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HARYANA VIDHAN SABHA
COMMITTEE
ON
PUBLIC UNDERTAKINGS
(1994-95)
(EIGHTH VIDHAN SABHA)
THIRTY NINTH REPORT
ON THE
REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR 1990-91 (COMMERCIAL)



Presented to the House on 24th March, 1995

HARYANA VIDHAN SABHA SECRETARIAT,
CHANDIGARH.

1995

TABLE OF CONTENTS

	Paragraph(s) No of the Audit Report	Paragraph No of the Report	Page(s)
Composition of the Committee on Public Undertakings			(iii)
Introduction			(v)
Report —			
Haryana State Handloom Handicrafts Corporation	2A 12 3 1 2A 18 1	1—2	1—4
Haryana Hotels Limited (Review)	2B 7 1 2B 11	3—4	5—10
Haryana State Electricity Board (Review)	3 4 1 3 6 3 3 6 5 1 2 3 6 5 2, 3 6 7 3 6 8	5—10	11—21
Haryana State Minor Irrigation and Tubewells Corporation	4 1 1 4 1 2	11—12	22—26
Haryana State Small Industries and Export Corporation	4 2 1, 4 2 2	13—14	27—34
Haryana State Industrial Development Corporation Limited	4 5 1	15	35—37
Haryana State Electricity Board	4 6 1 1, 4 6 8, 4 7 9	16—18	38—45

(111)

**COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(1994 95)**

CHAIRMAN

- *1 Shri Verendar Singh
**2 Shri Mani Ram Keharwala

MEMBERS

- ***3 Shri Jai Parkash
4 Shri Chander Mohan
5 Dr Om Parkash Sharma
6 Shri Satbir Singh Kadian
7 Shri Balwant Singh
8 Shri Ram Bhajan Aggarwal
9 Shri Kitab Singh Malik
***10 Shri Sher Singh
** ***11 Shri Azmat Khan

SECRETARIAT

- 1 Shri Sumit Kumar Secretary
2 Shri Ashok Kumar Joint Secretary

* Resigned with effect from 20th September 1994 on his appointment as Minister

** Appointed Chairman with effect from 28th September 1994

*** Resigned with effect from 20th September, 1994 on his appointment as a Minister of State

**** Nominated with effect from 28th September, 1994

***** Nominated with effect from 28th September 1994

Note The Committee for the year 1994 95 was nominated by the Hon'ble Speaker in pursuance of the motion moved and passed by the Haryana Vidhan Sabha in its sitting held on 1st March 1994 authorising him to nominate the members of the Committee on Public Undertakings for the year 1994 95 on the 28th April 1994

(v)

INTRODUCTION

I Mani Ram Keharwala Chairman Committee on Public Undertakings having been authorised by the Committee in this behalf present Thirty Ninth Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1990 91 (Commercial)

The Committee orally examined the representatives of the Government/Undertakings/Boards

A brief record of the proceedings of various meetings of the Committee held during the year 1994 95 has been kept in the Haryana Vidhan Sabha Secretariat

The Committee are thankful for the assistance rendered by the Accountant General (Audit) Haryana and his staff

The Committee are also thankful to the representatives of the Government/Undertakings/Boards who appeared before the Committee from time to time

The Committee are also thankful for the whole hearted and unstinted co operation extended by Secretary/Joint Secretary and his staff

CHANDIGARH
The 28th February, 1995

MANI RAM KEHARWALA
CHAIRMAN

REPORT

GENERAL RECOMMENDATION

The Committee is distressed to point out that the Committee, during the course of oral examination of departmental representatives during the year 1994-95, have observed that some officers of Departments/Boards/Corporations have not submitted the reports/information as desired/directed by the Committee and as assured by them in various meetings of the Committee. This appears non-compliance and disrespect to the Committee. The Committee, therefore, would like that the Chief Secretary to Government Haryana, may get an enquiry conducted into the matter about the lapse of the officers who have not supplied the information/reports to the Committee in time and have not implemented the assurances given to the Committee. The Committee further recommends that an enquiry may be conducted, completed and report submitted to the Committee within three months.

HARYANA STATE HANDLOOM AND HANDICRAFTS CORPORATION LTD (REVIEW)

2A 12 3 1 Relief Programme for Weavers

1. The Government of India devised a scheme in March, 1988 to provide relief to drought-affected handloom weavers. Under the scheme, a target to provide relief to 10,000 weavers was fixed for Haryana. It was envisaged to provide work to produce 5 metre cloth per day to each weaver for 150 days in a year. Thus 75 lakh metres of cloth was to be produced under this scheme. For implementation of the scheme the Government of India sanctioned (May, 1988) Rs. 36 lakhs as margin money against which additional working capital loan of Rs. 180 lakhs was to be arranged from financial institutions. The Government of India released (May 1988) Rs. 27 lakhs to the State Government and the remaining amount of Rs. 9 lakhs was to be released after watching the progress of implementation of the scheme. The State Government placed Rs. 21 lakhs at the disposal of the corporation in October, 1988 in the form of share capital and the New Bank of India sanctioned credit limit of Rs. 180 lakhs.

For implementation of the scheme a Committee was constituted which was asked to visit various areas in the State to identify the affected weavers. The Committee visited (January, 1989) some villages in Ambala district and also surveyed 103 weavers identified by the project officer Panipat. Thus till January, 1989 the corporation had not done even the spade work though the scheme had elapsed in October, 1988.

It was observed in Audit that the Corporation procured 1.28 lakh metres of cloth (value Rs. 19.15 lakhs) from 800 weavers up to 31st March, 1989 as against the targets of 75 lakh metres of cloth and 10,000 weavers respectively.

Though the State was affected by drought, adequate help could not be extended to the weavers as envisaged in the scheme formulated by the Government of India, despite availability of sufficient funds, due to lack of adequate efforts.

In their written reply the Government/Corporation stated as under

(i) Drought relief for weavers

Identification work was done at the submission of proposal to Govt of India in April 1988. The list of handloom weavers were also received in this office from various General Managers Distt Industries Centres as census of handlooms was carried out by D C Handlooms through G M D I C during the year 1987-88. So it is concluded that identification work was completed by Director, Handlooms and this Corporation before submission of proposal to Govt of India. However the implementation and relief to weavers was delayed due to the following reasons

- (a) Funds were placed at the disposal of this Corporation in Oct 1988 by the State Government through Government of India released the amount in May 1988
- (b) Funds were released in the shape of share capital through the same were to be provided as grant in aid
- (c) The matter remained under examination of Management till Dec , 1988 though the scheme was to be completed by 31-10-88
- (d) Management decided to procure only saleable items of high quality which are normally produced by Master weavers and factories. Under the scheme the relief was to be given to weavers affected due to drought only whose products are not of very high quality as compared to factories

(ii) Drought relief for artisans

The position regarding implementation is submitted as under —

- (i) The funds were placed at the disposal of the Corporation in October, 1988 through sanctioned by the Government of India in May, 1988. The project was to be completed upto 31-10-88. The cluster was made and submitted to identification of artisan D C Handicrafts vide D O letter No 3/56 dated 12-4-92. The identification was done well in time and the procurement started in January 1989
- (ii) Funds were placed at the disposal of the Corporation in October 1988 and the programme was to be implemented before 31-10-88. Since the funds were received just at the end of the stipulated period it was therefore not possible to utilise the funds within the specified period. The matter was taken up with Govt of India for extending the period for utilisation of financial assistance provided under the scheme but nothing was heard from Govt of India in this regard
- (iii) Funds were released in the shape of share capital though the same were to be provided as grant in aid
- (iv) The matter remained under the consideration of management till December, 1988 though the scheme was to be completed by 31-10-88 "

The Committee was not satisfied with the reply and was constrained to observe that the purpose of the scheme stood defeated due to delays at one or the other stage. The Committee, therefore, recommend that responsibility be fixed for the delay in releasing the funds to the Corporation and further delay by the Corporation in the implementation of the scheme. The Committee desired to be informed within six months.

2A 18 1 Loss due to Fire

2 As per practice insurance of the Corporations emporia in the State is got done by the head office of the Corporation. The stocks of the emporium at Gurgaon were insured up to 25th April, 1985 but the insurance policy was not renewed immediately after the expiry of previous policy. The stock of emporium was however, got insured for Rs 2.25 lakhs from 27th September 1985 to 26th September 1986 from another insurance company. On the night of 27th September 1985 a fire broke out in the emporium due to short circuit which caused damage to the stock of finished goods and fixtures etc valuing Rs 1.86 lakhs. The Marketing Manager of the Corporation telegraphically informed (30th September 1985) the insurance Company about the fire. The insurance company deputed its surveyor (October, 1985) for assessment of loss who advised the Company to submit the copies of insurance policies for the last two years alongwith some other documents to process the claim. The Company, however, lodged (December 1985) a claim for Rs 1.86 lakhs which was rejected in December 1987 by the insurance company on the ground that insurance cover was fraudulently obtained from back date that is from 27th September, 1985 after the fire had taken place. In December, 1988, the Company filed a suit in the Court against the insurance company and the decision of the Court was awaited (July, 1991).

Thus due to negligence on the part of the Management in getting the stock of the emporium insured in time the Company suffered a loss of Rs 1.86 lakhs. No responsibility for the lapse has been fixed as yet (August, 1991).

In their reply, the Government/Corporation stated as under —

‘Initially Zonal Office of the Corporation started functioning at Gurgaon. After sometime a part of office was converted into showroom. Therefore, the insurance of Gurgaon was being done by Officer posted at Gurgaon. During 1984 the Insurance pattern was slightly changed which resulted in some communication gap for Gurgaon and during 1995 Officer posted at Gurgaon sought some clarification from Head Office this resulted in 2—3 counter references from each side before the showroom was got insured on 27.9.85. Due to short circuit the fire broke out on the same night resulting in damage to stock worth Rs 1.86 lakhs. After the Insurance Company rejected the claim in Dec 1987 the corporation filed a suit in the Civil Court and the matter is yet to be decided. The next date of case is 12-10-92.’

The Committee recommend that final outcome of the court case may be intimated to the committee for further recommendations.

General Recommendations

The Committee impressed upon the Government the need for continuation of the various training schemes/projects aimed at social economical uplift of the weavers/artisans of the State and desired that snags/deficiencies in the functioning of Corporation in regard to implementation of the scheme/project sponsored by the Government be reviewed and corrective measures be taken by effectively. A report in this regard was asked by the Committee during oral examination of the Government/Corporation on 6th July, 1994, within one month but the same was not received. The Committee recommend that a detailed report may be supplied to the Committee surveying the progress of the schemes in improving the lot of the poor weavers/artisans within a period of two months from the date of presentation of this report.

HARYANA HOTELS LIMITED (REVIEW)

2B 7 1 Construction of Hotel

3 In order to fully exploit the tourism potential of Surajkund (Faridabad), keeping in view its proximity to Delhi and the popularity of the already existing Surajkund tourist complex there, a proposal to construct a 55 room hotel with a restaurant, bar and swimming pool was mooted (June, 1981) by the Director, Tourism Department Haryana. The occasion of Asian games scheduled for November, 1982 was considered an added advantage and source of income and instant publicity for the unit. It was estimated that the civil works would cost Rs 166 lakhs.

The State Government accorded administrative approval to the project in August, 1981. It was desired by the Government that a feasibility study to ensure the viability of the project will be conducted by HTC, which was entrusted with the execution of the works and submitted to the Government before commencing the work. No feasibility report was however, prepared by HTC.

The execution of civil works was allowed (October, 1981) to Haji Construction Company, New Delhi for Rs 175 lakhs after inviting tenders. The target date for completion of the work was fixed as August, 1982 keeping in view the schedule of Asian games. However only 42 rooms with a restaurant were completed before the commencement of Asian games. Thereafter, the contractor was given extension from time to time and finally upto August 1983. But the work could be completed in August, 1984. A penalty Rs 17.50 lakhs being 10 per cent value of the work was levied on the contractor for delay in execution of the work. The contractor went into arbitration on the same grounds on which extension had been granted to him viz late receipt of drawings, increase in magnitude of work, spreading of malaria infection in labour camp, labour shortage and simultaneous execution of ancillary works which caused hindrance in execution of the civil works.

The Chief Engineer H T C who was the Arbitrator under the terms of agreement reduced (August, 1985) the penalty to Rs 0.52 lakh through his non-speaking award. On making a reference in Audit as to the reasons for delay, the Chief Engineer attributed (August, 1988) the late completion of work to

- (i) late issue of drawings to the contractor due to subsequent changes in the design necessitated on account of addition of 23 rooms and other items like health club, billiard room, swimming pool, filtration chamber etc to the scope of work and
- (ii) shortage of labour during harvesting and due to spreading of malaria infection among the labour.

As a result of delay, there was an extra expenditure of Rs 3.53 lakhs due to increase in price of cement from agreed rate of Rs. 31 per bag to Rs 41 per bag in June, 1982, Rs 54 per bag in December, 1982, Rs 65 per bag in November, 1983 and Rs 54 per bag in August, 1984.

In their reply, the Government/Corporation stated as under —

‘In the year 1982 Asian Games were held in India. In order to provide accommodation to participating Athletes, sportsmen, it was decided

by the Government of India that 2 Hotels one at Rai and the other at Surajkund be constructed. The idea for the construction of Hotel at Rai was dropped off in view of security point whereas the construction of Hotel at Surajkund was taken up in hand on the instance of Ministry of Tourism Govt of India. In this initial years, this Hotel was running in losses whereafter in the year 1988-89, it came out of the red and earned profit for the first year.

The figures of turnover and Net profit for the last 6 years are as under —

(Figure in lacs)

Year	Turnover	Net Profit
1988-89	174.38	12.42 (Audited)
1989-90	227.84	23.04 (Audited)
1990-91	278.17	76.24 (Audited)
1991-92	350.41	86.03 (Audited)
1992-93	457.29	79.80 (Audited)
1993-94	510.34	90.00 (Tentative)

HTC has adopted PWD procedure in respect of construction works. According to PWD procedure when it is decided in the interest of work to retain supply of material to the contractors in the hands of Government, issue rate of material to be charged from the contractor, regardless of fluctuations in the market rates, is inserted in the contract. The contractor submits tender keeping in view the issue rate of material to be supplied by the Government.

During the course of oral examination the Committee desired to know the procedure/reasons for reducing the amount of penalty by the Chief Engineer as Arbitrator. The Department/Corporation submitted further reply as under —

The work for the construction of Hotel Rajhans at Surajkund was allotted to M/s Hazi Construction Company New Delhi on 1-10-81 with time limit of 11 months for an amount of Rs. 118 lacs. The scope of work was increased from Rs. 118 lacs to 175 lacs on 3-12-81 with same terms and conditions as agreed to for original work and also completion of work within the same time schedule of 11 months i.e. upto 31-8-82. The agency could complete only 70% of the work originally agreed to upto 31-8-82 and applied for extension of time from time to time which were allowed as per details given below —

Extensions applied

letter dated	upto
30-08-82	30-11-82
29-10-82	28-02-83
17-02-83	30-06-83
13-06-83	15-08-83

Extension granted

letter dated	upto
15-10 82	31 10 82
05 01-83	28 02 83
29 04 83	31 05 83
12 08 83	15-08 83

Further extensions were not allowed. The Executive Engineer imposed penalty @ 10% of the total cost of the project for delay amounting to Rs 17 50 lacs on 26 9-83 under clause 2 of the agreement.

The Firm approached Chief Engineer HTC on 7 10 83 under clause 2 of the agreement for waiving off penalty due to following reasons —

- 1 Delay in supply of Architectural drawings and details
- 2 Delay in supply of structural drawings and details
- 3 Change in scope of works its increase last minute modifications
- 4 Occupation of Hotel room, during the progress of the work rendering balance work onerous, time and money consuming
- 5 Inadequate and irregular payments all through touching the very root of the contract
- 6 Undue deductions of rebates which are not covered by the contract agreement

The Chief Engineer HTC held hearings from time to time on 10 10 83, 22 12 83 20 4 84, 10 9 84 17 1 85 24 1 85 and 5 3 85 in exercise of the powers vested in him which are —

‘The Chief Engineer, HTC on written request from the contractor regarding compensation imposed by the XEN will hold hearing and will have the powers which are being exercised by the S E in Haryana State and his decision shall be final and binding

In view of the reasons advanced by the contractor for the delay in the completion of the work and after hearing the Executive Engineer the Chief Engineer passed orders on 31-8 85 reducing the amount of penalty from Rs 17 50 lacs to 0 52 lacs

In terms of clause 2 of the agreement dated 26 10 81 reproduced below the decision of the Chief Engineer is final

‘****The Chief Engineer may on representation from the contractor reduce the amount of compensation and his decision shall be final’

The above procedure is also being followed in Haryana Public Works Department. The relevant provisions on which clause 2 of the agreement is based are contained in para 7.4 (C) of PWD, B&R Manual of orders which is reproduced below —

Provisions of clauses 2 and 3 may be carefully studied to take action against the defaulting contractors. Where work is not completed within the stipulated period compensation should be levied unless the circumstances are beyond the control of the contractor and he has applied for the extension of time limit in time. Where the contractor is found neglecting the work and the progress is extremely poor compensation can be levied even before the expiry of the entire contractual time limit. The Superintending Engineer concerned can on a written representation from the contractor reduce compensation to such amounts as he considers appropriate.

CONDITION OF CONTRACT AGREEMENT

CLAUSE 2

Compensation for Delay

The time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and shall be reckoned from the date on which, written order to commence work is given to the contractor. The work shall throughout the stipulated period of the contract be proceeded with all due diligence (time being deemed to be of the essence of the contract on the part of contractor) and the contractor shall pay as compensation an amount equal to one per cent which the Executive Engineer in charge may levy on the amount of the estimated cost to the whole work as shown by the tender for everyday that the work remains uncommenced or unfinished after the proper dates. And further to ensure good progress during execution of the work the contractor shall be bound in all cases in which the time allowed for any work exceeds one month to complete one fourth of the whole of the work before one fourth of the whole time allowed under the contract has elapsed and on of the work before one half of such time has elapsed and three fourth of the work before three fourth of such time has elapsed. In the event of the contractor failing to comply with this condition he shall be liable to pay as compensation amount equal to one per cent which the Executive Engineer in charge may levy on the said estimated cost of the whole work for every day the due quantity of work remains incomplete, provided always that the entire amount of compensation to be paid under the provisions of this clause shall not exceed ten per cent in the estimated cost of work as shown in the tender. The Chief Engineer may on representation from the contractor reduce the amount of compensation and his decision in writing shall be final."

The Committee found that the Corporation was at fault for delaying the supply of architectural and structural drawings to the contractor and recommend that responsibility for not monitoring the work from its very start to the ratio of the time limit of the contract, be fixed and report sent to the Committee within six months

2B 11 Credit Policy

4 The Company had not framed its own credit policy. However, it was supposed to follow the policy prevailing in the HTC in this behalf. The credit policy adopted by HTC did not allow the reservation of accommodation and sale of food stuffs etc on credit to private parties.

It was, however observed in Audit that the Divisional Manager, Hotel Rajhans was allowing credit not only to Government departments but to private parties also. As on 31st March 1990 an amount of Rs 5.24 lakhs was outstanding for recovery, the yearwise break-up of which was as detailed below

As at the close of	Outstanding - against		Total
	Govt Deptts	Private parties	
			(Rupees in lakhs)
Upto 1986	0 17	2 01	2 18
1986 87	0 25	2 86	3 11
1987 88	0 25	3 23	3 48
1988 89	0 28	3 43	3 71
1989 90	1 02	4 22	5 24

It may be seen for the above that the outstanding dues from private parties has been increasing year after year and had gone up from Rs 2 01 lakhs as on 31st March 1986 to Rs 4 22 lakhs as on 31st March, 1990. It was also observed that a major portion (Rs 3 11 lakhs) of the amount was outstanding since long (from 1983 84 to 1986 87) and its recovery had become doubtful due to passage of time. The Company had neither taken effective steps to recover the outstanding amount nor action against officials concerned who allowed unauthorised credit to the private parties. A detailed analysis in this regard could not be conducted in Audit as the complete details were not maintained by the company.

In their reply the Government/Corporation stated as under

“During the year 1989 90, outstanding debtors of Hotels were to the tune of Rs 5 24 lakhs. Out of which Rs 2 74 lakhs have been recovered and efforts are being made the balance amount of Rs 2 50 lakhs.

Necessary instruction have been issued to the D G M Hotel Rajhans for immediate recovery of outstanding debtors and in case of non-recovery, the disciplinary action will be initiated against the defaulters.

The latest position of outstanding debtors is as under —

Position as on 31 3 94

		(Figs in lakhs)		
S No	Name of Unit	Govt	Pvt	Total
1	Hotel Rajhans	8 51	14 56	23 07
2	Surajkund	1 07	0 26	1 33
	Total	9 58	14 82	24 40

The Committee was surprised that despite of pointing out by audit, the outstanding debtors against private parties had grossly increased. This was viewed seriously by the Committee. The Committee therefore recommends that special efforts be made to effect recovery by taking strict measures under information to the Committee at the earliest.

HARYANA STATE ELECTRICITY BOARD (REVIEW)

3 4 1 Repair of distribution transformers

5 (a) At present there are nine workshop where distributions transformers are repaired. In April, 1983 the Board issued instructions that the number of damaged distribution transformers in a year should not exceed 10 per cent of the number installed transformers. The table below indicates the number of installed transformers at the beginning of the year, transformers damaged during the year and the percentage of damaged transformers to installed transformers during the years up to 1990 91

Year	Installed	Damaged	Percentage
(In numbers)			
1985 86	41446	5833	14 1
1986-87	43601	6685	15 3
1987 88	48025	10203	21 2
1988 89	54081	12684	23 5
1989-90	58667	12944	22 0
1990 91	64809	15050	23 2

It may be observed from the above table that percentage of damaged transformers to installed transformers ranged between 14 1 and 23 5 during the six years upto 1990 91 and were much higher than the norms of 10 per cent laid down by the Board. The reasons for high damage to distribution transformers had not been investigated by the Board and no effective steps were taken to minimise the damage to transformers.

(b) The agewise breake up of 9124 distributions transformers lying unrepared with the Board as on 31st March, 1991 was as under

Period	Dhulkot	Faridabad	Hisar	Sonapat	Karnal	Rohtak	Narnaul	Mathana	Sirsa	Total
(in numbers)										
(i) Less than 3 months	210	128	167	87	273	115	158	131	1	1270
(ii) More than 3 months but less than 6 months	306	486	145	91	79	74	12	203	40	1436
(iii) More than 6 months but less than 1 year	584	407	1400	93	313	65	70	221	191	3344
(iv) More than 1 year but less than 3 years	459	257	103	308	381	61	152	268	439	2428
(v) More than 3 years	15	156	7	142	227	10	25	64	—	646

It may be observed from the above table that 3074 transformers were lying with the Board unrepaired for more than one year out of which 646 transformers were more than three years old. The Board had not analysed the reasons for non repair of these transformers for such a long time and had also not ascertained whether it is economical to repair these transformers.

(c) 3434 distribution transformers were survey reported during April 1985 to March 1991 for disposal through action as these were considered beyond economical repairs. As the history sheets of the transformers were not maintained it could not be ascertained whether these transformers rendered the desired service before being survey reported.

In their written reply, Government/Board stated as under

(i) The following are the causes for the excessive rate of damage distribution transformer especially in Haryana State —

(a) 100% electrification of villages in Haryana was achieved during 1970. Vast transmission and distribution net work was laid. Subsequently maximum stress was made for release of tubewell connections for agricultural purposes. The existing distribution and transmission net work could not be augmented with the land development in the state due to paucity of funds/material for the said purpose. This led to increased losses in the network and low voltage in the system. This led to excessive drawal of current & subsequently increase in the rate of damage to distribution transformers. Comparative figures for the year 1967 and 1991 are given below

	31 3 67	31 3 91	Percentage increase
(i) No. of tubewell connections	20190	344793	1608%
(ii) Total No. of connections of all categories	311914	2513942	706%
(iii) Connections Load (KW)			
(a) Tubewell	96018	1617910	1585%
(b) Total	372438	4555268	1122%

(b) Two Phasing of Rural Feeders

Although total connected load had increased 1122 times during the last 24 years but the corresponding generation capacity could not be added due to acute shortage of funds for the said purpose.

The Haryana State was thus unable to meet with the maximum demand of the system during peak load hours. In order to do so, not only the industrial houses were closed but 2—phasing was also resorted to in respect of rural load. This is being done to make available power to

all sections of people in rural as well as urban areas for lighting purposes. The existing lighting load used to come on two phases i.e. unbalanced load on the distribution transformers which caused drawal of excess current on two phases and nil current on 3rd phase. This also led to increase in rate of damage to distribution transformers.

- (c) Another most important cause for increase in the rate of damage to distribution transformers can be attributed to two Voluntary Declaration Schemes (V D S) issued by the Board during 11/87 and 10/91 to check theft of Power/to regularise unauthorised extension of load. The consumers made full use of these schemes and declared unauthorised extended load with the result that most of the distribution transformers got overloaded and led to their damage. As a case study, there were 11693 Nos. distribution transformers of various capacities in Kurukshetra 'OP Circle as on 28-2-92. With the implementation of V D S during 11/87 subsequently extended upto 12/87 10330 tubewell consumers declared their unauthorised extended load to the extent of 39580 BHP which resulted into overloading of 2363 transformers as on 31-3-88. Another 8378 tubewell consumers declared unauthorised extended load of 23646 BHP during second Voluntary Declaration Scheme in the months of 9/91 and 10/91 thereby further aggravating position of overloading of existing distribution transformers.

At present against a total 11822 Nos. distribution transformer in Kurukshetra Circle, 1306 Nos. distribution transformers are overloaded beyond 80% of the rated capacity and 870 Nos. distribution transformers are overloaded 100% of the rated capacity so far as Kurukshetra Circle is concerned. Similar is the case in respect of Karnal and other circles.

- (d) Large scale plantation of trees under and near existing lines are also responsible for damage to transformer because of the fact that as and when there is a wind storm of medium intensity the conductors/lines get shorted with the swinging/falling of tree branches. These near faults effect very adversely on the life of the transformers. Our field staff is reluctant to cut the trees because of fear of prosecution by pollution Control Board.
- (ii) The following steps have been/are being taken to minimise the damage to T/Fs
- (a) A Large number of distribution transformers are being inducted into system to relieve overload on the transformers.
 - (b) All new tubewell connections are to be released by installing 25Kw T/Fs. This will not only reduce the losses in the distribution system but also improve the voltage vis a vis less consumption of current. This reduces the chances of damage to transformers.
 - (c) A no. of system improvement schemes under REC in rural areas and under PFC funding for urban areas have been got sanctioned and are being implemented.

- (d) The loading of the new T/Fs has been reduced to 80% and for the repaired T/F to 64% of their rated capacity
- (e) Crash maintenance programme are conducted before the on set of the monsoon. The achievement i.e., however based on the availability of funds viz a viz material required for maintenance purposes
- (iii) Transformers are not being repaired age wise. Rather these are repaired on the basis of availability of the material, extent of repairs required and requirements in the field. The transformers which are found beyond economical to repair are surveyed off.
- (iv) However, due to poor operational parameters of the Northern Grid the transformer get overloaded resulting in higher damage rate. As earlier indicated, full efforts are being made to contain the loading conditions as well as to maintain these transformers to ensure that they render full service before they are surveyed off.

During the course of oral examination the representative of the Board promised to submit detailed report regarding total number of damaged transformers lying in the field unattended and which could not be lifted for repair to the Committee within one month. But the same was not supplied. The Committee therefore recommend that the report may be submitted within three months from the date of presentation of this report and fix responsibility of the officials/officers for delay in lifting and repairing of such damaged transformers.

3 6 3 Repair of pickling tanks

6 Fabricated structure is acid cleaned in pickling tanks prior to galvanising. There are two pickling tanks in galvanising workshop. The tanks started leaking in November 1988 and after inviting limited tenders, the repair work was allotted in March 1989 to Dayalsons Industrial Engineers Delhi for Rs 1 60 lakhs. After repairs the tanks were put to use in May 1990 but these were still leaking. It was observed in Audit that full payment was made to the firm in April/May 1989 without final testing of the tanks. The repairs were carried out by the firm again in January, 1991 but when acid was filled, the tanks were still leaking.

Due to leakage of tanks galvanising work remained suspended between December 1988 and April 1990 and after galvanising 36 tonnes of steel in May 1990 the plant was again closed. Thus the amount of Rs 1 60 lakhs spent on repair of the tanks was rendered unfruitful.

No responsibility for the lapse in releasing payment without testing had been fixed (August, 1991).

In their written reply, the Government/Board stated as under —

“(i) & (ii) The matter has been investigated by the Board's vigilance and Sh S B Panihar. Xen held responsible in this case has been charge sheeted by the Board and disciplinary proceeding are in process.”

The committee desired that the inquiry may be expeditiously

finalised and the outcome of the inquiry and action taken thereon may be reported to the Committee within a period of six months from the presentation of this report

3 6 5 1 2 Fictitious issue of steel

7 On 5th September 1989 a Junior Engineer of the workshop made an entry in the material account (Form 4) maintained by him showing consumption of 23 548 tonnes of steel angles and 11 271 tonnes of steel plates/flats valuing Rs 2 79 lakhs during July 1988 to March 1989. The entry was made on the plea the consumption was left to be recorded earlier in Form 4. This was in spite of the fact that physical verification of material account maintained by him was conducted by the workshop authorities in March 1989 and no discrepancy was noticed.

The Executive Engineer (steel structure workshop) stated (February, 1991) that handing/taking over charge was in progress during that period and material issued on wrong calculation was corrected in September 1989. The reply is not tenable as handing/taking over took place in June 1988 and after that physical verification of stock was conducted in March 1989 in which no discrepancy was noticed and the entry for consumption pertaining to the period from July, 1988 to March 1989 was made in September, 1989.

The workshop organisation stated (August 1991) that reasons of the fictitious issue of steel are being investigated.

In their written reply the Government/Board stated as under:

'There was no fictitious consumption of steel. The figures pointed out pertain to the period in which there was handing over/taking over of material between two JEs of the Division on the basis of accountal through their Form 4 Register. Finally the issue of material was corrected as per actual monthly progress of material and the issue of steel on record now is as per norms.

During the course of oral examination, the Board's representative explained that it was not a case of misappropriation but was a mistake of calculation only which has been corrected.

The Committee was not satisfied with the reply because the mistake has occurred due to the failure in system in recording the proper entries in respect of consumption of steel against the fabricated material. The representative of the Government promised to investigate the matter and to submit the report within two months. The Committee observed that the report was not supplied as assured and record that the report along with action taken against the officers/officials at fault may be intimated to the Committee within two months from the date of presentation of this report. The defects in system may also be rectified at the earliest.

3 6 5 2 Galvanising Workshop Excess consumption of zinc and lead

8 The zinc and lead are main ingredients used in the galvanising process To galvanise 100 tonnes of fabricated steel 6.5 tonnes of zinc and 1.5 tonnes of lead are required After galvanising 30 per cent zinc dross and 20 per cent zinc ash are recovered as by product and are sold through auction

The table below indicates steel galvanised the material consumed and by products recovered since commissioning of the plant in 1983 84 to 1990 91

	1983 84	1984 85	1985 86	1986 87	1987 88	1988 89	1989 90	1990 91	Total
	(in tonnes)								
1 Steel galvanised	936	1077	691	70	352	772	—	36	3934
(i) Zinc required	60.9	70.0	44.9	4.6	22.9	50.2	—	2.3	255.8
(ii) Lead required	14.0	16.2	10.4	1.1	5.3	11.6	—	0.5	59.1
2 Material consumed									
(i) Zinc	113.2	56.5	78.9	5.2	50.7	70.9	—	4.8	380.2
(ii) Lead	9.3	10.7	16.3	0.1	1.0	7.0	—	0.1	44.5
3 Excess consumption									
(i) Zinc	52.3	—	34.0	0.6	27.8	20.7	—	2.5	137.9
(ii) Lead	—	—	5.9	—	—	—	—	—	5.9
4 By product received									
(i) Zinc dross	10.3	9.6	34.7	1.0	9.0	12.1	—	1.4	78.1
(ii) Zinc ash	11.2	10.3	13.6	2.7	9.1	14.4	—	0.6	61.9
(iii) Unusable Zinc Scrap	10.1	7.9	36.5	2.0	9.3	17.6	—	0.7	84.1

It was seen in Audit that at the end of March 1991 71.6 tonnes of zinc was lying in the bath in solid form. Considering this material, the excess consumption worked out to 66.3 tonnes of zinc valuing Rs 34.21 lakhs and 5.9 tonnes of lead valuing Rs 1.55 lakhs. Taking into account the net consumption of 353.1 tonnes of zinc and lead the recovery of dross ash and scrap should have been 176.6 tonnes but actually it was 224.1 tonnes during 1983-84 to 1990-91 which was 63.5 per cent against the norm of 50 per cent. Excess formation/recovery of ash dross and scrap was to the extent of 47.5 tonnes having realisable value of Rs 12.11 lakhs. After adjusting this value the net excess consumption of zinc and lead was to the extent of Rs 23.65 lakhs.

The workshop organisation stated (March 1991) that excess consumption was due to old, rusty and pitted steel as it consumes more zinc. The reasons for purchase of defective steel have not been investigated by the Board. For excess formation/recovery of ash dross and scrap, reasons were not on record.

In the written reply the Government/Board stated as under —

- (i) There is no excess consumption of zinc and lead as useable zinc of 84.1 Tonne shown in bye product has not been taken into account while working out the excess consumption of zinc. It has been practically observed in addition to bye product of zinc dross and zinc ash unuseable zinc scrap is as mentioned in para 4 of item (iii) is also received. This bye product has not been taken into account.

If the quantity of bye-product 84.1 M.T. is taken into account the consumption of zinc is not more. Now it is proposed to make provision of this bye product into the estimate on the basis of above consumption of last few years.

- (ii) Only proper steel was purchased from Steel Yard and no defective steel was purchased. Rusting is a normal chemical process on account of storage.
- (iii) As only proper steel was purchased no responsibility is to be fixed.

During the course of oral examination, the Board's representative stated that the consumption of zinc and lead was within norms. The Committee was not satisfied with the reply because it was creating confusion. The Committee desired that the matter may be thoroughly investigated and a detailed note be submitted within a month i.e. by November 1994. The Committee is distressed to observe that the Board did not submit the detailed note till the finalization of this report. The Committee, therefore, recommends that the matter be investigated thoroughly and the Committee may be apprised of the position within three months from the presentation of this report.

3.6.7 Abandoned tower structures

9. The Board constituted (April 1990) a committee to physically verify the incomplete tower structures lying at Central Store Ballabgarh, Divisional Store, Pinjore and Divisional Store, Hansi. The committee

observed in its report (July 1990) that 110 tonnes of tower structures were lying at Hansi, Ballabgarh and Pinjore in incomplete and abandoned condition. The date from which the tower structures were lying incomplete and abandoned was not mentioned in the report. The committee suggested that

- 70 tonnes of incomplete structures could be used by getting the short members fabricated at Panipat workshop,
- 35 tonnes of structures could be used after dismantling and refabrication at Panipat workshop, and
- 5 tonnes of structures may be auctioned as scrap

However except transporting 10 tonnes of structures from Ballabgarh and Pinjore to Panipat workshop no further action has been taken by the Board so far (August 1991). Thus Board's fund amounting to Rs 15.80 lakhs were lying locked up.

In written reply the Government/Board stated as under

- “(i) The information asked for is very old, as these incomplete towers were lying in various stores since long. Even in some cases before the starting of this workshop.
- (ii) The action has been initiated as per decision of the committee. However it was observed that some of the material received in workshop being very old the short items of the towers cannot be manufactured and only the material can be used as useable scrap. Balance material is yet to be returned to Fabrication Workshop by field organisation so as to use it as useable scrap for which the matter is under correspondence with the concerned agencies.”

During oral examination the board representative explained that out of 110 M T Tower structures lying at various places the board used 60 M T towers after completing the structures. The Committee recommend that a detailed report be submitted to it within four months.

3.6.8 Fabrication of towers from Bhakra Beas Management Board

10. Executive Engineer (steel structure workshop Panipat) intimated in January 1985 that the workshop was facing acute shortage of job orders and accordingly the Whole Time Members decided (January, 1985) that in future all towers would be fabricated in Panipat Workshop.

Through the Board could not utilise the facility available with its own steel structures and galvanising workshop at Panipat orders were placed with the Bhakra Beas Management Board (BBMB) workshop Nangal for fabricating and galvanising the towers. Towers manufactured and

galvanised in the BBMB workshop from 1985-86 to 1990-91 were as under —

Year	Quantity
	(In tonnes)
1985-86	104.895
1986-87	1375.251
1987-88	957.512
1988-89	1706.132
1989-90	455.160
1990-91	1137.709

Reasons for getting the fabrication and galvanising work done from BBMB workshop, when the capacity of the Panipat workshop was under utilised, were not analysed by the workshop organisation. Following points were noticed in Audit

- (i) BBMB workshop was supplying the material to the Board on sale basis and it was charging excise duty, special excise duty and central sales tax in addition to the cost of fabrication and galvanising. The board had paid excise duty/special excise duty to the extent of Rs 85.85 lakhs from 1985-86 to 1990-91 which could have been avoided had the towers been fabricated in Panipat workshop. Central sales tax to the extent of Rs 36.72 lakhs could also be avoided as it was not leviable on the towers fabricated in Panipat workshop.
- (ii) Tower Fabrication Division at Nangal was opened by the Board in 1977 with the main object to arrange raw material for supply to BBMB workshop to fabricate and galvanise tower structures. From 1985 onward the materials were being arranged by BBMB workshop but the Division with eight staff members was still continuing. The continuance of staff when all work was to be done by the BBMB workshop was not justified and the staff could have been engaged fruitfully somewhere else. Thus, there was a nugatory expenditure of Rs 13.31 lakhs towards salaries and allowances during 1985-86 to 1990-91 on the staff without their gainful employment.

In reply to the para the Board by way of written reply stated as under

- (i) The workshop at Panipat is/was not fully geared to cope with the complete fabrication of 220 KW towers. Therefore, the same were got fabricated from BBMB workshop.

However, the workshop at Panipat is producing about 100 MT of material on an average every month and now the galvanising plant has also been started and 220 KV towers are being galvanised. For the fabrication of 220 KV tower structure the following equipment is required with the required flow of funds to purchase the steel. Till such time these arrangements are made 220 KV tower material have to be got manufactured from steel structure workshop, Nangal —

(i) Embossing Machine	1 No
(ii) Angle Straightening Machine	1 No
(iii) PSC Machine suitable for cutting 150×150×16mm and punching upto 19mm	1 No
(iv) Sheering machine with 1/2 Mtr Blade	1 No
(v) One No Blacksmith Hearth/Furnace	1 No

(ii) The function of XEN/T E D Nangal was not only to arrange raw material i.e. steel & zinc for supply to BBMB but also to maintain proper liaison between BBMB and HSEB verification of B T Bills receipt of tower material from Nangal workshop and despatch of fabricated tower onwards, as per job orders placed on Nangal Workshop. The steel and zinc was to be arranged by BBMB Workshop itself. The tower fabrication Division, Nangal remained fully occupied handling the other responsibilities mentioned above. Moreover the strength of the Division was reduced drastically. As such, the shifting of the entire staff attached with XEN/TED Nangal was not required. They are still working at Nangal and are doing a good job in co ordinating the despatch of material and excellent liaison with BBMB.

(iii) In view of the position explained above no responsibility is to be fixed.

During oral examination the board representative stated that 220 KV line to were got fabricated from Nangal workshop.

The Committee was not satisfied with the reply as some orders were placed on BBMB workshop for fabrication of Towers below 220 KV lines. The Committee, therefore, recommend that responsibility in the matter be fixed and intimated to the Committee.

As regards payment of excise duty Central Sales tax on fabricated towers and continuing the staff of tower fabrication Division at Nangal workshop the departmental representative was of the view that the Board may examine it as to whether fabrication of towers were got done on job orders or purchase orders were placed. In case purchase orders were placed continuation of staff was not required at all. The Board may review the position thoroughly and intimate the Committee. The Committee, therefore, recommend that detail regarding continuation of staff in view of payment of excise duty central sales tax on fabricated tower materials may be examined thoroughly and the Committee may be apprised of the position within three months from the date of presentation of this report.

HARYANA STATE MINOR IRRIGATION AND TUBEWELLS CORPORATION LIMITED

4 1 1 Loss in execution of work

11 With a view to diversify its activities the Company decided (November 1979) to undertake manufacture/erection of gates and steel structures for irrigation departments electricity boards and other public undertakings. In pursuance of this decision and in response to tenders invited by Mahi Bajaj Sagar Project Banswara (Rajasthan) for fabrication and erection of two steel penstocks for power house, the Company submitted (March 1980) an offer for Rs 44.41 lakhs. However during subsequent negotiations conducted by the Project authorities in January, 1981, the Company reduced its offer to Rs 36.26 lakhs without framing any detailed estimates of cost.

The offer of the Company was accepted by the Project authorities and an agreement was signed in June, 1981. The work was to be completed in nine months. While the work was in progress a detailed estimate of the work was prepared (July, 1982) by the Superintending Engineer (Project Site) according to which the cost of work was assessed at Rs 51.13 lakhs. However, the contractual value of the work could not be revised as the agreement had already been executed.

The work was completed in June, 1984 at a cost of Rs 55.95 lakhs against which an amount of Rs 33.01 lakhs was realised (some items of original work were withdrawn subsequently) resulting in a loss of Rs 22.94 lakhs to the Company. Claim on account of escalation charges etc of the Company amounting to Rs 16.32 lakhs was stated to be pending with the project authorities the chances of recovery are, however remote as the claim was pending for last seven years without any favourable response from the project authorities.

In reply to an audit query the Company stated (July 1990) that the offer was made on the basis of scheduled rates intimated by Bhakra Beas Management Board (BBMB) and reduced subsequently on savings expected in the cost of transportation of structures as the fabrication work was decided to be carried out at the site of work. The reply is not enable as the estimated cost worked out by BBMB was Rs 44.41 lakhs which was based on the rates prevailing in March 1980 and the cost of transportation of structures included therein was Rs 2.25 lakhs only.

No responsibility for the loss had been fixed by the Company (September, 1991).

The matter was reported to the Company and Government in June, 1991, their replies had not been received (September, 1991).

In their written reply, the Government/Corporation stated as under —

‘Prior to the year 1980 HSMITC was engaged on the work of manufacture of Lift Irrigation Pumps. With the completion of Job of manufacture of Lift Irrigation Pumps ample capacity of the Karnal Workshop remained unutilised. The management therefore, decided to diversify its activities and enter new fields i.e. Fabrication and Erection of

Penstocks Gates and Gearings, Structural Steel work for Thermal Power Plants etc

In order to get the work from outside agencies, HSMITC had to compete with other manufactures by quoting tenders. The tender for Fabrication and Erection of Penstocks of Mahi Bajar Sagar Project Banswara (Rajasthan) was obtained and tender submitted. The work was got allotted after lot of persuasions and efforts on the basis of rates tendered by lowest tenderer.

Since HSMITC did not have much expertise in such activities Nangal Workshop was approached for collaborating in such activities, so as to qualify for acceptance of the tenders. Based on rough cost estimate, HSMITC submitted the original tender amounting to Rs 44,40,755/ during 3/80. The tenders were reduced to Rs 36,25,900/ during 1/81, after negotiation when HSMITC was called for negotiations. The rates were reduced keeping in view the rates quoted by other firms who were also called for negotiations.

Negotiations with Mahi Authorities are going on for the claims lodged by HSMITC. It is expected that a sum of Rs 5.11 lakhs shall be released by Mahi Authorities.

As regards the loss of Rs 22.94 lakhs it is a component which contained depreciation interest and overhead charges to the tune of Rs 5.36 lakhs which have been shown on prorata basis. This does not however, represent cash loss to the Corporation. The net loss to the company works out to be Rs 22.94/ (5.11 + 5.36) = Rs 12.47 lakhs. On the contrary assets utilised for this purpose have since been appreciated and their present market value is Rs 32.22 lakhs against purchase value of Rs 9.59 lakhs. Thus on account of depreciation there is no loss of the Corporation. These machines are still in good working conditions and are being fully utilised to meet the requirements of other works.

The Component of salary of the regular staff wages to the workmen for this works out to Rs (5.80 lacs + 9.06) = Rs 14.86 lakhs. This payment was to be made even if this work had not been undertaken/executed by the Corporation. Against this the Corporation has spent Rs 12.47 lakhs only thereby leaving virtually no loss.

There are two sets of claims as under —

(1) Claim No 2 to 7 (extra work claims detail enclosed)	Rs 5,68,865 45
(2) Claim No 1 & 8 to 21 (compensatory claim)	Rs 10,63,088 00
Total	Rs 16,31,953 45

Comments on Extra Works Claims —

Claims 2 3 5 & 7 were agreed to be paid by Mahi Project Authorities in principal vide their letter No CE/M/A I/ACI/236 dt 19 11 84 to the tune of Rs 2 70 lakhs and subsequently also till dispute was created by Xen Hydraulic Division Mahi Project Banswara vide letter No 3129 dated 22-10 88. The said amount of claims stands reduced to Rs 1,29,041 80 which in any case is not acceptable to HSMITC.

The claims were examined by the high level Committee appointed by Govt of Rajasthan and as per S E Const Circle Mahi Project letter No 3125 dt 22 10 88 it was conveyed that the Committee had recommended claim No 1 for Rs 1,81,295/ and claim No 21 for Rs 60, 352 42/ totaling Rs 2,41 647 42.

The Committee however, attached precondition that extension of time and payment of two claims recommended by the Committee should be granted/ made to the firm only after they accept these in full and final settlement of these claims. Managing Director, HSMITC had written vide letter No 197 98/ 122 W dt 6 3 92 that a meeting should be held for settlement of claims. The meeting could not be held because of change of Management. Efforts are being made to arrange this meeting.

The Financial Commissioner and Secretary to Govt Haryana, Irrigation and Power Department directed the then Managing Director HSMITC, that a detailed report be sent to him regarding execution of work on Mahi Bajaj Sagar Project Banswara (Rajasthan). The report was to specifically look into and intimate responsibility for mis management and loss on the project. The Head Office appointed the senior most Mechanical Engineer S E workshop Circle HSMITC Karnal for going into the detail to assess expenditure losses and follow up action to be recommended vide head office letter No 2162 64/122 W dt 19-12-90. The report was submitted by the then Superintending Engineer workshop vide letter No 275/31 W dt 25 1 91 and the conclusive comments on the report are as under —

On going through the correspondence regarding the execution of work there are numerous references from the Superintending Engineer, Mahi Project, HSMITC, Banswara and the Executive Engineer

Penstock Fabrication Division, MITC, Banswara regarding circumstances under which the work was executed.

The circumstances had widely changed from the time of submission of the bid upto the completion of work. The increased expenditure is due to the extended stay because of circumstances beyond control. Hence it is not possible to Pin Point the responsibility for the deficit.

The Committee after going through the para of Audit Report and reply submitted by Government/Corporation orally examined the representatives of the Government and Corporation. It was conceded by the representatives of the Corporation that the work was allotted in the year 1980 worth Rs 44 lacs which came down to Rs 36 lacs after negotiations. The work was contracted to be completed within nine months but the same was completed in thirty six months. On an observation made by the

Committee, the representative of the Government informed that Managing Director of Corporation was directed by the Commissioner and Secretary to Government Haryana Irrigation Department to get an enquiry conducted into the matter. The enquiry officer reported that the responsibility can not be fixed. It was also informed by her that the extra expenditure is due to the fact that the work which was to be completed in nine months stipulated time, was completed in thirty-six months, with the result that the prices escalated. The Committee was not satisfied with this reply as given in its meeting held on 25th May, 1994 and desired Shri V S Kundu, Joint Secretary to Government Haryana Finance Department to conduct an enquiry into the matter and submit his report within one month. The Committee point out with regret that the said officer did not submit the report till the finalization of this report. The Committee therefore, recommend that the said officer must explain his lapse and conduct the enquiry at the earliest and send his enquiry report to the Committee within two months from the date of presentation of this report.

4.1.2 Unfruitful expenditure on the purchase of machines

12. The Company was engaged in the activity of lining of water courses for the benefit of farmers and the raising demands biannually on beneficiary farmers for recovery of expenditure incurred in proportion to their landholdings.

The Company received an offer for supply of electric printing and embossing machines from Bradma India Limited, New Delhi in October, 1979. As per the offer one machine was enough for one lining circle and the resultant saving was 25 per cent reduction in manpower which worked out to Rs 0.66 lakh (approximately) per annum. The offer was accepted and the Company decided (January, 1980) to purchase one machine on experimental basis for preparation of demand statements relating to lining of water courses for effecting recovery from beneficiary farmers. Accordingly, the machine was purchased in June 1980 at a cost of Rs 1.03 lakhs. The machine was put to use in one of the four divisions of Sonapat lining circle in October 1981 and for the whole circle from April 1984. The utilisation of the machine with reference to workload ranged between 82 to 97 percent during 1984-85 to 1986-87. However there was no corresponding reduction in staff which deprived the Company of the projected saving on staff amounting to Rs 4.23 lakhs during July 1980 to November, 1986.

Before the first machine was put to optimum use in Sonapat circle orders for four more machines were placed in March, 1982, June 1982, January 1983 and June, 1984 without assessing the usefulness of the machine and the corresponding saving on account of reduction in staff. These machines were received in May 1982, September, 1982, May 1983 and July 1984 for use in lining circles Fatehabad, Sirsa, Rohtak and Narwana respectively at a total cost of Rs 4.32 lakhs. The machines were put to use in October, 1983, April 1983, April 1985 and September 1985 respectively after these remained idle for periods ranging from 7 to 23 months. Even then the Company could not put the machines to gainful use as the utilisation of the four machines ranged between 0.5 to 8 percent of the workload in these circles. The poor utilisation of machines

was attributed by the management to non availability of skilled staff, non availability of repair facilities locally fear of retrenchment among the staff and the fact some of the columns of the statements had to be filled manually even after machine printing

In November 1986, the State Government notified to dispense with the recovery of lining charges from the farmers rendering all the five machines surplus. Thus, the purchase of electric printing and embossing machines without assessing their gainful utilisation resulted in unfruitful expenditure of Rs 432 lakhs. No action has been taken by the Company to dispose of these surplus machines so far (September 1991)

The matter was reported to the Company and Government in July 1991 their replies had not been received (September 1991)

In their written reply the Government/Corporation stated as under -

"There were five lining circles each having 3 to 4 Divisions. The first machine was purchased in June, 1980 at a cost of Rs 1.03 lacs. After its use four more machines were purchased in May 1982, Sept 82, May 83 and July, 1984 for use in Lining circles Fatehabad, Sirsa, Rohtak and Narwana. Khataunies were being prepared manually by the IBCs before the purchase of the machines with the utilisation of Machines for preparation of khataunies there was saving in the revenue staff. The surplus staff was identified & declared surplus in 1988 as per letter No 26689 dated 16.1.1988 and ultimately transferred out of HSMITC 107 Nos IBCs were transferred to Revenue Deptt. The recovery of lining charges was fully waived off by the State Govt in Nov 1986. Therefore these machines could not be utilised thereafter.

The performance to the first machine installed at Sonapat was reported to be quite satisfactory by SE Sonapat Lg circle MITC, Sonapat. On receiving this report it was considered appropriate to go in for the installation of one machine each in Fatehabad, Sirsa, Rohtak and Narwana Lg circles having sufficient workload for the machine. Therefore four machines were purchased for printing the khataunies mechanically.

These factors like waiving off complete recovery of lining could not be anticipated prior to the purchase. It was also found that the fear of retrenchment among the staff led to less output to the machines.

All the five machines have been declared surplus by the Corporation and these are being disposed off.

The Committee after orally examining the representative of the Corporation, observed that the machine lying idle since 1986 has not been disposed off so far although a Committee was constituted for fixing the reserve price. The Committee, therefore in its meeting held on 25th May, 1994 desired Shri V S Kundu Joint Secretary to Government, Haryana, Finance Department, to enquire into the matter and establish as to who is responsible for causing delay in the disposal of the machine and for not fixing the reserved price. The Committee also desired him to submit his report within a period of one month. The Committee point out with regret that no such report was presented by Shri Kundu till the finalization of this Report. The Committee, therefore, recommend that Shri Kundu may explain his lapse and enquire into the matter and send his report after conducting the enquiry without any further loss of time.

HARYANA STATE SMALL INDUSTRIES AND EXPORT CORPORATION LIMITED

4 2 1 Locking up of funds

13 In January 1982 the Company was allotted 10350 square metres of land at Panchkula by Haryana Urban Development Authority (HUDA) for setting up a sewing machine parts complex. The cost of land amounting to Rs 6 50 lakhs was paid by the Company to HUDA in December 1981 (Rs 4 40 lakhs) February 1984 (Rs 0 28 lakh) and October, 1985 (Rs 1 82 lakhs). The proposal for setting up the sewing machine parts complex was dropped in June 1983 as the collaborator backed out. No action was, however taken by the Company either to utilise the land or to surrender it to HUDA.

In October 1989 it came to the notice of the Company that Haryana State Industrial Development Corporation Limited (HSIDC) was constructing sheds on the same plot of land. The Company took up the matter with HUDA/HSIDC in October 1989 and with Government in December, 1989 for stoppage of construction of sheds by HSIDC and corrective measures. HSIDC informed the Company (December 1989) that the land was duly allotted to it by HUDA in June 1988 on payment of Rs 8 18 lakhs.

The Commissioner and Secretary to Government of Haryana Industries Department, to whom the matter was referred decided (January 1990) that even if some error had occurred in HUDA the land was now being utilised by HSIDC for promotion of industries. It was further held by him that since the Company had not indicated any programme for utilisation of the land there was no reason to stop the construction of sheds by HSIDC.

Thus, failure of the Company to utilise/surrender the land after the proposal to set up the sewing machine parts complex was dropped resulted in locking up of funds amounting to Rs 6 50 lakhs for more than seven years. Besides, the Company suffered a loss of interest of Rs 7 83 lakhs on this amount for the period from June 1983 to March 1991. The Company had neither preferred claim for the refund of the cost of land nor interest from HUDA (July 1991).

The matter was reported to the Company and Government in March, 1991. Their replies had not been received (September, 1991).

In their written reply the Government/Corporation Stated as under —

It is fact that a piece of land measuring 10350 Sq mtrs was purchased from HUDA during the year 1982 at the total cost of Rs 6,50,012. It is correct that the idea of setting up of the Sewing Machine Parts Complex was dropped in the meeting held on 16 83 under the Chairmanship of Sh. B. S. Ojha IAS, the then Financial Commissioner & Secretary Industries Haryana. As regards the utilisation of this land it is pointed out that in the meeting held on

1683 it was also decided that the land purchased for the mother unit will be used for the construction of more sheds on this piece of land could not be taken in hand as the construction of 38 sheds in the vicinity was already in progress. The work for the construction of 38 sheds was given to HSIDC by this Corporation and HSIDC ultimately completed this project during March 1990. Further it is pointed out that the construction on plot No 459 measuring 10350 Sq mtrs was not a viable proposition till the project of 38 sheds already taken in hand was completed and the sheds were allotted to the entrepreneurs. As regards surrendering of plot to HUDA, it is informed that there was no point to surrender the plot to HUDA when the decision to utilise this plot was taken in the meeting held on 1683.

HUDA has made double allotment of plot No 459. During 1982 this plot was allotted to this Corporation whereas without any intimation the same plot was allotted to HSIDC during 1988. To sort out this issue of double allotment the matter was taken up with the State Govt and has since been decided that an alternate plot of 3 acres area @ Rs 20 per sq mtr will be given to us alongwith refund of excess amount paid to the tune of Rs 400 lacs.

As regards the utilisation of plot No 459 it is pointed out that the objective of HSIDC and HSSI&EC are the same. HSIDC has started the construction of sheds for the development of ancillary industries to Bharat Electronics Ltd. Whereas Haryana State Small Industries & Export Corporation was to construct shed for the setting up of ancillary units to HMT.

The piece of land measuring 10350 sq mtr was purchased for the setting up of a mother unit for the manufacture of sewing machine parts. The project of setting up of mother unit was to develop the ancillary unit in sewing machine parts, this project could not come on the ground due to lukewarm attitude adopted by the leading units engaged in this trade. Ultimately it was decided to drop this project and utilise the piece of land for the construction of more sheds required for the setting up of ancillary units to HMT. In view of this it is clear that there was no intention of blocking the funds in the project. Moreover, the amount of Rs 650 lacs was spent for the creation of assets of the Corporation.

As a consequence of our efforts we were offered an industrial plot of 2 acres instead of 3 acres at Roz Ka Meo by HUDA which was not accepted by the Corporation. Now the HUDA has offered us a plot of 3 acres in Sector 37 Gurgaon for housing the raw material depot and running a training cum production centre/mother unit. The case is being followed with the HUDA. Area of this plot would be 3 acre whereas the area of Panchkula plot was lightly more than 2 1/2 acres."

The Committee was informed during the course of oral examination by the representative of the Government that in the year 1982, one plot was allotted by Haryana Urban Development Authority to the Haryana State Small Industries and Export Corporation for manufacturing Sewing Machine Parts for an amount of Rs 6 50 lakhs on instalment basis. But unfortunately the party in whose collaboration this unit was to be established, backed out and Haryana State Small Industries and Export Corporation dropped this project in the year 1983. Therefore, he admitted the mistake and pointed out that it was only in October, 1989 when it came to the notice of the Haryana State Small Industries and Export Corporation that the Haryana State Industrial Development Corporation Limited was constructing sheds on this plot. The matter therefore was taken up with the Government and Haryana Urban Development Authority was given following four proposals —

1. HUDA should allot 3 acre plot in Indl Estate, Gurgaon at the prices prevailing in 1982 so that the loss suffered by our Corporation by way of compound interest paid to HUDA on the deposit of Rs 6 50 lacs in 1982 could be compensated
2. Alternatively HUDA may allot the equal area of land in Panchkula on the prices at which they allotted the plot of 10350 Sq Mts in 1982
3. If the above proposals are not acceptable HUDA may allot two acre each in Indl Estate Roz Ka Meo or allot two adjoining plots having area of 3 acre @ Rs 20 per Sq Yd which was prevailing in 1982
4. If none of the above proposals are acceptable to HUDA then HUDA should pay us our principal amount of Rs 6 50 lacs along with compound interest at the bank rate from the date of above deposits till the date of payment

It was also informed to the Committee that the HUDA erroneously transferred this plot in the name of Haryana Industrial Development Corporation Limited whereas the possession was with the Haryana State Small Industries and Export Corporation. The Committee was, therefore not satisfied with the evidence advanced by the representatives of the Government in the matter. The Committee, therefore, in its meeting held on 22nd June 1994 desired that Shri J K Gupta Joint Secretary to Government Haryana Finance Department enquired into the matter and submit his report which was sent by the Finance Department on 17th August, 1994. The enquiry report is reproduced as under —

- (1) After the possession of land measuring 10 350 Sq Mtrs was taken on 21-1-82 by the then Manager Panchkula no steps were taken by the Corporation to protect the land from encroachment either by erection of boundary pillars or engagement of security Chowkidar. For this lapse in my opinion the concerned GM(RI) and Manager, Panchkula from the year January, 1982 to October, 1989 are responsible.

- (2) The very conception of Project at Panchkula under Rural Industry Scheme was faulty because Panchkula was an Urban Estate and could not be covered under R I Scheme. As under the recommendations of the Corporation to Govt vide memo No HIEC/Dack/11326 dated 18 12 89 to shift the complex from Radaur to Panchkula was not in order. This is one of the reasons why mother unit of Sewing Machines could not be set up in the allotted land because facilities under R I could not be available to the ancillary units at Panchkula.
- (3) HUDA has also conducted an irregularity in allotting the same land to HSIDC when allotment and possession thereof had already been given to HSSI & EC. As per negotiations held by the Corporation HUDA has now offer a plot of 3 acres in Sector 37 Gurgaon in lieu of the said 10 350 sq mtrs land previously allotted at Panchkula. If the Corporation gets land at Gurgaon at the old rate it will be in the best interests of the Corporation. This alternative may be financially better for the Corporation as compared to surrendering the land to HUDA because HUDA may not agree to pay compound interest on the amount (Rs 6 50 lakhs) paid by the Corporation.

The above report was examined by the Committee and the representatives of the Government in Industries and Town and Country Planning Departments were orally examined. The Committee recommend that Government may proceed further in accordance with the above findings of the enquiry under intimation of the Committee within two months from the date of presentation of this Report.

4 2 2 Loss of income

14 The Company received allocation for export of readymade garments worth Rs 99 57 lakhs during 1988 (Rs 38 35 lakhs) and 1989 (Rs 61 22 lakhs) from Export Promotion Council under the past performance entitlement (PPE) quota and of Rs 36 19 lakhs from Textile Commissioner Bombay against the State quota for 1988 (Rs 16 34 lakhs) and 1989 (Rs 19 85 lakhs).

The Company entered into an agreement with Vinnyoga International Private Limited New Delhi in May 1988 for export of ready made garments under PPE allocation for the year 1988 with an understanding for renewal on satisfactory performance. The terms of agreement inter alia provided that the firm will pay 10 percent commission to the Company on FOB value of the allocation received and placed on it by the Company. However no formal agreement was signed with the firm for PPE allocation for the year 1989 and the State Quota for the years 1988 and 1989.

The firm exported garments valuing Rs 29 56 lakhs and Rs 52 91 lakhs under the PPE allocation and Rs 14 16 lakhs and Rs 7 33 lakhs against the State quota during the year 1988 and 1989 respectively and paid 10 per cent commission of Rs 10 40 lakhs to the Company.

However, on the unutilised allocation of Rs 31 80 lakhs (PPE allocation Rs 17 10 lakhs, State quota Rs 14 70 lakhs) the firm refused to pay the commission of Rs 3 18 lakhs

The matter was discussed (November, 1990) by a Committee consisting of four General Managers of the Company with the Managing Director of the firm but the latter refused to pay the balance amount on the ground that as per the relevant clause of the agreement the firm was not liable to pay beyond what had already been paid. On a scrutiny of the agreement the Committee observed that the relevant clause 5 of the agreement had been tampered with and the words 'allocation received and placed on the second party' were substituted by 'allocation received and shipped by the second party'.

As there was no formal agreement with the firm in respect of PPE allocation for the year 1989 and State allocations for the years 1988 and 1989 the committee was left with no alternative and compromised with the firm on a sum of Rs 0 69 lakh. However the Committee recommended (November 1990) for the probing of the matter and fixing of responsibility of the officials who might have deliberately tampered with the clause regarding recovery of commission in order to favour the firm.

Thus due to tampering with the clause in the agreement for PPE allocation for payment of commission for the year 1988 and non execution of agreement with the firm for PPE allocation for the year 1989 and for State quota for the years 1988 and 1989, the Company was deprived of the commission amounting to Rs 2 49 lakhs for which no responsibility has been fixed so far (August 1991).

The matter was reported to the Company and Government in May 1991 their replies had not been received (September, 1991).

In their written reply the Government/Corporation stated as under —

The observations made by the CAG against Para No 4 2 2 that no reply has been received from the Corporation and the Govt till Sept, 1991 is not correct. The Corporation have already sent the reply to them in annotated form vide our letter No HIEC/Accts/AG/91/10740 41 dated 26 6 91 with a copy to Director of Industries Haryana (A copy of which is enclosed alongwith the reply and necessary enclosures). Further in reply to our letter, A G Haryana, Chandigarh vide their memo No CAW/HR/DP/90 91/943 dated 10 7 91 had asked for further information against our reply to the above said para. The above information was supplied personally to the concerned Audit Officer, Sh Sohan Singh on 15 7 91.

However, the other observations made by the Accountant General Haryana and reply of the Corporation is given as under —

Though the Corporation had not formally executed a

agreement for the year 1989 for the PPE allocation however, with the approval of the then Managing Director the extension was conveyed to the party i.e. M/s Vinnyoga International Pvt Ltd New Delhi vide telex message dated 15.12.88 a copy of which was enclosed at flag 'G' while conveying the reply to the A G Haryana

Regarding the fixing of the responsibilities for tempering of the record and doing undue favour to the party, it is submitted that another Committee was constituted by the then Managing Director consisting of General Manager Marketing & General Manager (F&A) Manager Procurement & Sales and General Manager Exports to look into the matter. The Committee had observed that the replacement of the word placed on by the word shipped by was done by M/s Vinnyoga International Pvt Ltd New Delhi in the light of the decision already taken on 4.5.88 wherein it was stated that the party will pay 10% commission on the FOB value of the goods. Subsequently vide telex dated 6.5.88 received from the party confirming that they will pay commission on the FOB value of the goods exported and not on the value of allocation placed on the Corporation. The replacement of the word shipped by under the clause No 5 of the agreement become consonant with Clause 15 of the agreement has also been observed by the Committee vide their report dated 11.6.91. Thus we may like to add that there was no tempering with the clause of the agreement by any officers/officials of the Corporation but the word shipped by were corrected by M/s Vinnyoga International Pvt Ltd New Delhi in place of word 'Placed on' under clause No 5 of the agreement.

Further, there was no loss to the Corporation as stated below —

It may be stated that the Corporation initially agreed to utilize PPE allocation of 1988 in association with M/s Marketing Overseas, New Delhi at 5% commission on FOB value as approved by the then Chairman and Managing Director which was subsequently changed to 10% with M/s Vinnyoga International Pvt Ltd New Delhi. However, on the other hand the Corporation had earned more commission i.e. Rs 2.96 lacs during the year 1988 whereas the Corporation may have earned a commission of only Rs 1.90 lacs had the PPE quota of 1988 been allotted to M/s Marketing Overseas Pvt Ltd New Delhi had they exported 100% allocation allotted to the Corporation. Similarly for 1989 the Corporation may have earned Rs 3,06,087 against Rs 5,28,681 as the agreement with M/s Marketing overseas was for three years.

Regarding non execution of agreement for the year 1988-89 with M/s Vinnyoga International Pvt Ltd New Delhi for State Corporations allocation, it is stated that

the Corporation had already entered into an agreement with them for PPE-1988 which was extended for 1989 as such no separate agreement for State Corporation allocation was made as it was on the same terms and conditions

In view of the position explained above, it is submitted that no undue favour was shown to M/s Vinnyoga International Pvt Ltd New Delhi in the Matter of utilisation of PPE 1988 quota

From the above it will kindly be seen that no irregularity was conducted on the business done with the party and it was done in the best interest of the Corporation. However we agree that the correction made by M/s Vinnyoga International Pvt Ltd New Delhi under clause No 5 should have been countersigned by the Competent Authority of our Corporation"

The Committee during the course of oral examination observed that the finding of the Committee constituted by the then Managing Director of the Corporation are in order vide which it has been upheld that the agreement was defective and the most important documents and agreement was handled in a most casual and irresponsible manner which caused financial loss to the Corporation. The Committee further observed the matter need to be enquired into and decided in its meeting held on the 22nd June 1994 that Shri J K Gupta Joint Secretary to Government, Haryana Finance Department may enquire into the matter and submit his report within one month. Shri J K Gupta accordingly submitted his report which is reproduced as under —

In the meeting on 26.6.94 the Committee had asked me to fix responsibility of the Officers/Officials responsible. I discussed the matter with S Nagender Malhotra G M (Export), Sh R P Sharma DM(E) and Sh Chuni Lal Asstt. The relevant record was also consulted. My findings are as under —

It is a fact that there is a cutting-in para 5 of the Original Agreement available with the Corporation. The words 'placed on' have been replaced by 'Shipped by'. The plea of the Corporation is that due to the changed provision in the agreement the Corporation cannot recover the amount of Commission due on the total PPE allocation. The concerned Officers of the Corporation say that the change was made by other party at the time of execution of the agreement. This statement is subject to suspicion. The agreement duly vetted by Legal Advisor and typed on Stamp Paper was sent to the party by post in May 1988, after having been signed by the Company Secretary as stated by Officer/Officials of the Corporation. These Officers could not reply as to how the agreement came back whether by post or by hand. Even if the change was made by the party at the time of execution it was the duty of the Export Wing to examine the agreement on return from the party to see whether it was in order. There is no second

witness too in the agreement. The change in para 5 is not authenticated by the Officer of the Corporation whereas the other addition of para 7 a is duly signed by the party as well as the Company Secretary of the Corpn. Para 7 a relates to allotment of PPE allocation of 1989 to the same party. In the telex sent by the party on 6.5.88 the party had raised 3 questions —

- (i) The commission at the rate of 10% on FOB value on Goods exported
- (ii) The party be allowed PPE allocation for 1989 also
- (iii) Para 8 of the agreement should be deleted because the party will not be able to execute full orders

On the basis of this telex the only thing agreed upon by the MD on 16.5.88 was regarding allocation of 1989. There is no approval of MD regarding the remaining two points raised by the party. It means that the party was required to pay commission for the entire allocation. Para 8 of the agreement remains in tact. No separate agreement for 1989 was got executed which should have been got done.

The question whether it was temparing with in collusion with Officers/Officials of Corporation or a unilateral or unauthorised alteration by the party can be finally determined only after chemical examination by an expert about the age/time gap in use of the pen as also any variation in signatures of the party at the bottom of the agreement with the signatures for the change in para 5. However the above named three Officers/Officials are responsible because it was their duty to scrutinise agreement and to ensure its safe custody.

I have also discussed with legal assistant in F.D. and the feeling is that the unilateral alteration or temparing by the party in para 5 does not affect the right of the Corporation adversely. Firstly, it can at best be a unilateral alteration even if not temparing, which is not binding on the Corporation. Secondly, the agreement should be read as a whole claim of the Corporation is supported by para 8 and 13 of the agreement. It is therefore suggested that the Corporation should take steps to recover the amount from the party after taking expert legal opinion.

The Committee discussed the report submitted by Shri Gupta and recommend that the Government may proceed further in accordance with the finding of Shri J.K. Gupta, Joint Secretary to Government, Haryana, Finance Department, and the action taken in the matter may be intimated to the Committee within two months from the date of presentation of this Report.

HARYANA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

4 5 1 Loss due to non pursuance of claim

15 In January 1970 the Company on behalf of the State Government purchased 9.5 per cent cumulative redeemable preference shares of Rs 3.96 lakhs of Bharat Carpets Limited Faridabad under the underwriting scheme. The shares were to be redeemed on the expiry of 12 years from the date of allotment (January 1970). The Managing Director of the firm had given guarantee (January 1970) for payment of dividend and also furnished another guarantee jointly with his son who was a Director of the firm, to buy back the shares, if not redeemed by the firm.

As the firm did not make payment of dividend for the year 1978-79 recovery certificate for dividend of Rs 0.38 lakh was got issued (July 1980) by the Company for realisation of dues as arrears of land revenue from the guarantor Managing Director. Meanwhile, in January, 1982 the preference shares had also become due for redemption but the firm could neither pay the dividend nor redeem the shares. Yet no steps were taken to recover the amount from the guarantors.

In June, 1986 the Director of Industries, Haryana requested the Collector Chandigarh to issue a recovery certificate in favour of the Collector Delhi to effect recovery of Rs 6.96 lakhs as arrears of land revenue (dividend from 1978-79 to 1985-86 and the amount of shares) from the son of the guarantor (Managing Director), who had died in 1981. The recovery certificate was issued to the Collector, Delhi in July 1986. However the Company did not pursue the matter.

In November, 1988 the son of the guarantor filed a suit in Delhi High Court disowning liability for the amount of recovery certificate and the Court granted stay against the arrest of the petitioner. The Company thus could have gone ahead with the recovery proceeding but the case was not pursued with the Collector Delhi. In April, 1989, the High Court stayed the recovery of the dues on the ground that orders for recovery were issued without giving any opportunity to the petitioner. Accordingly, a fresh demand notice for recovery of Rs 8.25 lakhs (Rs 4.29 lakhs dividend and Rs 3.96 lakhs share money) due as on 31st August 1989 was issued to the petitioner in November 1989 but the same could not be served upon him as his whereabouts were not available and the firm had gone into liquidation in August 1984. No claim was also lodged by the Company with the official liquidator.

Thus due to ineffective pursuance of the case the recovery of dividend and share money which accumulated to Rs 8.84 lakhs as on 31st March 1991 has become doubtful as the guarantor (Managing Director) had died, the firm was wound up and the whereabouts of the son of the guarantor were not known.

The matter was reported to the Company and Government in June, 1991. The Management stated (July, 1991) that further action to

be taken in the matter was under examination and that the Director of Industries, Haryana had also approached (June 1991) the Delhi police to trace the whereabouts of the son of the guarantor

No responsibility for the loss had been fixed by the Company (September, 1991)

In their written reply the Government/Corporation stated as under —

‘In continuation of reply already furnished to AG, it is further added that after due consideration and keeping the investment viable the BOD of the Corporation with the approval of the Haryana Govt, approved the underwriting of 3956 shares of Rs 100 each in the Company name M/s Bharat Carpets Ltd In the agreement which was signed by Sh B N Gupta and Sh R N Gupta It was guaranteed that after 12 years the company will buy back own shares underwritten by HSIDC on behalf of Haryana Govt In addition to this guarantee one more guarantee was also given by Sh B N Gupta that dividend @ 9 5% p a minimum will be paid by the Company, otherwise he himself will pay the amount of dividend to the HSIDC/Haryana Govt at the time of investment The Corpn considered the Company viable at that time but later on the Co started going in losses day by day and the Company could not pay the dividend HSIDC made correspondence with the guarantors to pay the dividend but could not succeed In the mean time the period of twelve years also having been completed the company was requested to buy back the shares Due to financial constraints the Company could not buy back the shares and Sh B N Gupta, the guarantors of dividend expired Then as per agreement, HSIDC requested the State Govt (Director Industries) to issue recovery certificate through the Collector, which was got issued, in the name of Sh R N Gupta in both cases i.e for dividend was got issued in the name of Sh R N Gupta instead of Sh B N Gupta (since expired) as Sh R N Gupta was the son of Sh B N Gupta and he was also director of the Company Sh R N Gupta moved in the Court at Chandigarh against the recovery Later on he withdrew the case from Chandigarh Court and filed a case in Delhi High Court The Delhi High Court passed an order for stay of recovery as land revenue and directed HSIDC/Haryana Government to issue show cause notice before taking steps for recovery HSIDC issued a show cause notice from the address available with the office The same have been returned back by the P&T Deptt with the remarks Left” The notice was sent twice Both the times, it has returned back Now the Corporation is examining the case further that what steps could be taken in this regard In the meeting of officers from DI/HSIDC on 19/4/1991 it was decided that DI Haryana may write to the Concerned Police Authority of that area of Ansari Road (address of Sh R N Gupta) to find out the

whereabouts of Sh R N Gupta As per decision DI Haryana has written three letters to Deputy Commissioner of Police Delhi in this case No reply received Our representative also contact the Police Authority, but the present address of Sh R N Gupta could not be traced out as yet

Keeping in view, the above explained position, it would be evident the Corporation is doing its best to recover the outstanding dues Hence, Haryana AG may be requested to drop the para

During the course of oral examination the Committee was informed that an amount of rupees three lacs and one thousand has been recovered and for the rest of the amount the matter is being pursued The Committee, therefore, recommend that the progress achieved in the recovery case may be intimated to the Committee immediately

HARYANA STATE ELECTRICITY BOARD

4611 Extra expenditure on purchase of conductor

16 In May, 1987, the Board invited tenders for supply of 165 Kms Aluminium Conductor Steel Reinforced (ACSR) Zebra conductor. The tenders were opened in August, 1987. The offer of Haryana Conductors Private Limited Kundli (firm A) at the firm rate of Rs 50864 per Km was the lowest. The Board conveyed telegraphic acceptance of offer to the firm in November 1987. The firm acknowledged receipt of the telegram and requested the Board (November 1987) to include associate clause, delivery clause and other terms and conditions mentioned in its original offer in the detailed purchase order.

The Board placed detailed purchase order on the firm in December, 1987. The firm did not accept the order as the same was not placed on the terms and conditions mentioned in its original offer. The Board amended (April 1988) the purchase order by accepting the associate clause but without agreeing to other condition namely clause of delivery schedule which as per the Board was of minor nature. The firm refused (May 1988) to accept the order on the ground that the Board had delayed the issuance of amendment to the purchase order which was still not as per its original offer.

However after negotiations (December, 1988) with the Chairman of the Board a package deal was arrived at. The deal provided that as against 165 Kms conductor the firm would supply 100 Kms conductor against the purchase order of December 1987 at modified variable rates taking into account the increase in the price of aluminium and offer of the firm against fresh tender enquiry (which was called in July, 1988) would be accepted for 100 Kms conductor on its quoted variable rates. Two purchase orders for supply of 100 Kms conductor each at variable rates of Rs 56883 55 (against order of December 1987) and Rs 65344 93 per Km respectively were issued to firm A in February 1989. The firm supplied 48 436 Kms conductor at Rs 66907 per Km against order of December 1987 and 109 848 Kms conductor at Rs 73414 per Km against the new order between March, 1989 and July, 1990.

Thus failure on the part of Board to place an order on the terms and conditions of firm A in the first instance and subsequent placement of orders at higher and variable rates resulted in an extra expenditure of Rs 32 54 lakhs on the supply of 158 284 Kms 'Zebra' conductor.

No responsibility for the lapse had been fixed (September 1991)

The matter was reported to the Board and Government in June, 1991, their replies had not been received (September, 1991)

The Government/Board by way of written reply stated as under —

- (1) The firm in the tender had mentioned that the prices are subject to today's market benefits and in case the same

are withdrawn by the Govt the difference in price will be paid by the Board. This condition/clause of the firm was not accepted as a general policy of the Board at that time. Similarly the firm had mentioned in the tender that they can supply the material through their Associate firms also. As M/s Haryana Conductor had set up some new concerns at Kundli in Haryana under different names and these firms were not having any experience to manufacture such heavy conductor as such the Board did not want to have risk as failure of Zebra conductor on 220 KV lines can lead to serious accidents resulting in heavy loss to the Board. Accordingly the associate clause of the firm was not accepted. Similarly the delivery period was modified as the conductor was urgently required for 220 KV lines. Since the prices of this firm were lower than the prices quoted by the other firms in the tender, the Board had first alternative either to ignore this firm due to above commercial terms and conditions and to purchase the conductor at higher rates from other firms or to ask this firm to accept the purchase order at their quoted rates but at amended terms and conditions.

This is the general experience that the firms accept minor variations made in commercial terms and conditions by the Board, but in this case the prices of Aluminium Rod were increased by Govt of India after the placement of order, so the firm backed out of the contract and refused to supply the material against this purchase order taking the plea of aforesaid clauses. The purchase order was not placed on the terms and conditions offered by the firm in the Board's interest only by the competent authority but due to steep increase in prices of aluminium after the decision of the Board gave an excuse to the firm to back out of the contract.

- (ii) A tender enquiry No OD 1369 was floated through Press for the supply of 210 Kms Zebra conductor and tenders opened on 12-7-88. M/s Haryana Conductor Kundli was the first lowest in this tender and their sister concern M/s Shiva Conductor Kundli was the second lowest. The Whole-Time Members in their meeting held on 7-10-88 decided that a risk purchase notice be served upon M/s Haryana Conductors, Kundli to supply 165 Kms conductor against pending purchase order No. HD.2658. In case they agree for the same the purchase order for balance quantity be also placed upon them. In case they do not agree then purchase order for 165 Kms conductor be placed on next lowest acceptable tender at the risk and cost of M/s Haryana Conductor Kundli. The Whole-Time Members also decided that the authorised representative of M/s Haryana Conductor, Kundli be called for discussion with the Store Purchase Committee. Accordingly, a notice was served upon the firm by the Chief Engineer (MM) on 13-10-88. The firm in their reply vide their letter dt 3-11-88 did not

agree to supply the conductor against pending purchase order and requested to give them an opportunity to put up their case before Board members. The WTMs in their meeting held on 8 11 88 decided to call the firm for discussions and the discussions were held on 28 11 88. The Chief Engineer/MM placed a memorandum dt 12-12 88 before WTMs with a recommendations to place orders on next tenderers i.e. M/s Swastik Industrial Corporation, Bhiwani and M/s Salecha Cables and WTMs approved the recommendations made by Store Purchase Committee in their meeting held on 12-12 88. Accordingly, two Nos Telegraphic purchase orders were placed on M/s Swastik Industrial Corporation Bhiwani and M/s Salecha Cables Mehatpur (HP). But M/s Salecha Cables refused to accept the TPO. The next firm in order of merit was M/s Swadeshi Metals Chandigarh but this firm was also a sister concern of M/s Salecha Cables and there was no possibility of receipt of the conductor from this firm too. The prices of next firm M/s Ken Electricals, Rewa were very high and the past performance of firm was not known being a new firm. Thus the Board was left with no alternative except to negotiate with M/s Haryana Conductor Kundli. The WTMs called M/s Haryana Conductor, Kundli for negotiations on 20 12 88 and arrived at a package deal with the firm. This package deal was beneficial to the Board as the firm agreed to accept 2 Nos purchase orders of 100 Kms each at the prices of Rs 65344 93 and Rs 56873 55 per K M against an order of 100 Kms placed on M/s Swastik Bhiwani at a rate of Rs 66 378 22 per Km. As the legal cell had given the opinion that there were not chances of recovering the amount of Risk purchase against M/s Haryana Conductor the decision of package deal of the Board resulted into saving of Rs 10 lakhs (approx) and in case the order was placed on M/s Ken Electricals Rewa then an additional expenditure of Rs 10 Lacs also would have been incurred by the Board. Moreover at the time when the WTMs had a package deal with the firm the loss calculated by the audit was unforeseen. As after the decision of WTMs the prices of aluminium increased and the Govt increased excise duty from 21% to 31 5% on conductor. The entire amount of loss calculated by audit is on account of above two factors only which were not anticipated/known at the time of decision by WTMs. From the above it is clear that the package deal was arrived with the firm purely in Board's interest.

- (11) Since the decision of package deal was taken by the competent Authority in Board's interest as discussed in Para 11 above so no responsibility could be fixed.

During the course of oral examination, the representative of the Government informed that in May, 1987 tenders for the supply of 165 Km Zebra Conductors were invited by the Board and the same were opened in August, 1987. In November 1987, telegraphic purchase

orders were placed with the firm and in December 1987 a detailed purchase order was placed as the rates of the firm were the lowest one. It was further informed that the firm imposed three main conditions besides other conditions. But the three main conditions were not agreed to by the Board. He further informed the Committee that some of the conditions were unavoidably accepted by the Board. He also informed that the firm wanted an opportunity to wriggle out of that order and he successfully wriggled out of the order. On an observation made by the Committee to the effect as to who helped the firm to wriggle out of the order, the representative of the Board informed, 'No body, Sir. The Board helped itself. It is at the highest level.'

The Committee wanted to know the steps taken to avoid such happening in future. The Board's representative informed that a practice is being followed since 1983 that whenever there is any variation in terms and conditions the firm is called for negotiations for which no instructions have been issued but only it is based on practice. The Committee, therefore, recommend that the Whole-Time-Members of the Board may take a decision in this respect and a circular may be issued to the all concerned officers to avoid any erroneous decision and a copy of the said circular may be sent for the information of the Committee at the earliest.

4 6 8 Avoidable expenditure

17 In December, 1983 and May, 1984 115 distribution transformers were survey reported by a Committee of the Board. All the transformers were put to auction in August, 1984 and sold to the highest bidder Mohammad Din Elaichi wale and Sons Delhi for Rs 5 04 lakhs. After depositing Rs 2 70 lakhs towards the value of 68 transformers the firm approached the concerned Assistant Executive Engineer (AEE) in August, 1984 for delivery of the transformers. However the AEE was instructed by the Chief Engineer (Workshop) to stop delivery of the transformers to the firm and to commence repair which in his opinion was economical. In October 1984 the firm issued a legal notice to the Board demanding delivery of the transformers. The Law Officer of the Board to whom the matter was referred opined that non issue of the material to the buyer in this case, constituted a breach of contract thereby making the Board liable to pay not only the interest on the amount deposited but also the damages for the loss of profit.

Without evaluating the economics of repairs the Whole Time Members (WTMs) of the Board decided (July 1985) to go ahead with the repair of the transformers as recommended by the Chief Engineer (Workshop), refund the amount deposited by the firm, and to forfeit the earnest money (Rs 0 11 lakh) of the firm. The amount of Rs 2 70 lakhs received from the firm was refunded in September, 1985. There after the firm filed a suit against the Board in the Court in February 1986 claiming damages for loss of profit, interest on amount deposited and refund of earnest money. As the Board could not produce any evidence in defence, the case was decided (October, 1988) in favour of the firm who was awarded Rs 2 10 lakhs representing damages for loss of profit, interest on the amount deposited with the Board but later on refunded and refund of earnest money. As the Board neither complied

with the orders of the court nor filed an appeal against the decision within the limitation period the court issued an attachment order to the Board's banker who released to the firm Rs 2 10 lakhs by debiting the amount to the Board's account. The Board filed (May, 1989) an appeal in the court of District Judge Chandigarh along with a request for condonation of delay in filing of the appeal which was still under consideration of the court (August 1991)

As per norm fixed by Board transformer repair charges at Rs 80 per KVA were considered to be economical. Out of the 115 transformers, 34 were repaired at a cost of Rs 2 80 lakhs against the normal repair charges of Rs 1 58 lakhs and the remaining 81 transformers were surveyed reported again in July 1990 with the approval of the WTM's as their repair was considered prohibitive and technically unfeasible. The transformers have not yet been put to auction (August, 1991)

Thus, injudicious action of the Board officials to repair the condemned transformers without considering the cost involved and technical feasibility of the process and cancelling the sale order against the advice of the Law Officer, resulted in an avoidable expenditure of Rs 3 21 lakhs towards repair of 34 transformers (Rs 1 22 lakhs) compensation for loss of profit (Rs 1 01 lakhs) and interest (Rs 0 98 lakh) paid to the firm apart from postponing the sale of the condemned transformers

No responsibility for the loss had been fixed (September 1991)

The matter was reported to the Board and State Government in April 1991 their replies had not been received (September, 1991)

In their written reply the Government/Board stated as under —

- (i) The Survey of Committee surveyed off-25 Nos transformers on 22/12/83 and 90 Nos on 4/5/84. Sh I S Gupta, the then CE (Workshop) visited TRW, Faridabad on 10/8/84 and noticed that quite a few transformers which were surveyed off by the Survey of Committee and were lying in the Workshop premises could be repaired economically. As such he ordered for the repair of these transformers. Most of these transformers were of 100 KVA capacity and at that time there was shortage of 100 KVA T/Fs. It was not in the knowledge of the Chief Engineer/Workshop that these transformers had already been sold. The action of the then CE/Workshop was not mala fide but in the interest of the Department to overcome the shortage of 100 KVA T/Fs prevailing at that time. This action was also approved by the WTM's in their meeting held on 10/7/85 as conveyed by Deputy Secretary/Projects vide U.O No 1044/WTM 10/7/85 (8) dt 16/7/85

- (ii) There was no occasion to consult the Law Officer in the above circumstances

- (iii) In view of the recommendations of Chief Engineer/Workshops regarding economical reparability of T/Fs he was

called by the WTMs to explain the whole situation and after satisfying themselves the WTMs approved the action of the Chief Engineer/Workshops

- (iv) & (v) In view of repair of first 34 T/Fs being not very economical the WTMs of the Board in their meeting held on 4 12 87 decided to issue a Show Cause Notice to Shri S Gupta the then CE for recovery of part of the loss due to erroneous suggestions made by him to the management for which the Board had to suffer the loss

The above decision of WTMs was again reviewed by them in their meeting held on 23 6 88 and decided to drop the matter against CE/Workshops in view of the fact that the Board was overall benefitted by subsequent auction of balance 78 T/Fs at higher rates to the tune of Rs 81 860

During the course of oral examination the representative of Board informed that in December 1993 a survey was conducted and a decision was taken to auction 25 Transformers. And in May 1984 another survey was conducted and it was decided to auction 90 more transformers. Action was started for the auction of these transformers and accordingly 50% of the amount was deposited by the highest bidders after the auction. After this Shri S Gupta the then Chief Engineer inspected them and ordered that these transformers could be repaired and he has got approval in this regard from the Board. On an observation made by the Committee it was informed by the representative of the Board that one Committee was headed by Shri Kaushal Chief Engineer. Thereafter another Committee headed by another Chief Engineer Shri S Gupta was constituted and he took the initiative and considered that it would be economical to get them repaired. Accordingly he got some of the transformers repaired but could not get all the transformers repaired which resulted with issuing a show cause notice to Shri Gupta for giving wrong advice to the Board. The Committee was not satisfied with the reply given to them in this meeting held on 16th August 1994. Therefore, the Committee further orally examined the Representatives of the Government/Board in one of the subsequent meetings in which it was informed by the representative of the Board that the matter has been gone into depth by the Officers of the Board and it has been found that the survey was conducted by the Committee headed by Shri Kaushal Chief Engineer and about 90 transformers were surveyed by the team head by Shri S Gupta CE on 4th May 1984 and he said that these transformers were irreparable. On a question put up by the Committee the representative of the Board informed that Shri Gupta ordered that these transformers should be auctioned as these are not repairable. Actually these transformers were auctioned and the money was deposited but later on when Shri Gupta visited workshop on a routine checking he said that these 90 transformers could be repaired.

The Committee was sorry to feel that these facts were concealed from this Committee. In another question put up by the Committee the Board's representative informed that Shri Gupta was the main man whose considered opinion resulted in causing loss. By the time the

Whole Time Members of the Board decided to review its earlier decision Shri Gupta had retired. On hearing this the Committee decided that a detailed report of the decision of the meeting of Whole Time Members held on 29th June, 1988 may be sent to the Committee. The Committee further desired that the procedure and details of the transformers which were auctioned may be sent to the Committee within two weeks.

The Committee is sorry to observe that the information with regard to the auction of the transformers was sent to the Committee on 21st December 1994 but the detailed report about the decision of the meeting of the Whole Time Members referred to above has not been sent to the Committee till the finalisation of this report.

The Committee after going through the supplementary reply is not satisfied and recommend that the whole matter may be again go through with regard to —

(i) taking action against Shri I S Gupta the then Chief Engineer and,

(ii) auction of Transformers

The Committee further recommend that the action may be completed within six months from the date of presentation of this report and details thereof may be sent to this Committee.

4 6 9 Extra expenditure in construction of quarters

18 Tenders for construction of 18 houses (3 type-I, 8 type II 6 type III and 1 type V) at 220 KV Substation Palwal were invited (July 1988) and opened in August 1988. Offers were received from three firms. The lowest offer of Chahi Ram of Muzaffar Nagar (Contractor A) at a total cost of Rs 16.50 lakhs was accepted (November, 1988) by the Chief Engineer (Construction) Hisar. Accordingly a telegraphic acceptance of the offer was issued to the contractor in November 1988. The work was to be completed within 9 months from the date of the order.

Till April, 1989 the Board did not take any action to issue a detailed work order and for execution of an agreement with the contractor. The detailed work order was issued on 17th May 1989 and the contractor refused (18th May 1989) to execute the work on the ground that detailed work order was issued to him after a delay of six months and during this period the prices had increased. Consequently, the Board had to reinvite tenders in October 1989 and a telegraphic work order (December, 1989) followed by a detailed work order in January 1990 was placed on Rajat Builders Gurgaon (Contractor B) at a total cost of Rs 21.24 lakhs.

Thus owing to delay in placing the requisite detailed work under order on Contractor A the Board had to incur an extra expenditure of Rs 4.74 lakhs for which no responsibility had been fixed (September 1991).

The matter was reported to the Board and Government in July 1991. Their replies had not been received (September, 1991).

The Government/Board by way of written reply stated as under —

- (i) After issue of telegraphic acceptance to the Contractor by the Xen Civil Works Division Gurgaon on 24.11.88 detailed letter of allotment (DLO) was prepared in the Divisional office and pre audited on 4.1.89. The same was put up to the Xen on 17.5.89 on which the letter desired to know the reasons as to why it was put up late by 4½ months. The concerned dealing hand (HDM) in turn replied that the same was kept ending for want of file which was taken over by the A D V /Civil (Vigilance) Panchkula on 11.1.89 (returned on 25.9.89).
- (ii) Shri R K Sharma Xen and Shri M S Kadian HDM, is found to be responsible prima facie in this case. The Chief Engineer/Const HSEB, Hisar has been directed to initiate disciplinary action against them."

During the course of oral examination it was informed by the representative of the Board that the tenders were invited in July 1988 and a telegraphic acceptance of the offer was issued to the contractor in November, 1988. The work was to be completed within a period of nine months from the date of orders whereas a detailed order was issued after six or seven months. The contractor on receipt of the order refused to execute the job as by then the prices increased. The earnest money of the contractor was forfeited. It was further informed that the delay in placing the order took place because of the fact that the relevant files, on a complaint received were taken away by the Vigilance Department. Surprisingly another representative of the Board informed that it has no justification as there is a mistake and the responsibility is required to be fixed up. It was also informed that the responsibility of one Executive Engineer and one Head Draftsman was fixed. On a further question put up by the Committee it was informed by the Board's representative that one person has retired and the other are Shri S K Goyal Shri B D Baral Shri Dhana Ram and Shri Bhalle Ram And, out of these show cause notices have been issued to two persons.

The Committee observed that contradictory statements have been given to the Committee and recommended that the responsibility be fixed within two months and the information may be supplied to the Committee. The Committee is distressed to point out that no action appears to have been taken in the matter so far. The Committee, therefore, recommend that action as proposed may be taken under intimation to the Committee. The Committee further recommend that the officers/officials who have delayed the supply of information to the Committee be also taken to task immediately under intimation to the Committee within a period of two months from the date of presentation of this Report.

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