46
1967 68	1 014	420
1968 69	4 736	2 319
1969 70	17 962	7 747
1970 71		19,494
Total	23 975	30,064

*Discrepancy of 565 cases between these figures and the figures reported in the Audit Report for 1970 71 is due to the incorrect figures supplied last year by the field officers of Excise and Taxation department

The approximate amount of tax involved in these cases could not be ascertained

(b) **Arrears in collection**—The sales tax assessed but not realised in 414 cases amounted to Rs 1 22 15 lakhs at the end of 1971 72

The following is the year wise break up of the amount outstanding for recovery —

Period	Outstanding on 31st March 1972
	(In lakhs of rupees)
1960 61	1 73
1961 62	0 69
1962 63	0 71
1963 64	0 08
1964 65	0 28
1965 66	0 34
1966 67	4 33
1967 68	1 86
1968 69	1 96
1969 70	3 69
1970 71	52 87
1971 72	53 61
Total	1,22 15

(ii) Out of the arrears of Rs 1 22 15 lakhs recovery of Rs 85 18 lakhs had been stayed as shown below —

Particulars	Outstanding on 31st March 1972
	(In lakhs of rupees)
Collection stayed by —	
(1) Departmental Appellate authorities	0 03
(2) Revisional authorities	3 65
(3) Supreme Court High Court and Civil Courts	81 41
(4) Government	0 09
Total	85 18

The department stated in their written reply that the main reason for the increase in the pending cases at the end of 1972 was paucity of staff. The amount of tax involved in these cases could not be estimated till the cases are finalised.

The position of the pending cases yearwise as on 30-6 1975 as stated by the Department was —

Year	Cases pending assessment at the end of June 1975
1966 67	4
1967 68	16
1968 69	75
1969 70	211
1970 71	644
Total	950

The position of arrears in regard to the realisation of tax was stated to be as under —

Year	Amount
1960 61	16 251
1961 62	1,57 832
1962 63	56 793
1963 64	4 820
1964 65	26,845
1965 66	25 985
1966 67	3 68 929
1967 68	1,11,785
1968 69	1,08 664
1969 70	2,87 659
1970 71	32 59,314
1971 72	36,81,611
Total	81,06 488

In this connection, the Committee would like to invite attention to their recommendations contained in paragraph 63 of their 5th Report, paragraph 35 of their Sixth Report and paragraph 32 of their Seventh Report and emphasise once again the necessity of finalising the pending cases and particularly the old cases and those involving heavier amounts

The Committee would urge that all out efforts be made to realize the arrears of tax as expeditiously as possible

The progress made in this behalf be intimated

HARYANA STATE ELECTRICITY BOARD

Paragraph 39—Working results

17 The working results of the Board during the last three years ending 31st March 1972 are summarised below —

	1969 70	1970 71	1971 72
	(Rupees in lakhs)		
(i) Revenue Receipt	14 51 41	18 22 92	19 89 40
(ii) Revenue Expenditure	8 64 54	11 91 53	14 97 12
(iii) Net Surplus	5 86 87	6,31 39	4,92 28
(iv) Appropriation towards general reserve and interest on bonds etc	1,41 83	2 53 07	3 35 63
(v) Balance available towards interest on loans from Government — —	4 45 04	3 78 32	1 56 65
(vi) Interest due on loans from Government—			
(a) for the year	4 45 04	5 62 04	5 76 91
(b) Arrears for previous year			1 83 72
Total	4 45 04	5 62 04	7 60 63
(vii) Arrears of interest		1,83 72	6,03 98
(viii) Deficit for the year (towards interest due to Government)		-1 83 72	-4 20 26

The Board stated in its written reply the following reasons for the reduction in net surplus for the year 1971 72 as compared with that of 1970 71 —

- (i) Due to shortage of water in Gobind Sagar power cut to the extent of 15% were applied from 1 4 1971 to 1 6 71 leading

to decline in revenue from sale of power by Rs 43 lakhs approximately (from 288 lakhs to 244 77 lakhs)

- (ii) As a result of black outs observed during Indo Pak war in December 1971 the revenue fell by Rs 13 lakhs
- (iii) Pending disputes about the enhanced rates and the date of their enforcement the credit for the Haryana share from S O P to D E S U was taken at the old rates thereby showing a reduction of 42 lakhs in our revenue
- (iv) the power generation from Bhakra Complex decreased due to fall of water level in the Gobind Sagar and the Board in a bid to maintain to the level of supplies to its consumers purchased more power from outside agencies viz Nangal Fertilizer Factory Delhi Electricity Supply Undertaking (D E S U) etc at an extra cost of Rs 48 81 lakhs as compared to the rates at which power was being obtained from the B M B as per details given below —

	Cost of power purchased	Extra expenditure over and above 5 paise per KWH from BMB
	(in lakhs of rupees)	
(a) From Nangal fertilizer factory 178 45 lakhs KWH @ 11 paise	19 63	10 71
(b) From DESU 80 57 lakhs KWH @ 11 85 paise	9 55	5 52
(c) From DESU over and above H S E B share 475 70 lakhs KWH 11 85 paise per KWH	56 37	32 58
	85 55	48 81

- (v) The Board with a view to discharging socio economic obligation of the State Government extended its local distribution system by energizing tubewells on crash programme and rural electrification scheme during this year and invested an amount of Rs 10 39 60 lakhs on that account. The accounts for the year 1971 72 which were prepared for such schemes on the performance and the guide lines prescribed by the World Bank showed a net loss of Rs 160 lakhs after excluding interest charges. If the heretofore Force Majeure reasons had not taken place in the year 1971 72 the accounts would have shown net surplus of Rs 799 09 lakhs instead of Rs 492 28 lakhs as per details given below —

Net surplus as shown in the accounts for 1971 72
Rs 492 28 lakhs

1 Revenue lost due to power cuts

Rs 43 00 lakhs

2	Revenue lost due to Indo Pak war	Rs 13 00 lakhs
3	Revenue lost due to non settlement of dispute with DESU	<u>Rs 42 00 lakhs</u>
	Total	Rs 98 00 lakhs

Operation and Maintenance Charges

1	Cost of power purchased at higher rates	Rs 48 81 lakhs
2	Net loss sustained under rural electrification	<u>Rs 160 00 lakhs</u>
	Grand Total	Rs 799 09 lakhs

In reply to a question why there was so much difference of rates of electricity which the Board received from the Bhakra and D E S U the Board states in evidence that so far as the supply of electricity from the Bhakra was concerned for its share they charged the cost of fuel and the cost of management. But if the Board took electricity over and above its share from any other source then the rate was different. The Board further stated in evidence that the consumption per capita increased from 57 Kwh in 1967 68 to 132 kwh as on 31 3 74. The Board could not get this additional power from Bhakra and it had to purchase it from other sources for which it had to pay extra cost. The yearwise units sold (in crores) from 1967 68 onwards (upto 31 3 1974) were as under —

1967 68 (May 67 to March 1968)	50 12
1968 69	66 16
1969 70	79 61
1970 71	90 29
1971 72	107 68
1972 73	124 62
1973 74 (as on 31 3 74)	140 70

As desired by the Committee the Board furnished the following information in regard to the profit it earned during the year 1971 72 and the position as it existed in the previous years

Section 59 read with section 67 of the Electricity (Supply) Act 1948 provide that Electricity Boards should meet their Operating and Maintenance and Management expenses out of their revenues. After meeting these expenses the order items were apportioned in the accounts in the order of preference as laid down in Section 67 of the Act *ibid*. In case the Revenue in any year of account was not sufficient to cover the full expenses including interest charges on Government loans the same was required to be met from out of the Revenue surpluses of future years.

During the year 1971 72, the Revenue of the Board was

Rs 19 89 40 lakhs which was set off as detailed hereunder —

Profit and Loss account

Income	1967 68	1968 69	1969 70	1970 71	1971 72
From sale of energy	680 66	983 36	1,251 07	1,585 22	1,716 79
Other sources	78 67	136 21	200 34	237 70	272 61
Total	759 33	1119 57	1451 41	1822 92	1989 40

Expenditure

Operation maintenance and power purchased	73 53	101 19	201 12	372 21	540 75
Establishment	196 19	304 32	423 31	518 86	592 08
Depreciation	111 34	159 45	240 11	300 47	364 29
Total	381 06	564 69	864 54	1191 54	1497 12

Gross surplus which was set aside as under — 378 27 554 61 586 87 631 38 492 28

(i) Interest to institutions other than State Government 7 65 42 55 101 84 191 96 268 66

(ii) Write down of Intangible Assets 1 98 3 58 2 15

(iii) Contribution to General Reserve 33 05 41 00 49 02 57 52 64 82

(iv) Interest on State Govt loans 320 53 436 90 434 03 378 32 156 65

(v) Contribution to Development Fund 17 04 34 16

Total 378 27 554 61 586 87 631 38 492 28

	1970 71	1971 72	Total
(i) Interest liability on Government loans during the year	5 62 04 764	5 76 90 603	11 38,95,367
(ii) Interest charges as provided in the account under Sec			

tion 67 (ix) of the
Elec Supply Act
1948

3 78 31 982	1 56 65 327	5 34,97 309
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Balance to be ad
justed against future
Revenue Surplus

1,83,72 782	4 20 25,276	6 03 98 058
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The Committee feel that the Board is put to a great financial loss by supplying the committed demand of electricity to the Delhi Electricity Supply Undertaking and the Nangal Fertilizer Factory at the rate of 2 paise per unit whereas it got power as its share from Bhakra Management Board at the approximate rate of 5 paise per unit in accordance with an agreement arrived at between parties concerned. The Committee are further distressed to note that this financial loss is further increased when the Board fails to supply the committed demand of power to the D E S U and the N F F from out of its share which it gets from the B M B and is consequently compelled to purchase the electricity from other sources at the higher rate i.e. 11.85 paise per KWH approximately.

In order to check the loss of revenue on this account the Committee recommend that the agreement in pursuance of which the electricity is being supplied by the Board to D E S U and the N F F be examined a fresh in detail and revoked or in the alternative a revised agreement be entered into thereby suitably enhancing the rate of supply of power to the D E S U and N F F.

The Committee feel that there is a large scope for improving the working result of the Board and, therefore recommend that, among other suitable steps the liability of high rate of interest which ranges from 7½% to 9½% in the case of loans raised from the Life Insurance Corporation of India, Agriculture Finance Corporation and Banks etc., is restricted to the maximum extent possible. The Board may take necessary steps to increase the quantum of loan which it can raise at more favourable rates of interest.

In this connection the Committee would also invite the attention of the Government/Haryana State Electricity Board to their recommendations contained in paragraph 1 of their Eighth Report (1974-75) and recommend that the same be implemented expeditiously.

Paragraphs—40 Generation and sale of Energy

18. The table below indicates the particulars of installed capacity of the Board of generation of power, power generated, power available for sale, power sold, loss in transmission and distribution for the last three years —

	1969 70	1970 71	1971 72
	(KWH in Millions)		
(i) Installed capacity			
(a) Diesel generating sets —	45 77	45 77	36 73
(b) Thermal generating Stations	759 49	759 49	743 29
(c) Hydro generating Station	3 530 28	3 530 28	3 530 28
Total	— 4,335 54	4,335 54	4,310 30

(ii) Power generated excluding power used for generating station auxiliaries	—	1 707 37	1,713 62	1 969 90
(iii) Power used for auxiliaries	—	1 56	7 72	4 66
(iv) Power purchased	—	23 55	44 26	106 20
(v) Power available for sale excluding power used for generating station auxiliaries	—	1 730 92	1 757 88	2 076 10
(vi) power sold to consumers	—	1 458 46	1 414 84	1,624 65
(vii) Free supply to employees	—	0 98	0 97	3 60
(viii) Loss in transmission distribution		272 46	343 04	451 45
(ix) Percentage of power generated (ii+iii) to installed capacity	—	39 41	39 7	45 8
(x) Percentage of own power generated to total power available		98 6	97 5	94 9
(xi) Percentage of loss	—			
(a) available Power	—	15 7	19 5	21 7
(b) power sold	—	18 7	24 2	27 8
(xii) Cost of generation (Rupees in lakhs)		2,24 26	3,48 01	3,39 66
(xiii) Cost of generation for MKWH (In Rupees)	—	13 122	20 221	17 198
(xiv) Revenue per MKWH (In Rupees)	—	99 549	1 28 828	1 21 809

It has been noticed that the percentage of losses to energy sold during 1970 71 was highest in the country

The Management have attributed (March 1973) the low utilisation of installed capacity to the following —

(a) Diesel Generating Sets

- (i) Running of these sets only during peak load hours
- (ii) Low working efficiency of sets

(b) Thermal Generating Stations

- (i) Lower number of working hours due to scheduled and unscheduled shutdowns
- (ii) lower load factor

- (iii) Lower efficiency of plants due to passage of time and operational defects in Boilers and Turbines

(c) Hydro Generating Stations

- (i) Lower reservoir level at Bhakra
- (ii) Lower water head and discharge available for the Turbines

To an enquiry as to the reasons for the decrease in installed capacity of Diesel/Thermal Generating Sets during 1971-72 the Board intimated that in the former case it was due to the sale of some obsolete diesel sets which were not in working order and in the latter case due to sale of generating set at Faridabad which was very old and uneconomical. The Board intimated that the Thermal plant at Faridabad was being extended by 2 units of 60 MW each and a Thermal plant of 200 MW (2 units of 100 MW each) were to be erected at Panipat.

The Board further stated that the Thermal and Diesel Generating sets were run during peak hours to cope with the peak demand or emergency only as the cost of generation is comparatively heavy.

In this connection, the Committee invite the attention of the Government/H S E B to their recommendation contained in paragraph 2 of their Eighth Report (1974-75) and recommend that the same be implemented expeditiously.

Paragraph 41 Special Audit

19 On a request from the State Government Special Audit of certain purchases made by the State Electricity Board was conducted from December 1972 to July 1973. This covered purchase of conductors, poles, meters, transformers, wires, cables, insulators and a few other items effected by the Board during May 1967 and March 1972, disposal of old generating sets, copper scrap and also a general review of the Rural Electrification programme and Stores Control system of the Board (1968-1972).

A consolidated Inspection Report on the results of Special Audit which was sent to the Government on 1st September 1973 brought out among other things, absence of a sound system for assessing the requirement of purchases, lacuna in placing purchase orders, defective or inadequate system of inspection, extra expenditure in purchases, and inadequate system of inventory control.

Replies of the State Government including the statement that the Board was taking action to streamline the procedure in some cases, were received in December 1973 and are under examination.

In this connection the Committee would invite the attention of the Government to their Eighth Report for the year 1974-75 on the Report of the Comptroller and Auditor General of India for the year 1972-73 insofar as it related to the Haryana State Electricity Board. The Committee recommend that their recommendations contained therein be implemented expeditiously.

Paragraph 42—Idle Stores

20 Spares for 220 K V Sub stations valued at Rs 4 38 lakhs approximately (787 items) were lying in 3 Central stores since May 1967 The question of their transfer to Bhakra Management Board against payment was under correspondence (June 1973)

The Board stated in its written reply that the spares for 220 K V Sub Stations lying in the stores were as under

	Rs
(a) Central Store Dhulkote	3 46 071 44
(b) Central Store Delhi	63 082 69
(c) Central Store Panipat	29,195 95
	<hr/> 4,38,350 08

Action regarding the transfer of these spares to Bhakra Management Board could not be taken earlier as the Bhakra Management Board wanted these without value to which Haryana State Electricity Board did not agree It had been decided by the Haryana State Electricity Board to transfer these spares the cost of which had been charged to common pool works without value but the spares the cost of which had been charged to stock and were lying in the stores of the Haryana State Electricity Board would not be transferred to Bhakra Management Board without recovering their cost This decision had been conveyed to the Bhakra Management Board on 9 12 1974 and their concurrence was awaited It was also mentioned that 2% storage and handling charges would be charged from the Bhakra Management Board on the cost price of the spares

The Committee would like to be apprised of the final decision taken in regard to the transfer of the spares to the Bhakra Management Board and whether they have accepted the proposal of Haryana State Electricity Board for their transfer (i.e. those charged to stock) after recovering their cost and the storage and handling charges The amount of balance stores which are left with the Haryana State Electricity Board alongwith the manner in which they are proposed to be utilised be also intimated to the Committee

Paragraph 44—Outstanding audit observations

21 41,831 audit observations (Rs 53 02 crores) raised by the Chief Accounts Officer Haryana State Electricity Board pertaining to the period upto 31st March 1972 were outstanding on 30th September 1972 as against 43 417 audit observations (Rs 50 29 crores) outstanding on 31st August 1971 The details are given below —

	Year since outstanding	Amount (Rupees in crores)
(a) Want of sanctions	1952 53	45 38
(b) Want of detailed contingent bills	1966-67	0 24

(c) Want of payee s receipts	1969 70	0 82
(d) Other reasons	1965 66	6 58
Total		53 02

Position of the outstanding inspection reports by Audit is indicated in paragraph 59 of Chapter VIII

Replying to the Committee the Board stated that out of 41,831 audit objections involving an amount of Rs 53,01 62,993 outstanding as on 30 9 1972 in respect of the period upto 1971 72 11,474 items of the amount of Rs 13 63 21,883 had since been cleared upto the end of August, 1974 leaving a balance of 30 357 items amounting to Rs 39,38 41,110 Most of the objections were outstanding for want of sanctions pertaining to 1952 53 alone (Rs 45 33 lakhs) According to the Board there were difficulties in sorting out the old objections

The Committee recommend that urgent and necessary steps be taken to clear the audit objections in so far as they pertain to the recent years say after the formation of the Haryana State Electricity Board so that they may not become old with the passage of time But in so far as the old objections are concerned they merit special steps to clear them without any further delay and for this purpose, they recommend the setting up of an *ad hoc* machinery

In this connection, the Committee also invite attention to their recommendation contained in paragraph 48 of their Seventh Report

CO OPERATION DEPARTMENT

Paragraph 50—Financial Assistance

22 Government investment in the share capital and debentures of co operative societies at the close of the year 1970 71 and 1971 72 was as under —

Year	Number of societies	Amount (in lakhs of Rupees)
1970 71	1 329	7 85 83
1971 72	1 671	9 72 45

The investment made during the year 1971-72 was Rs 1 88 43 lakhs and the retirement of shares effected during the year by the institutions was Rs 1 81 lakhs only

The amount of loans and subsidies paid by Government to various

Co operative Institutions during the year 1970 71 and 1971 72 stood as under —

Year	Balance at the end of previous year	Amount of loans disbursed during the year	Re pay ment during the year	Balance at the end of the year	Grants of sub sidies during the year
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(In lakhs of Rs)

1970 71	69 66	11 90	5 93	75 63	20 23
1971 72	75 63	20 94	3 01	93 56	20 94

The amount of principal and interest overdue as on 31st March 1972 was Rs 9 30 lakhs and Rs 7 26 lakhs respectively

In reply to a question of the Committee as to how many co operative Institutions were defaulters towards repayment of principal and interest and how many of those had become insolvent and what action Government had taken to recover the amounts due from such institutions the department stated that the outstanding balance as on 31 3 1974 was Rs 6 86 lakhs (Principal) and Rs 5 75 lakhs (Interest) Out of this an amount of Rs 4 80 lakhs (Principal) and Rs 4 21 lakhs (Interest) was outstanding against the Cooperative Consumers Stores As the Co operative Consumers Stores were in loss they were not in a position to repay the amounts due Efforts were a foot to improve their working by better supervision The arrears outstanding against other kinds of societies were Rs 2 06 lakhs and Rs 1 54 lakhs respectively which were being recovered except in the case of Rickshaw Pullers Co operative Societies and Co operative Farming Societies which were defunct and were under liquidation

Overdues were thus mostly outstanding against the following —

	Principal	Interest
1 Consumers Co op Stores (13)	4 80	4 21
2 Farming Co op Societies (159)	0 74	0 63
3 Rickshaw Pullers Co op Societies (3)	0 37	0 10
	<hr/> 5 91	<hr/> 4 94

Government loan was recovered first of all from the societies brought under liquidation as Government loan was the first charge on the assets of the Societies

The Committee are distressed to note that the Consumers Co operative Stores are running in loss The Committee have come to the

irresistible conclusion that the losses are due to the lack of effective and efficient management and supervision of these stores. The Committee recommend that early effective steps be taken to improve their functioning so as to turn them into profit earning stores.

The Committee also recommend that the outstanding amount due from various Co operative institutions be recovered as early as possible and the Committee informed when the recovery is completed.

Paragraph 51—Interest and dividend received by the Government

23 Interest and Dividend received during the year 1971-72 from 14 societies amounted to Rs 18.78 lakhs and Rs 3.61 lakhs respectively.

The department stated in its written reply that out of 1,671 Co-operative units 13 societies declared dividend of Rs 3.61 lakhs whereas one institution namely the Haryana State Co-operative Land Development Bank paid Rs 18.78 lakhs as interest on debentures. The societies declared dividend when they were in comfortable position to do so because depletion of funds by dividend would require corresponding increase in fund by loan deposits etc. to achieve the contemplated programme of Co-operative development. The department had however issued instructions to the field officers to ensure that maximum possible number of societies declared dividend.

In reply to a question as to how many Co-operative Societies were running in loss the department stated that the number of societies running into loss during the years 1970-71 to 1973-74 were as under —

Year	Total No of societies	No of societies in loss	percentage
1970-71	12,622	4,328	34.29
1971-72	13,115	4,380	33.39
1972-73	13,460	4,456	33.10
1973-74	13,898	4,631	33.32

One reason among others was attributed to the delayed payment by the P.W.D. authorities to the Labour Co-operative Societies.

The department further assured the Committee that necessary steps had already been taken to save the societies from going into loss.

The Committee would like to be informed of the effect of instructions which are said to have been issued to the field officers to ensure that the maximum number of Co-operative Societies are in a position to declare dividends.

In order to encourage the Labour Co-operative Societies the Committee recommend that necessary steps be taken in consultation with the P.W.D. authorities for expeditious payments to the Labour Co-operative Societies.

The Committee would also like to know the result of the steps taken to save the societies from going into loss.

Paragraph 52—Completion of audit

24 As per provisions of the Co operative societies Act 1912 the accounts of co operative societies are required to be audited once in each year by auditors (including departmental auditors under the Chief Auditors, Co operative Societies) appointed by the Registrar, Co operative Societies. The accounts of 355 societies (as detailed below) upto close of co operative year 1971 72 remain unaudited (September 1973). However, position for the years 1969 70, 1970 71 and 1971 72 is given below —

	1969 70	1970 71	1971 72
Number of societies due for audit	12,741	12,788	13,135
Number of societies audited	12,236	12,230	12,780
Number of societies audit* of which is in arrears	505	558	355

The Chief Auditor Co operative Societies stated (September 1973) that these accounts could not be audited for want of completed books of accounts and other records

A review of the audited accounts 1971 72 of the co operative societies revealed —

- (i) The department invested Rs 82 19 lakhs during 1970 71 in share capital of various co operative societies. Share certificates for Rs 4 20 lakhs were awaited (August 1973)
- (ii) 395 cases of embezzlements, misappropriations of cash and stores amounting to Rs 33 74 lakhs were noticed by the departmental auditors (June 1972)
- (iii) To avoid lapse of funds the department withdrew Rs 1 07 89+ lakhs from the treasury during the last week of March, 1972 by endorsing the bills in favour of the State Co operative Bank Limited and placed the amount at the disposal of the Assistant Registrars through the Central Co operative Banks of the respective districts for disbursement as loan subsidy and share capital

On being asked by the Committee the department intimated the year wise actual position of the societies which were still required to be audited as under —

	Years		
	1969 70	1970 71	1971 72
No of societies due for audit	12 741	12 788	13 135
No of societies audited	12,236	12,230	12 559
No of societies which were in arrears	505	558	576

*This figure has been changed to Rs 104 52 lakhs vide Accountant General Haryana's letters No Report/1 2/71 72/Ques —Co op/465 dated the 3rd September 1975

The year wise position of progress upto 31 3 75 was as under —

Out of 505 societies which remained in arrears on 30 6 70 audit of 332 societies had since been completed leaving a balance of 173 societies

1	Record with Police/Courts	36
2	Non availability of records/ custodian etc	137
Total		173

Out of 558 societies which were in arrears as on 30 6 71 audit of 357 societies had been done leaving a balance of 201 societies

1	Record with police/courts	42
2	Non availability of records/ custodian etc	159
Total		201

Out of 576 societies which remained in arrears as on 30 6 72 audit of 333 societies had been done leaving a balance of 243 societies

1	Record with Police/Court	48
2	Non availability of records/ custodian etc	195
Total		243

The reasons due to which the accounts of these societies could not be audited was stated by the department to be due to the non availability of records which was with Police/Courts etc

To a question of the committee as to how many cases of embezzlements/misappropriations of cash and stores out of 395 mentioned in the audit para had been finalized how was the amount adjusted and what action had been taken to finalize the remaining cases also expeditiously, the department stated as under —

No of embezzlement cases detected	395
Amount embezzled	Rs 33 74 lakhs
Amount recovered as on 31 7 75	Rs 7 76 lakhs
No of cases disposed of	165
No of cases undisposed	230
Amount yet to be recovered	Rs 25 98 lakhs

The department further stated that to expedite decisions and follow up action and to exercise further check on embezzlement cases a special cell headed by the Dy Superintendent of Police had been established. Besides, monthly meetings of Dy Registrars were being held under the Chairmanship of the Registrar to review the progress of such cases. The department assured that there was every likelihood of handsome recovery of such cases in the near future.

The committee urge that the reasons leading to the non availability of records be fully investigated and suitable action taken against the officials held responsible for their loss. Immediate action should also be taken to reconstruct the missing records wherever possible and their audit got completed without any further delay. The committee further recommend that necessary arrangements be made to get the records which is with the Police/Courts audited, so that the case may be processed further.

The Committee are unhappy to note that there are 230 cases of embezzlement etc., which still remain undisposed of and, therefore, recommend that effective steps be taken to finalise them expeditiously. The Committee further recommend that the recovery of Rs 25.98 lakhs be ensured on a priority basis and the progress made in this respect intimated.

The committee would also like to know the effect of the steps taken to reduce the number of cases and to recover the amounts in question.

Paragraph 53—Haryana State Co operative Supply and Marketing Federation Limited Chandigarh

25. The Federation came into existence with effect from 1st November 1966 with the objects primarily to —

- (i) Make arrangements for marketing and processing of the agricultural and allied products and
- (ii) Supply of agricultural inputs such as fertilizers, insecticides, pesticides and other goods

The working results of the Federation for the year 1968-69 to 1970-71 are given below —

Year of account	Paid up capital	Government investment	Reserves and Funds	Loans (Cash credit)	Cumulative profit	Net profit during the year
(in lakhs of Rupees)						
1968-69	67.62	66.45	7.72	9.89.81	9.49*	5.81
1969-70	73.84	65.16	10.13	7.91.29	25.75	16.26
1970-71	1,06.74	98.06	10.55	11,24.42	31.24	5.48

Audit of the Federation revealed —

(i) *Slow moving fertilizers*—Stocks of fertilizers worth Rs 4 64 46 lakhs were held by the Federation on 28th February 1969. Out of this fertilizers worth Rs 1,20 76 lakhs still remain in stock (30th) June 1972)

Government intimated (December 1972) that stock which was not saleable in the market would be reconditioned at the granular plant being set up very soon by the Federation in Karnal district

(ii) *Blocking of funds*—On the formation of Haryana State on 1st November 1966 the Federation had stock of Diesel Engines/Pumps to the extent of Rs 7 78 lakhs. During the years 1966 67 to 1970 71 the Federation made further purchases of Rs 60 73 lakhs. As on 30th June 1971 Engines/Pumps for Rs 45 34 lakhs could only be sold leaving a closing stock of Rs 23 17 lakhs (Diesel Engine Rs 20 60 lakhs Motors Rs 2 57 lakhs). It was stated by the Management (March 1972) that 1 000 Diesel Engines (Rs 27 15 lakhs) were purchased by the Federation under a directive of the State Government which resulted in blocking of funds —

(iii) *Investments*—The investments of the Federation in various co operative societies alongwith the paid up capital of the societies during 1966 67 to 1970 71 was as under—

Year ending	Investments (in lakhs of Rupees)	Paid up capital	Dividend received
30th June 1967 — — —	0 51	23 35	—
30th June 1968 — — —	4 12	46 34	—
30th June 1969 — — —	23 26	67 62	—
30th June 1970 — — —	15 97	73 84	0 06
30th June 1971 — — —	20 42	1 06 74	Rs 40 only

(iv) *Purchase and distribution of seeds*—The Federation suffered a trading loss of Rs 1 84 lakhs in the purchase and sale of wheat seeds during 1967 68

(v) *Losses*—(a) Due to improper storage 1 67 laks gunny bags worth Rs 5 52 lakhs (approximately) were damaged during 1969 70 to 1970 71

(b) A unit installed at Nuh for extracting mustared oil suffered a loss of Rs 2 64 lakhs during the years 1966 67 to 1970 71

The departmental sub Committee who examined (December 1967) the working results of the unit attributed the following reasons for losses,

- (i) The Federation entered into the market for the purchase of sarson seeds quite late and the purchases were made at higher rates
 - (ii) The seeds purchased were of inferior quality
 - (iii) The extraction of oil was 34 per cent against the prescribed percentage of 37 per cent
 - (iv) The machinery of the mill was defective
 - (v) The sales were not effected at the proper time and this resulted in sales at lower rates
 - (vi) The agreement entered between the Federation and the Nuh Marketing Society was not on sound business principles
- (c) A rice sheller installed at Tarori suffered a loss of Rs 0.87 lakh during the first year of its operation ending 30th June 1971

In reply to question asked by the Committee as to what was the latest position of the stock of fertilizers valuing Rs 1,20.76 lakhs which was held on 30.6.72 and why could it not be purchased in instalments keeping in view the requirement for a year or so, the department stated that as compared to old stocks of fertilizers worth Rs 1,20.76 lakhs on 30.6.72 the value of old stocks of fertilizers as on 30.11.1974 was Rs 29.81 lakhs. The old stocks had been disposed of as under —

Qty available on 30.6.72	16605 tonnes
Sales on 1.7.72 to 30.11.1974	10470 tonnes
Transfer to Granular Fertilizer Plant	610 tonnes
Balance	5525 tonnes

The fertilizers were purchased by the State Agriculture Department prior to the transfer of its ownership to the Federation i.e. before 28.2.1969. The targets fixed by the State Agriculture Department and indents placed by it were unrealistic with the result that the funds remained blocked in the stocks which were on the higher side. The balance stocks of 5525 tonnes was not finding sale in the open market and was thus required to be reconditioned at the Hafed Granular Plant, Taroari. The reconditioning charges at the plant were to the tune of Rs 75/ per tonne excluding the cost of new gunny bags used. The Fertilizer Plant has been set up by the Federation at Taroari and the old fertilizers transferred to it were being reconditioned. The production at the plant commenced only in August, 1974.

To a question of the Committee as to the reasons due to which the Federation suffered a trading loss of Rs 1.84 lakhs in the purchase and sale of wheat seeds during 1967-68, the departmental representative, during the course of oral evidence, stated that the rates of the wheat

when purchased were higher and these went down when sold which was beyond their control. No losses in marketing operations had been repeated in subsequent years. As regards damage caused to 1.67 lakh gunny bags valuing Rs 5.52 lakhs the department stated that there were unprecedented and untimely rains during the year 1970-71. There was no proper storage arrangement with the Federation. Wheat procurement operations had been taken up in hand by the Federation on a massive scale for the first time during 1969-70. The damage was due to natural calamities beyond human control. Adequate storage accommodation had now been built up by the Federation and the losses were being avoided. On physical verification it was found that 1.02 lakh gunny bags were damaged which were auctioned and a sum of Rs 63,765 realized and the cost of remaining gunny bags were recovered from the Co-operative Marketing Societies.

Asked to state the reasons due to which the mustard oil unit installed at Nuh suffered a loss of Rs 2.64 lakhs the department stated that an official of the Federation was held responsible for the loss. The losses were also due to speculative nature of trade of oil and high processing and overhead expenses at the unit. The working of this unit had since been improved and the profit earned by it during the subsequent years was given as under —

1971-72	Rs 33,710.90
1972-73	Rs 30,511.78

As regards loss amounting to Rs 0.87 lakh suffered by the Rice Sheller installed at Taroari, the department attributed the reasons for the same as under —

- (1) Non utilisation of the optimum capacity of the Mill leading to heavy overhead expenses
- (2) Inexperienced staff for purchase of paddy and processing of rice
- (3) Delay in disposal of stocks resulting into heavy interest liabilities

- An experienced General Manager to supervise the work of this Mill had been posted there and the Rice Sheller earned a profit of Rs 69,000 during the year 1973-74.

The Committee feel that the indents for the purchase of fertilizers were unrealistic resulting in the blockade of funds in the shape of accumulation of stock of fertilizers to the tune of 5525 tonnes. The Committee would like to be informed of the progress in the sale of reconditioned fertilizers. In order to avoid the accumulation of fertilizers the purchase of fertilizers in future should be effected keeping in view its anticipated sale in the open market.

~ The Committee recommend that storage arrangements for wheat and gunny bags be improved so as to avoid any damage to the wheat and the gunny bags even during untimely heavy rains.

The Committee recommend that the working of the mustard oil unit at Nuh and of the Rice Sheller at Taroari be improved still further and the results thereof intimated to the Committee. The Committee would also like to be informed of the action taken against the official held responsible for the loss in mustard oil unit at Nuh.

Paragraph 54 — Working of Sugar Mills

26. As on 30th June 1971 the State Government had invested Rs 20 lakhs each in the share capital of the Haryana Co operative Sugar Mills Limited Rohtak and Panipat. The working results of the mills for the year ended 30th June, 1971 are given below —

Sr No	Particulars	Haryana Co operative Sugar Mills Ltd , Rohtak	Panipat Co operative Sugar Mills Ltd , Panipat
(In lakhs of Rupees)			
1	Paid up capital	60 42	53 77
2	Government investment in share capital	20 00	20 00
3	Reserves	1 15 32	1 55 69
4	Long term loans	5 32	—
5	Cummulative profit (+)/loss (—)	(—)9 60	(+)11 76
6	Profit (+)/Loss(—) during the year	(+)1 07	(+)11 95

Cane crushed and recovery

7	Cane crushed (in lakh of quintals)	17 82	15 28
8	Percentage of recovery	8 52	9 14

(i) *Excessive losses of Sugar in various manufacturing processes—*
The overall loss of sugar in various processes in Sugar Mills at Rohtak was higher than the loss of Sugar in Panipat Sugar Mills as detailed below —

Year of crushing	Haryana Co operative Sugar Mills Ltd Rohtak		Panipat Co operative Sugar Mills Ltd Panipat	
	Cane crushed (Quintals in lakhs)	Percentage of overall loss of sugar per 100 quintals of cane crushed	Cane crushed (Quintals in lakhs)	Percentage of overall loss of sugar per 100 quintals of cane crushed
1968 69	9 75	2 59	16 97	2 52
1969 70	18 34	2 81	22 29	2 42
1970 71	17 82	3 19	15 28	2 32
1971 72	Not available		12 31	2 37

During 1970 71 total cane crushed in Haryana Co operative Sugar Mills Ltd Rohtak was 17 82 lakhs quintals and for every 0 1 per cent short recovery of sugar loss in production of sugar was 1,782 quintals (Rs 2 40 lakhs approximately)

The Management of Haryana Co perative Sugar Mills Ltd , Rohtak attributed (July 1972) the poor performance to —

(a) crushing of stale cane as a result of frequent break down in Turbo Alternator,

(b) processing difficulty due to bad quality of lime stone

(ii) *Losses in Storage*—Lack of proper storage arrangements resulted in loss of Rs 2 47 lakhs of sugar during the years 1968 69 to 1971 72

(iii) *Over statement of profits*—The profits as on 30th June 1970 and 30th June 1971 had been over stated to the extent of Rs 10 71 lakhs (overvaluation of stock Rs 10 25 lakhs stores Rs 0 46 lakh)

(iv) *Physical verification of stores*—Physical verification of stores conducted on 30th June 1969 30th June 1970 and 30th June 1971 revealed following shortages and excesses —

Sr No	Year	Shortages Rs	Excesses Rs
1	1968 69	24 847	20 981
2	1969 70	20 007	14,890
3	1970 71	37 460	26 523

The shortages and excesses as on 30th June 1969 and 30th June 1970 were adjusted in the accounts under orders of General Manager without conducting any investigation and obtaining sanction to write off for shortages from the competent authority Shortages and excesses as on 30th June 1971 are still to be adjusted (June 1973)

The department in its written reply stated that in the Co operative Sugar Mill at Rohtak there was a cumulative profit of Rs 9 74 lakhs as on 30 6 68 Unfortunately cane crop in the year 1968 69 was unhealthy and it yielded a very poor recovery resulting in a loss of Rs 31 32 lakhs for this year Thus, the cumulative profit turned into a cumulative loss of Rs 9 60 lakhs as on 30th June 1971

However the mill earned profit during the subsequent years as shown below —

1971 72	Rs 17 49 lakhs
1972 73	Rs 30 39 lakhs
1973 74	Rs 11 69 lakhs

The Rohtak mill made a provision of Rs 1 75 lakhs for Reserve fund in the year 1971 72. It made provision of Rs 14 10 lakhs for dividend out of profit of Rs 30 39 lakhs and Rs 7 83 lakhs for Reserves and Rs 3 42 lakhs was carried forwarded towards Bonus and Rs 8 lakhs for income tax etc during the year 1972 73. Out of profit of Rs 11 69 lakhs during 1973 74 it provided Rs 1 16 lakhs for Reserves and Rs 5 10 lakhs for income tax.

As regards the Panipat Co operative Sugar Mills the figures representing profit earned by the Panipat Mills in the years 1971 72, 1972 73 and 1973 74 were given below —

1971 72	Rs 16 33 lakhs
1972 73	Rs 13 63 lakhs
1973 74	Rs 8 99 lakhs (net profit)

To an enquiry as to what were the detailed reasons for the shortages/excesses found as a result of physical verification of stores the department stated that there was a net excess as detailed below —

	Excess	Shortages	Net excess/ shortage
1968 69	Rs 24 841	20 485	4 356
1969 70	Rs 20,007	14,890	5 117
1970 71	Rs 37 460	25,553	11,907

The excess was taken into miscellaneous receipts as usual. No procedure had been prescribed for the adjustment of excesses/shortages.

Regarding shortage arrangements it was intimated that new sugar godown was in advance stage of construction after the completion of which the storage capacity would stand augmented. Arrangements were also being made for making the existing sugar godowns damp proof.

The Committee recommend that effective steps be taken to minimise the losses of sugar in various manufacturing processes. The Government should ensure that the loss in Haryana's Sugar Mills are not on the higher side as compared to other states. As the Committee feel that there is still a large scope for qualitative and quantitative performance of these mills, they recommend that necessary steps to achieve the object in view be taken expeditiously.

The Committee recommend that all shortages/excesses should be thoroughly investigated and some procedure prescribed for their early adjustment so that the possibility of fraud etc, is avoided. The result of such investigation for excess/shortage as upto June 1971 be intimated to the Committee.

The Committee would like to know the effect of the steps taken to augment the storage capacity and to make the existing stores damp proof and water proof.

COMMON PARAGRAPHS

Paragraph 24 Misappropriations defalcations etc

27 The cases of misappropriations defalcations etc of Government money reported to audit to the end of March 1972 and on which final action was pending at the end of September 1972 were as follows —

	Number of cases	Amount (Rs lakhs)
Cases reported upto end of March 1971 and outstanding on 31st August 1971	201	17 40
Cases reported during April 1971 to March 1972	50	13 22
Total	251	30 62
Cases closed during August 1971 to September 1972	22	0 10
Balance	229	30 52

Of these cases

(i) 108 cases for Rs 7 09 lakhs are outstanding for more than five years

(ii) 177 cases for Rs 22 73 lakhs are outstanding with the departments of Buildings and Roads Irrigation Transport, Education and Agriculture

Brief details of one case are given below —

In Palwal construction division a Sectional Officer left the department and joined Irrigation department without handing over charge to his successor. Checking of store by the Sub Divisional Officer in September 1969 disclosed shortages (Rs 12,274). The Sectional Officer was called upon to account for the shortages and on his failure to do so the case was reported to the police. Final results of police enquiry and recovery of the cost of stores misappropriated/defalcated are awaited (January 1974).

Appendix IV shows department wise and year wise analysis of outstanding cases in which departmental action and criminal prosecution had been completed but recovery was pending on 30th September 1972.

Appendix V shows cases under departmental investigation or criminal prosecution on 30th September 1972.

The Committee deplore the delay caused by the departments in finalising the cases involving misappropriation and defalcation of Government money. The Committee urge that all the cases of misappropriations and defalcations be dealt with promptly by the authorities concerned without fear and favour.

The Committee recommend that necessary steps be taken to have an officer at the district level to look into the cases of misappropriation and to keep liaison with the Inspector General of Police at the State level, to ensure finalisation expeditiously

The Committee observe that even after the cases are handed over to the Police there is a considerable delay in bringing the investigations to completion and filing cases for prosecution in the Courts mostly on account of administrative delays. The Committee cannot but observe that there has been absence of effective and adequate follow up action after the cases involving loss of public money through misappropriations and other irregularities have come to notice resulting in delay in bringing the persons to book. The delay in taking action against the delinquents might even lead to disappearance of valuable evidence and provide an opportunity to people to tamper with records and ultimately would weaken the prosecution cases when launched.

The Committee would like to be informed of the progress achieved as a result of action taken on above lines.

Paragraph 27—Synopsis of important accounts

28. A synopsis of the important stores and stock accounts (other than those relating to Government commercial and quasi commercial departments/undertakings) for 1971-72 is given below—

Serial No	Department/stores	Opening balance	Receipts	Issues	Closing balance
(In lakhs of rupees)					
1	Stamps—				
	Revenue judicial and non judicial	16,58 58	14,88 35	7 73 18	23 73 75
2	Public Relations—				
	Stores, films and vans etc	6,05	5 56	4 01	7 60
3	Police—				
	(a) Clothing and equipment	9 65	18 38	17 71	10 32
	(b) Stationery and other miscellaneous articles	3 97	4 11	2 57	5 51
4	Forest—				
	Consumable stores felled timber and other produce collected departmentally including live stock and non consumable stores	4 17	16 64	15 19	5 62

Serial No	Departments/Stores	Opening balance (In lakhs of rupees)	Receipts	Issued	Closing balance
5	Irrigation—				
	(a) Bhakra Canals—				
	Building materials timber, fuel lubricants paints electrical goods etc	31 46	10 91	12 82	29 55
	(b) Other than Bhakra Canals—				
	Cement iron bricks and miscellaneous stores etc	99 55	8,63 02	8 16 35	1 46 22
6	Building and Roads—				
	Iron cement, bricks, stone, timber, pipes etc	19 94	6 92 30	6,78 05	34 19
7	Public Health—				
	Iron cement bricks stone, timber pipes, etc	56 88	5 23 03	5,00 82	79 09

The position of (September 1972) arrears in preparation of stores accounts of other departments is given in Appendix VII

The Committee are unhappy to note that the preparation of Stores Accounts for the years 1969 70 and 1970 71 by the following departments were in arrears

- (1) Medical
- (2) Education
- (3) Animal Husbandry
- (4) Agriculture
- (5) Industrial Training

The Committee recommend that arrears in preparation of Stores Accounts be cleared expeditiously by the said departments and the Committee apprised of the progress made in this behalf. The Committee further recommend that necessary steps be taken by the Government to ensure that the Stores Accounts by various departments are prepared well in time in future.

Paragraph 28 Minus balance in stock registers

29 A minus balance in the stock register shows the possibility of inaccuracies in the stock account Unless the minus balances are reconciled and adjusted the correctness of the stock account cannot be ensured There were large minus balances at the end of March 1972 as shown below —

Serial No.	Department	Number of divisions, and the amount of <i>minus</i> balance at the end of March 1972	
		Number of divisions	Amount (Rs lakhs)
1	Irrigation other than Bhakra Canals	21	49 81
2	Buildings and Roads	18	59 04
3	Public Health	7	49 48

The Committee recommend that the reasons for minus balances be investigated and the discrepancies reconciled without loss of any further time

The list of those bills in respect of which the goods have been received by the Departments but the bills relating thereto have not been received be prepared and sent to the Accountant General, Haryana at a very early date The difference in the figures of the Accountant General, Haryana, and of the Departments be reconciled by personal contacts expeditiously

The figures in the Bin Card and Ledger Card (accounting systems) wherever found at variance with each other be also set right expeditiously

Paragraph 29 Completion of half yearly stock registers

30 The rules require that the stock registers in Public Works Divisions should be closed at the end of each half year and reviewed by the Divisional Officer to see that the stock consists only of service able and necessary articles and that the stores are priced at the prevailing market rates The registers have not however been closed in a large number of Divisions for the past several years although, to expedite clearance of arrears, Government had been granting relaxation from time to time in exhibiting the value of stores in the stock registers The arrears in completion of these registers at the end of March, 1972 and the preceding two years are shown below —

Serial No	Department	Number of half yearly registers in arrears at the end of			Number of divisions in which the arrears existed in 1971 72	Earliest year to which the arrears on 31st March 1972 pertain	Period upto which relaxation in the pricing of stock returns was allowed
		1969 70	1970 71	1971 72			
1	Irrigation—						
	(a) Bhakra Canals	19	27	63	6	March 1967	September 1963
	(b) Other than Bhakra Canals	133	168	169	37	September 1962	March 1950
2	Buildings and Roads	73	107	171	31	September 1956	March 1961
3	Public Health	125	146	110	7	March 1956	March 1961

The Committee are pained to note that there are mounting arrears of incomplete half yearly stock Registers and, therefore, recommend that necessary steps be taken to clear the arrears expeditiously and the progress made in this respect intimated to the Committee

Paragraph 30—Physical verification of stores

31 The stores are required to be physically verified periodically by responsible officers independent of the stock holders. The results of physical verification of stores during 1971-72 were not intimated to Audit by 121 divisions as shown below (out of total number of one hundred and twenty two divisions) —

1	Irrigation—	
	(a) Bhakra Canals	6
	(b) Other than Bhakra Canals	53
2	Buildings and Roads	43
3	Public Health	19
	Total	121

The Committee are unhappy to note that physical verification of stores in a large number of divisions was not made at proper time

The Committee are of the firm view that in the absence of physical verification of stores the deficiencies/shortages of stock would remain undetected and, therefore, strongly recommend that there should be no delay whatsoever in conducting the Physical Verification in future at the regular prescribed intervals

The Committee further recommend that Bin Card system in public works divisions be introduced without any further delay

The Committee recommend that physical verification of stores in the remaining Divisions be conducted expeditiously. The Committee further recommend that an Independent Cell of conducting physical verification of stores be created at an early date by the departments concerned.

Paragraph 56—Guarantees

32 Government has given guarantees for re-payment of loans/bonds/share capital raised by the Statutory Corporations/Board Government Companies and Co operative Institutions. The payment of minimum dividend on the share capital of the Haryana Financial Corporation and interest on loans/bonds raised by the Statutory Corporations/Boards and Co operative Institutions have also been guaranteed. Brief particulars of such guarantees which are in the nature of contingent liabilities on the State revenues are as under —

In whose favour	Maximum amount guaranteed	Guaranteed amount outstanding as on 31st March 1972
	(In lakhs of Rupees)	
Statutory Corporations/Board	37 78 09	33 49 28
Government Company	3 53 91	3 53 91
Co operative Institutions	69 67 41	40 96 75

Further details are given in statement No 6 of the Finance Accounts 1971-72. None of the guarantees by Government have been invoked during year 1971-72.

On being asked by the Committee the Cooperation Department stated that normally guarantees were secured by it for and on behalf of the State/Central Cooperative Banks for raising short term/medium term loans. Those guarantees were for specific period of 2 to 5 years and with the repayment of loan by the Banks to the Reserve Bank of India the guarantees given by the State Government stood automatically revoked.

The Committee observe that the loans which are in the nature of contingent liabilities of the State Government should only be raised for purposes of development of the State. Before standing guarantee on the security of the consolidated fund of the State in terms of Article 293(1) of the Constitution of India to the autonomous bodies for raising loans from Commercial Banks or financial institutions it should be ensured that the amount of loan sought to be raised by them is commensurate with the extent of public interest likely to be served by it. In the case of loan for a specific scheme or project its viability and capability of repayment of the loan with interest thereon be first examined thoroughly and then determined to avoid any possibility of risk for standing guarantee.

Paragraphs 57 & 59—Outstanding audit observations

33 The irregularities and defects noticed in Audit are reported to departmental authorities. Periodical reports of outstanding audit observations are also forwarded to the heads of departments for taking necessary steps to expedite their settlement. The financial rules of Government require the departmental officers to attend to the audit observations promptly. The Public Accounts Committee has also been repeatedly stressing the need for quick disposal of the observations.

The number of outstanding audit observations pertaining to the period upto 31st March 1972 awaiting settlement on 30th September 1972 was 22 493 (money value Rs 30 02 99 lakhs). The table below shows the number and amount of outstanding observations shown in this Report and the previous Report —

Report	Number of observations	Amount (in lakhs of rupees)
1970 71	16,579*	24 31 43*
1971 72	22 493*	30 02 99*

Year wise analysis of the audit observations issued upto 31st March, 1972 which were not settled upto 30th September, 1972 is given below -

Year of issue	Civil departments		Commercial departments/activities		Total	
	Number	Amount (in lakhs of rupees)	Number	Amount (in lakhs of rupees)	Number	Amount (in lakhs of rupees)
1968 69 and earlier years	3 056	1 26 42	293	19 63	3 349	1 46 05
1969 70	1 755	1 22 28	103	12 37	1 858	1 34 65
1970 71	5 223	7 68 24	251	30 71	5,474	7,98 95
1971 72	11 297	17 95 50	515	1 27 84	11 812	19 23,34
Total	21 331	28 12 44	1 162	1 90 55	22 493	30 02 99

*These figures exclude those relating to Haryana State Electricity Board which are mentioned in Chapter VII

The particulars of those observations in brief, the number falling in each category as also the amounts are given below (department wise analysis showing the nature of observations, number and amounts

is given in Appendix XII) —

Nature of observations	Civil departments		Commercial departments/ activities	
	Number	Amount (in lakhs of rupees)	Number	Amount (in lakhs of rupees)
(i) Want of sanctions to establishment	527	8 94	47	8 03
(ii) Want of sanctions to miscellaneous and contingent expenditure	458	30 36	2	0 02
(iii) Want of detailed bills for lump sum drawals	7	0 61	323	1 02 40
(iv) Want of vouchers	4,510	5 33 27		—
(v) Want of payees receipts	10 734	7 67 41	525	78 13
(vi) Advances paid to Government servants not recovered	3 182	42 19	154	0 31
(vii) Want of agreements	578	7 10 12		—
(viii) Payments to contractors/suppliers not in conformity with contracts and agreements	13	0 06		—
(ix) Non recovery of over payments or amounts disallowed in Audit	346	42 81		
(x) Want of sanctions to write off of losses etc	3	0 08		
(xi) Want of sanction for reserve limit of stock	201	2 11 86		
(xii) Want of disbursement certificates	219	38 44		
(xiii) For want of certificates that share/debentures certificates have been received	90	3 93 67		
(xiv) Other reasons	463	32 62	111	1 66
Total	21 331	28,12 44	1 162	1 90 55

Paragraph 59—Outstanding inspection reports

Settlement of 4 284 inspection reports containing 19 400 paragraphs issued upto 31st March 1972 was outstanding at the end of September 1972. Year wise analysis is given below —

Year of issue	Civil departments		Commercial departments/activities		Revenue receipts	
	Number of inspection reports	Number of paragraphs	Number of inspection reports	Number of paragraphs	Number of inspection reports	Number of paragraphs
1968 69 and earlier years	1,935	5 918	440	2 871	19	151
1969 70	446	1,782	76	545	2	28
1970 71	575	2 764	93	687	13	154
1971 72	591	3 612	80	662	14	226
Total	3 547	14 076	689	4 765	48	559

The table below compares the number of outstanding inspection reports/paragraphs with that shown in previous report —

	Report	
	1970 71	1971 72
Number of inspection reports outstanding	4 105	4 284
Number of paragraphs in these reports	19 798	19 400

The details of departments with comparatively heavy outstanding are given in Appendix XIII

The number of inspection reports for which even first replies were not received upto 30th September 1972 was 442 in 34 and 153 cases first replies had not been furnished for over two years and one year respectively

Important types for irregularities noticed in local inspection conducted during 1971 72 are briefly given in Appendix XIV

Audit had pointed out that as many as 22 493 audit observations with a money value of Rs 30,02 99 lakhs were outstanding at the end

of 31st March 1972 out of which 3 349 items involving Rs 1 46 05 lakhs pertained to the year 1968 69 and earlier years. The outstanding included such important nature of observations/objections as want of —

- (i) sanctions to establishment
- (ii) sanction to miscellaneous and contingent expenditure
- (iii) detailed bills for lump sum drawals
- (iv) vouchers and
- (v) actual payees' receipts etc

Besides the total number of Inspection Reports issued upto 31st March 1972 which were outstanding at the end of September 1972 stood at 4 284 involving 19 400 paragraphs of these 2 394 Reports containing 8 940 paragraphs pertained to the year 1968 69 and earlier years

The Committee view with great concern that such a large number of audit observations/objections remained unsettled and, therefore, once again emphasise the need of taking immediate action to look into all cases, particularly the old ones, and to settle them expeditiously as with the passage of time it would become more difficult to locate the relevant documents or to take action against the officials involved in cases of wasteful expenditure etc. The Committee recommend that effective steps be taken not only to dispose of promptly the outstanding audit objections/inspection reports but also ensure that these do not pile up in future.

The Committee further observe that the Finance Department had issued instructions in June 1969 that in order to achieve prompt settlement of the outstanding observations/inspection reports *Ad hoc* Committees should be constituted in each Department consisting of Deputy Secretary of the Department, Deputy Secretary Finance and Deputy Accountant General to review periodically the pace of clearance and advise ways and means to achieve prompt clearance. However, the Committee is constrained to note that these instructions are not being followed by all the departments. The Committee, therefore, recommend that these instructions may be complied with invariably by all the departments.