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HARYANA VIDHAN SABHA
COMMITTEE
ON
PUBLIC UNDERTAKINGS
(1997-98)
(NINTH VIDHAN SABHA)
FORTY-THIRD REPORT
ON THE
REPORT
OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR 1994-95 (COMMERCIAL)



Presented to the House on

22.1.98

HARYANA VIDHAN SABHA SECRETARIAT,
CHANDIGARH
1998

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COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
1997 98

Chairman

- 1 Shri Narpender Singh

Members

- *2 Shri Raj Kumar Saini
**3 Shri Sat Narain Luthar
4 Shri Anand Kumar Sharma
5 Shri Bhagi Ram
6 Shri Salvinder Singh Rana
7 Shri Dharambir Gauba
8 Shri Anil Vij
9 Shri Om Parkash Jain
***10 Shri Birender Singh

Secretariat

- 1 Shri Sumit Kumar Secretary
2 Shri Ajit Singh Yadav Under Secretary

* Resigned w e f 3rd September 1997 on his appointment as Minister of State

** Resigned w e f 28th May 1997

*** Nominated w e f 27th August, 1997

Note The Committee for the year 1997 98 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 11 th March 1997 authorising him to nominate the members of the Committee on Public Undertakings for the year 1997 98 on 1st April 1997

INTRODUCTION

I Narpender Singh Chairman Committee on Public Undertakings having been authorised by the Committee in this behalf present Forty Third Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1994 95 (Commercial)

The Committee orally examined the representatives of the Government/Under takings/Boards

A brief record of the proceedings of various meetings of the Committee held during the year 1997 98 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/Under Secretary and his staff

CHANDIGARH
The 13 th January 1998

NARPENDER SINGH
CHAIRMAN

REPORT

2A HARYANA STATE SMALL INDUSTRIES AND EXPORT CORPORATION (REVIEW)

2A 7.2 Working of raw material depots

1 The Company was running 15 raw material depots in the State for receiving supplies of raw materials and its sale to SSIs. In addition three agencies at Jagadhri, Faridabad and Chandigarh, were handling materials of Hindustan Zinc Limited and Hindustan Copper Limited. The Company had not prepared the working results of the depots showing the viability of each depot. Based on the margin earned on sales and expenditure operational results of the depots as worked out in audit for three years up to 1993-94 are tabulated below —

Year	Number of depots earning profit	Gross profit in lakhs of rupees	Number of depots incurring loss	Amount of gross loss	Overall profit
				(Rupees in lakhs)	
1991-92	14	107.47	1	0.24	107.23
1992-93	7	36.56	8	6.45	30.11
1993-94	6	45.27	9	11.44	33.83

After decontrol in the price of Iron and Steel in January 1992 number of loss incurring depots increased from one in 1991-92 to nine in 1993-94. The sale of these depots had also dropped. The above profit (which does not take into account the Head Office expenditure) is to be viewed in the light of the fact that the Company had paid interest of Rs. 53.09 lakhs, Rs. 49.91 lakhs and Rs. 49.39 lakhs during the above three years respectively chargeable mainly to the raw material activity. It was noticed in audit that margin on sale of materials handled by seven and eight depots was not sufficient even to cover expenditure on salary during the years 1992-93 and 1993-94 respectively. No action to make these depots viable was taken by the Company.

The Board of Directors approved (March 1994) closure of two depots at Kurukshetra and Mandi Dabwali in order to curtail the loss to some extent. The deci

* Includes Rs. 5.07 lakhs, Rs. 5.72 lakhs and Rs. 10.27 lakhs representing agency commission during three years respectively in respect of Faridabad depot.

sion was however deferred by the Board in June 1994 in view of representations received from the Industrial Associations of the concerned stations without taking measures to make them viable. It was seen in audit that these depots had suffered further losses amounting to Rs 3.29 lakhs (Kurukshetra Rs 2.23 lakhs and Dabwali Rs 1.06 lakhs) from April 1994 to November 1994.

The Management stated (July 1995) that efforts would be made to ensure that all the depots were economically viable.

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

The Corporation was set up to supply the raw materials and provide marketing support to the small scale industrial units of the State. The Corporation is operating 15 Raw Material Depots and 3 Consignment Agencies to cater the raw material requirements of these units. The raw material depots are located in all the Districts of the State except Panchkula, Narnaul and Kaithal.

Prior to January 1992 SSI Units were substantially dependant upon the supply of iron and steel items through the Corporation outlets. As such almost all the Raw Material Depots of the Corporation were able to generate sufficient income to cover the expenses. With the lifting of control during January 1992 the viability of many a depots was adversely affected. Immediately after decontrol most of the depots could not compete with the private traders and the number of depots incurring losses increased. The Board of Directors had also decided to close two Depots at Kurukshetra and Mandi Dabwali to curtail the losses being incurred by the Corporation. However the decision was deferred due to the representations made by the Industrial Associations of these districts.

The Corporation evolved a contingency plan to meet with the challenges of the new situation and signed MoUs with SAIL to ensure lifting of a minimum quantity coupled with financial incentives offered by the SAIL. Most of these financial incentives were passed on to the customers and the Corporation was able to ensure lifting of material from the SAIL stockyard or to take direct deliveries from the Rail Heads. At present SAIL is operating its stockyards at Faridabad and Chandigarh and both these stockyards cater to the requirements of the State. The customers of the Corporation were also encouraged to lift the material directly from the SAIL stockyard or to take delivery directly from the Rail Heads. As a sequel to it most of the sales of the Corporation are being effected through the Faridabad and Chandigarh outlets and these sales are booked through these Depots. As such these two depots have become most viable and viability of other depots depends upon the sale ability of the materials in the respective area depending upon the competition faced by these Depots with the traders. Notwithstanding the fact that some of the depots have become unviable due to the change in the policy overall performance in the raw material activity is generating sufficient profit to cover the expenses of all these depots.

The Profit/Loss Account of the Raw Material Activity for the past five years is as under —

	1992 93	1993 94	1994 95	1995 96	1996 97 (4/96 to 8/96)
Sale	3562	5200	9432	10877	6427
Profit/Loss	() 0 51	() 34 41	100 53	56 24	42 59

Note Figures in Rs lacs

However Corporation is contemplating to critically review the functioning of these depots and take remedial steps to make all of them viable

The Committee noted the poor performance of many of the raw material depots and their continuous losses. The Committee is of the view that the depots which are incurring heavy losses and no substantial promotional objective is achieved by them should be closed down immediately.

The Committee, therefore, recommend that only the viable depots should be continued and unviable depots should be closed down immediately to avoid further losses to the Corporation. The Committee further recommend that the latest position of the depots alongwith their working and action taken on the above recommendation be intimated to the Committee within three months

2A 7 4 Shortage of raw materials

2 Shortage of raw materials valued at Rs 15 34 lakhs noticed at the time of sale of stock items at various depots relating to the years 1986 87 to 1991 92 had been debited to concerned officials. The Company had issued charge sheets to 25 officials in June 1992 for explaining their position relating to shortages valued at Rs 8 06 lakhs upto 1990 91. Though replies to the charge sheets had been received between June 1992 and December 1992 further action to make the loss good had not been taken (April 1995). The Company had not taken any action to investigate the remaining shortages valued at Rs 7 28 lakhs up to 1991 92. The Management stated (July 1995) that the matter regarding the causes of the shortages was under consideration. Further developments were awaited (August 1995).

In their written reply the Government/Corporation stated as under

The matter was brought to the notice of Board of Directors in their meeting held on 11 6 1997. B O D considered and approved the proposal to waive of Rs 9 64 690 and to recover Rs 5 85 145 from 33 officials. Accordingly action is being taken up by the concerned Branches.

The Committee recommend that the shortages of Rs 5 85 lakh now identified by the Corporation be recovered from the officials/officers under intimation to the Committee

2A 8 1 Avoidable loss due to defective agreement

3 The Company entered into an agreement (January 1990) with M/s Bala s New Delhi for arranging export of readymade garments under its Past Performance Entitlement (PPE) quota 1990 Terms and conditions of the agreement *Inter alia* provided that

the Company would receive a commission of 10 per cent on floor prices fixed by the Central Government for PPE allotment

the firm would furnish a bank guarantee of Rs 7 35 lakhs (10 per cent of PPE) to cover the risk of the Company for not executing the total allocation of PPE worth Rs 73 50 lakhs

the Company would keep import replenishment licences granted for the export against the PPE quota

The agreement did not contain any clause for compensation for non fulfillment of export obligations It was noticed in audit that the firm furnished bank guarantee of Rs 4 02 lakhs only against Rs 7 35 lakhs Against the allocation of exports for Rs 73 50 lakhs the firm could export only goods worth Rs 6 45 lakhs The Company recovered its commission (Rs 7 35 lakhs) by invoking bank guarantee (Rs 4 02 lakhs) and deducting Rs 3 33 lakhs from the sum payable to the firm

As per agreement the Company was to keep import replenishment licences for the quantity exported During the year 1990 such licences were sold at a premium of 20 per cent The Company could export additional quantity of garments worth Rs 6 84 lakhs through another party The balance quantity (Rs 60 21 lakhs) could not be exported on which it lost premium of Rs 2 27 lakhs (taking into account Rs 0 41 lakh earned on export of additional quantity) Thus due to inadequate agreement the Company suffered loss of Rs 2 27 lakhs

The Management stated (July 1995) that in the absence of any compensation clause in the agreement, it had withheld Rs 1 13 lakhs of the firm and after this experience started watching the progress of associate manufacturers and collecting bank guarantee as per agreement before actual commencement of business

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

The Corporation has been exporting readymade garments since 1984 85 On the basis of exports made by the Corporation from time to time Past Performance Entitlement (PPE) are given by the Textile Commissioner Bombay through

Apparel Export Promotion Council New Delhi (AEPC) The PPE for the year 1990 was allotted to the Corporation by the AEPC on the basis of exports for 1987 & 1988 of the Corporation

To get the maximum utilisation of PPE & Exports the Corporation used to give advertisement in the press and also contact the various parties so that the willing exporters can utilise PPE and give maximum service charges to the Corporation Accordingly the Corporation had decided to associate M/s Bala s New Delhi for utilisation of PPE of the Corporation for the year 1990 at a commission of 10% against 8% offered by our previous associate M/s Viniyoga International

In the past, the Corporation used to get the commission from the associate exporters on FOR Value of actual exports In that event, the Corporation earnings get affected adversely if the exports are adversely affected due to market fluctuation In order to ensure a minimum earning on the transaction the Corporation fixed the commission at the rate of 10% on the floor price of the total PPE i.e Rs 7.35 lacs on an expected transaction of Rs 73.50 lacs This protective clause was introduced for the first time by the Corporation while handling the PPE export transaction to safeguard the interest of the Corporation

To recover the total commission of Rs 7.35 lacs and to get the maximum shipment made from the associate supplier regular follow up was done so that the interests of the Corporation are not affected

Keeping in view the detailed position stated above the Corporation had made all possible efforts to recover the total commission of Rs 7.35 lacs and also tried to get Readymade Garments exported to the maximum extent by

- (a) Revoking the Bank Guarantee for Rs 4.02 lacs from their banker
- (b) Recovered the balance amount of commission of Rs 3.33 lacs from the party's sale proceeds against the export of Rs 6.45 lacs
- (c) Since M/s Balas were not able to utilise the PPE allotment of the Corporation satisfactorily on account of heavy recession in the U.S.A the Corporation had tried to get this PPE utilised through another party and earned additional income of Rs 41.621 (by commission and premium on Import Repl Licence)

Keeping in view the position stated above, the replies of the observations of A.G party are given as under —

- (i) It is true that Agreement signed with M/s Bala s did not contain any clause for compensation of non fulfillment of export obligation In this regard, it is stated that the Corporation as per past practice and experience with other Readymade Garments exporters did not consider it nec

essary to introduce a compensation clause in the event of default by the party. However, a Bank Guarantee Clause to ensure earnings of the Corporation towards commission was incorporated in the Agreement.

- (ii) The Corporation had tried to get the additional export by diverting the PPE entitlement for the unutilised portion of PPE 1990 through another party namely M/s Viniyoga International Ltd, New Delhi, even at the lesser commission of 4.5% instead of 10% committed by M/s Bala's. This party was able to export material worth Rs 6.84 lacs only, on account of heavy recession in the U.S. market. This party in the past had given us reasonably good performance of 77% in 1988, 86% in 1989 against PPE entitlement of the Corporation.
- (iii) The Corporation has also withheld the payment of Rs 1.13 lacs of M/s Bala's on account of poor performance of the party as there was no compensation clause in the agreement entered with M/s Bala's to recover the amount on account of loss on premium of import repl. licence. Further, the Corporation has black-listed the party.

It is true that had the export of Rs 73.50 lacs taken place, the Corporation would have earned an additional income of Rs 2.27 lacs on the sale of Import Repl. Licence as worked out by the Audit. But on account of heavy recession in the USA market, the Corporation was not able to get the goods exported to extent of Rs 73.50 lacs in spite of two press advertisements made in the Economic Times in September and October 1990 and personal follow up with the potential exporter of Readymade Garments of Delhi.

In view of the detailed facts stated above, it may be observed that the Corporation had tried to get a guaranteed commission and business for the Corporation. However, on account of force majeure conditions, i.e. heavy recession in USA, the Corporation could not ensure the anticipated export of Rs 73.50 lacs. Had M/s Bala's, to whom PPE allotment was made for the year 1990, had any doubt at that time that they would not be able to utilise full PPE, they would not have agreed to pay the commission of Rs 7.35 lacs to the Corporation on 100% export of PPE value at the time of signing of the Agreement.

The Committee is of the view that the Corporation has been put to a loss of Rs 2.27 lakhs due to defective terms of agreement.

The Committee, therefore, recommends that responsibility of the erring officer who entered the defective agreement be fixed and action be taken immediately against him under intimation to the Committee.

2A.8.2 Loss in export of deformed steel bars

4. The Company entered into an agreement (July 1993) with a New Delhi firm for export of 1000 MT of deformed steel bars worth US dollars 272,000 to a Singapore

buyer on which the Company was to get eight *per cent* commission on f o b value In the proposal approved by the Board (June 1993) it was stated that all export expenses would be borne by the firm Profit of Rs 7 15 lakhs by way of commission was anticipated (June 1993)

Terms and conditions of agreement, *inter alia* included that

the firm would organise and arrange procurement and export of deformed steel bars The firm would adhere to the time schedule for export and default would rest on the firm

the firm would give performance guarantee of Rs 20 lakhs or hypothecate/pledge 20 acres of unencumbered agriculture land and the Company would be entitled to recoup shortfall in commission upto Rs 5 lakhs from disposal of the mortgaged land

1000 MTs of bars were purchased (August 1993) by the Company for Rs 101 28 lakhs before shipping arrangements were made Due to delayed arrangement of ship export to the Singapore buyer could not be made Thereafter the goods were exported to Burma on c i f terms in March 1994 and Rs 99 17 lakhs were realised (June 1994) by the Company against the expenditure of Rs 150 87 lakhs entailing loss of Rs 51 70 lakhs

The following points were noticed in audit

- (i) The agreement did not contain any clause to make the firm liable for the losses if any in the deal It also did not bring out the limit of financial involvement of the Company and the firm The Company continued to incur expenses without any contribution from the firm
- (ii) The Company had made the firm liable for payment of its commission upto Rs 5 lakhs only though it was submitted to the Board in June 1993 that a performance guarantee of Rs 20 lakhs would be taken in favour of the Company
- (iii) As per agreement, the firm was to arrange export after organising and arranging procurement of bars which implied that the shipping arrangements were to be made by the firm But this aspect was not clearly defined in the agreement The Company did not include any penal clause to safeguard its financial interest by making the firm liable for extra expenditure on delayed shipments
- (iv) The bars were sent to Kandla port instead of Bombay for reasons not on record, though the Singapore buyer had informed (June 1993) that for 1000 MTs cargo arranging a vessel from Kandla port was difficult More

over while confirming the supply the company had quoted its price *fo b* Bombay

- (v) The mortgage deed executed in July 1993 for 20 acres of agricultural land had not been got registered in the court (July 1995) In the absence of registration the recovery of commission of Rs 5 lakhs is doubtful

Defective agreement and improper planning on the part of the Management had resulted in loss of Rs 51 70 lakhs to the Company

While admitting the defects in the agreement and inept handling of the case the Company constituted (November 1994) a sub committee for four Directors for indepth study of the case

The Management stated (July 1995) that two meetings of the sub committee had been held in December 1994 and May 1995 Final developments were awaited (August 1995)

In their written reply the government/Corporation stated as under

A proposal was received from M/s May Fur Agro Pvt Ltd an associate company of M/s Bak Enterprises New Delhi for export of 10000 MT of iron and steel to China in March 1993 The party had export order of deformed steel bars on which they had offered a commission of 3% to the Corporation subsequently enhanced to 5% Balance of net profits were proposed to be retained by M/s Bak Enterprises On account of non availability of material the transaction could not take place At the time of finalisation of this proposal it was decided to obtain security in the form of mortgage of 20 acres of non encumbered agricultural land from the party Hypothecation of land was received subsequently but registration of the same was not undertaken by the Corporation

Detailed economics of proposed export projected a profit of Rs 25 00 lacs for the Corporation in case duty exemption was not available or a profit of Rs 75 00 lacs in case duty exemption existed In the financial projection Corporation envisaged initial losses in the export which were to be off set through disposal of value based import licence or by actual import of raw materials and generation of additional profits The proposal was placed before the Board of Directors in their meeting held on 30 6 1993 and was approved On 2 7 93 an agreement was entered into with M/s Bak Enterprises by the Corporation for export of 1000 MT of deformed Steel bars to Singapore 1000 MT of deformed steel bars were purchased from M/s Jalan Ispat Casting Baroda for Rs 101 28 lakhs in August 1993 and exported to Burma for Singapore based buyer Actual process of export attracted unexpected and exorbitant expenditure as delays occurred in shipment of materials

A value based advance import licence against export of 1000 MT of deformed steel bars was also obtained which was proposed to be sold at not less than 70% of its value. However instead of disposal of import licence a proposal was mooted by the GME in June 1994 for actual import of re rollable scrap against this licence. The proposal was not implemented on account of existing blockage of funds of the Corporation on export transaction uncertainty of profits due to frequent fluctuation in selling price of the commodity in domestic market and impropriety of further investment of over Rs 60 00 lacs on import of materials. On 6 8 94 2nd agreement was signed by the GME Sh N Malhotra on behalf of the Corporation and information to this effect was placed before the BOD in their meeting on 24 8 95. This agreement which was in continuation of the first agreement, allowed M/s Bak Enterprises to import re rollable scrap instead of disposal of value based import licence and did not indemnify total loss of the Corporation by M/s Bak Enterprises in the transaction. The value based advance licence was thus kept in abeyance. Exorbitant expenditure incurred in export of deformed steel bars in July 1993 and inability of the Corpn in disposal of licence or actual import of material resulted in unforeseen loss of Rs 51 70 lacs including interest component of Rs 13 78 lacs upto October 94.

- (i) The contention of audit in observation (i) is not a correct statement of fact as according to Clauses 3 6 12 and 14 of the agreement dated 2 7 93 liability of the firm for compensating losses if any was clearly defined. Clause 3 stipulated that M/s Bak Enterprises shall procure the goods for export, adhere to the time schedule and other conditions of FLC and be responsible for any default in this respect. Clause 12 indemnified generation of atleast 70% premium for the Corporation (in case duty Exemption was not available) through disposal of value based licence. Similarly Clause 14 contained a stipulation that payment on custom/excise duty if any levied on import/export transaction shall be recovered from M/s Bak Enterprises if refund of the same is not made by the authorities till the finalisation of accounts which was however to be refunded to them on receipt of the same by the Corporation. In the second agreement dated 6 8 94 the condition that M/s Bak Enterprises will ensure minimum profit of 70% of the value based advance licence was again incorporated. Thus in the proposed transaction Corporation could not anticipate any significant investment. Heavy expenditure was however incurred by the Corporation on purchase of material transportation warehousing/shipment charges see freight and delay in shipment for which Corporation was actually not liable in terms of agreements with M/s Bak Enterprises.
- (ii) Agreement dated 2 7 93 was executed for supply of only 1000 MT of deformed bars (and 1500 MT of mild steel plain bars). The value of 1000 MT of deformed bars was estimated at Rs 86 19 lacs on which performance guarantee of Rs 1 70 000 approx was to be given to the foreign buyers. On the other hand the amount of commission to be earned by the

Corporation at the rate of 3% (if duty exemption was not available) was approx Rs 2.05 lacs. It was therefore appropriate and logical to have the conditionality of recoupment of shortfall of commission of the Corporation upto a value of Rs 5.00 lacs only through disposal of hypothecated land as this amount covered both the value of guarantee and the value of commission on proposed export. Despite this a mortgage deed for 20 acres of non encumbered agricultural land was received by the Corporation from M/s Bak Enterprises though non encumbrance was not verified from the Revenue Records. Since the deed was not got registered by the Corporation hypothecation of land remained unenforceable. Probably registration was not felt necessary by the GME Exports in view of the advice of L.A. to the effect that hypothecation deed was worded in such a way that registration was not required.

In clause No. 1 of the Agreement dated 27/1993 it was stated that M/s Bak Enterprises shall arrange procurement of deformed bars and arrange its further export in association with the Corporation. Again vide Clause No. 3 of the said Agreement, M/s Bak Enterprises was made liable to adhere to the time schedule and other conditions prescribed in the foreign letter of Credit. Thus responsibility of M/s Bak Enterprises was clearly defined. Clause 3 of Agreement was a penal Clause stipulating that responsibility for any default in procuring the goods and adhering to the time schedule and other conditions of FLC would entirely be of M/s Bak Enterprises and they will settle the same at their own cost.

Export to Singapore was to be made on FOB Bombay/Kandla basis and the ship was to be arranged by the buyer. All expenses were to be borne on buyer's account. It is a fact that buyer had informed the Corporation about the difficulty in arranging a vessel from Kandla port for a quantity of 1000 MT and had requested the Corporation to do the loading from Bombay as probably the GME Sh. N. Malhotra anticipated lesser warehousing expenses at Kandla port, lesser clearing charges at Kandla and cheaper transportation from Baroda to Kandla. However in actuality heavy expenditure was incurred in making storage arrangements in warehouse at Kandla.

The reply of the Corporation with reference to observation of Sub para (v) of the observation of C.A.G. is the same as stated in Sub para (ii) above. A nominated Committee of Directors of the Corporation had conducted an in-depth study of various facts of the case and held meetings with Sh. Bharat Singh Kalsia of M/s Bak Enterprises on 25/7/95 and 6/9/95 to persuade him to either import material through his own investment or mortgage land so that losses of the Corporation could be recouped. In the meeting of the committee held on 6/9/96 it was decided that a civil suit may be filed against M/s Bak Enterprises for recovery of blocked funds of the Corporation. However case was referred to Legal Remembrance, Haryana as both the agreements contained a Clause of Arbitration by C.I. Haryana or his nominee in case of dispute with party. The Legal

Remembrance had advised that as per Govt directions Civil suit should be filed only as a last resort and Corporation should go in for arbitration. A communication was therefore sent to M/s Bak Enterprises on 8 7 96 to arrange import through his own investment against advance licence which stands re validated upto 30 11 1996. The party had not responded to this notice and it was decided to refer the case to the Arbitrator for adjudication of dispute. Accordingly the case was placed before the Board of Directors of the Corporation in its meeting held on 6 9 1996. As per the decision of the Board of Directors and the advice of Advocate a petition for Arbitration was filed before the Arbitrator i.e. the Commissioner & Secretary to Govt Haryana Industries Department and a claim of Rs 72 36 353 was filed by the Corporation on 31 12 96 through our Advocate. Further as per the decision of the Board of Directors the services of Sh N Malhotra Ex General Manager (Exports) have been placed under suspension.

During discussion it was admitted by the representative of the Government that the Corporation has definitely not done the transaction in the way in which it should have been done. The Committee also noted that enquiry against the defaulting officer is unnecessarily delayed.

The Committee, therefore, recommend that the enquiry be completed immediately and action taken against the erring officers be informed to the Committee within three months.

2A 8 3 Foreign visits

5 In order to explore markets for exports from the State and to boost business the Company participates in international trade fairs and the officers undertake export promotion visits to foreign countries.

COPU in their nineteenth report presented to the State Legislature in March 1985 had recommended that before making any visit by an officer of the Company, proper planning programme and targets for getting business should be fixed and achievement of such visits evaluated and assessed thereagainst and in case of non fulfillment of targets/orders booked on such visits responsibility of the officer should be fixed for such failure.

Exact break up of business transacted by visiting individual country on a single trip was not worked out by the Company. In the absence thereof effectiveness of a visit to a particular country was not susceptible to verification. It was however observed that seven out of ten visits abroad during the period from 1989 90 to 1993 94 involving expenditure of Rs 16 73 lakhs had fetched business of Rs 0 02 lakh only. The Company had not fixed any responsibility for failure of these visits even in the face of the recommendations of COPU.

The Management stated (July 1995) that no responsibility had been fixed as the officers submitted their tour reports to the Board of Directors wherein they gave full justification of the visit.

In their written reply the Government/Corporation stated as under

As has already been stated in reply to para 2A 8 Haryana State Small Industries & Export Corporation Ltd is the Nodal Agency to carry on the business of export export promotion and coordination of activities of the exporters of the State Foreign visits are also undertaken in furtherance of these activities It is no denying the fact that all such foreign visits whether these are undertaken for export promotion or to secure business in the international market must be undertaken with proper planning programme and targetting the business to be secured Eleven foreign visits have been undertaken for the period under report of the Audit from 1989 90 to 1993 94 All these visits were undertaken after obtaining necessary approval of the BOD and also State Government wherever necessary Out of these 11 visits 9 visits were undertaken after having correspondence and in consultation with the Trade Fair Authority of India/ITPO The total expenditure incurred towards these 11 visits the officers who undertook the visit duration places visited and the activities undertaken have been summarised in the Table given in Annexure A this reply The tour notes containing information about the activities undertaken results achieved by the visiting team and other salient observations relating to the visit were reported to the BOD from time to time after such visits had been undertaken In view of the fact that the tour notes having been placed before the BOD in respect of all the aforesaid visits no further administrative action in the matter was contemplated in the absence of any specific direction from the Board The observations of the Audit are now proposed to be brought to the notice of the Board and for evolving appropriate guidelines for undertaking such foreign visits

The representative of the Government during oral examination admitted that mostly foreign visits had been only for visits abroad and no tangible results have been obtained with these visits The Committee viewed this point seriously and is of the view that no foreign visits should be made by any of the officers unless it is direly necessary

The Committee, therefore, recommend that foreign visits, if necessary, should be undertaken with proper planning in advance and the officer visiting abroad should be held responsible for not fetching adequate export business by virtue of his visit abroad

2A 8 3 (a) Avoidable loss due to non refund of participation charges

6 On a proposal (January 1993) from India Trade Promotion Organisation (ITPO) the Company decided (March 1993) to participate in Buyer Seller meet Tokyo to be held from 30 August 1993 to 2 September 1993 Total participation charges were fixed by ITPO at Rs 1 36 lakhs Rules for the participation *Inter alia* provided that the participation charges would be refunded in case of withdrawal of participation before selection of participants by ITPO

Conveying its decision for participation in the meet the Company informed ITPO (March 1993) that the participation charges would be remitted after approval from the State Government. It was however noticed in audit that though the Company had sent participation fee in May 1993 and its selection for the meet was conveyed in June 1993 Government's approval was sought on 19 August 1993 just before 11 days of the holding of the meet. The Government did not approve (August 1993) the participation. On being requested by the Company (August 1993) ITPO refused (September 1993) to refund the participation charges on the ground of last minute withdrawal by the former.

Delayed action on the part of the Management had thus resulted in a loss of Rs 1.38 lakhs (including Rs 0.02 lakh on visas and cancellation fee of tickets). The Government had asked (October 1994) the Company for fixation of responsibility for the loss. Responsibility had not been fixed (July 1995).

The Management stated (July 1995) that in future Government's approval would be obtained before remittance of participation charges.

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

In response to a proposal received from India Trade Promotion Organisation the Corporation decided to participate in Buyer Seller Meet Tokyo which was to be held from 30.8.93 to 2.9.93. Total participation charges were indicated by ITPO as Rs 1.36 lacs (US Dollar 4000 and Rs 10,000). Approval of Board was obtained in the Meeting held on 30.3.93 for participation in the aforesaid Buyer Seller Meet. The Board passed the following Resolution in this regard:

RESOLVED to approve the participation of the Corporation in the Buyer Seller Meet (BSM) for Home Furnishings in Japan in Nov. 13, 1993 instead of Angua Food Fair, Cologne (Germany) in Oct. 93.

RESOLVED Further that the team of the Corporation should also plan to visit some countries adjoining Japan to explore the possibility of export.

Pursuant to above the Corporation remitted the participation charges to ITPO on 10.5.1993. A reference was also made to the State Govt. on 19.8.93 for approval of the visit of the then Managing Director Sh. D. V. Bhatia to attend the aforesaid meet alongwith Sh. N. Malhotra, General Manager (Exports) of the Corpn. The State Govt. after considering the matter conveyed its decision vide letter dated 13.9.93 whereby the Corpn. was disallowed to participate in the aforesaid BSM and further directed to seek refund of the money deposited with ITPO. In the meanwhile the Corporation after ascertaining the status of the case with the State Govt. of its own sent a tlx message dated 23.8.1993 requesting the ITPO authorities to refund the amount already sent to that institution in this behalf. Subsequent follow up was also made. However ITPO authorities through their fax message dated 1.9.1993 declined to refund the amount as the name of

the Corporation had already been included in the Show Catalogue published by ITPO and the request of the Corpn was belated

The State Govt in its communication dated 25 7 94 addressed to the Director of Industries Haryana asked him to fix responsibility for the loss of Rs 3 36 034 incurred by the Corporation in the aforesaid transaction The decision of the State Govt. was conveyed to the Corpn vide endorsement dated 4 10 94 of the office of Directorate of Industries After consideration of the facts and the circumstances of the case it was decided to place the matter before the Board for appropriate decision as the money had been remitted to the ITPO as a sequel to the decision of the BOD The matter will now be placed before the Board in its next meeting alongwith the decision of the State Govt to take a final view in the matter

The Committee is surprised to note that the Company has not taken any action against the officer/official who was in default in depositing the participation charges in advance despite directions from Director of Industries Haryana

The Committee, therefore, recommend that the loss to the Corporation by way of depositing participation charges without the approval of the Government be recovered from the officer/official in default under intimation to the Committee

2A 8 3 (c) Loss due to defective agreement

7 On the recommendations of PHD Chambers of Commerce and Industries (PHDCCT) the Company participated in Ohio State Fair Columbus held in August 1988 after getting approval from its Board of Directors on 29 June 1988 Profit of Rs 1 50 lakhs had been anticipated in the participation by taking handloom goods garments gift items etc worth Rs 5 to 6 lakhs on consignment basis The Company however suffered a loss of Rs 3 21 lakhs (including goods lost in transit Rs 1 88 lakhs and excluding profit of Rs 0 50 lakh earned on goods sold for Rs 1 lakh) in addition to wasteful expenditure of Rs 1 32 lakhs on the visit of its officers as it could transact business worth Rs 1 lakh only The following points were noticed in audit

(i) While getting the approval for visit from the Board (29 June 1988) the Management had submitted that the goods would be taken on consignment basis from parties Infact, the Company had already tied up on 27 June 1988 with M/s New Era Steel Company Delhi for association in participation of the fair on the term that the profit would be shared equally by the firm and the Company but the loss would be entirely borne by the Company

(ii) As the Board had approved for taking the goods on consignment basis the Company should have fixed commission on sales and expenses borne by the consignor On the contrary the Company agreed to bear entire expenses (excluding air tickets to two representatives of the firm)

(iii) As per tour report of the officers of the Company Columbus was not the right place for holding International level fairs and the PHDCCI had no experience of organising fairs of handicraft goods PHDCCI had neither associated Trade Fair Authority of India (now ITPO) nor approached Ministry of Commerce for assistance in organising the fair As the Company participates in the exhibitions and fairs organised by ITPO requisite spade work should have been done before the venture

(iv) Secretary Industries Department observed (June 1991) that it was irresponsible on the part of the officials to have undertaken tour to Ohio State Fair which was in fact a cattle fair

The Management stated (July 1995) that the fact about the fair being a cattle fair came to its notice only on return from the fair On that basis a strong resentment was shown by the Company to PHDCCI It was also stated that the agreement was a reasonable one as expenditure on inventory deputing two officials their air travel etc were to be borne by the firm The reply is not tenable as

- (i) the term regarding bearing of full loss by the Company was against its interest
- (ii) no claim for compensation for loss sustained due to the fair being cattle fair was lodged with PHDCCI

In their written reply the Government/Corporation stated as under

On receipt of a communication dated 10 5 1988 from PHD Chamber of Commerce & Industry the proposal to participate in the OHIO State Fair at Columbus (USA) was examined by the Corporation The matter was considered in the Board meeting on 29 6 1988 and following decision was taken

RESOLVED that a team consisting of two officers i.e. Chairman and the Managing Director may attend OHIO State Fair at Columbus from 4th to 21st August, 1988 Further the team may reach Columbus atleast two days in advance to get the goods cleared and also may visit the neighbouring export potential cities in USA for another three days after the fair

RESOLVED further that approx expenditure of Rs 2 50 lacs on the participation be and is hereby approved

As a sequel to the aforesaid decision negotiations were held with M/s New Era Steel Co New Delhi who were already operating as a consignor in the Corporation emporium at New Delhi The terms and conditions at which M/s New Era Steel Co was proposed to be associated for participation in the aforesaid Fair were considered and the acceptance of the same was conveyed to the party for which the approval of the then M D and the then Chairman was also obtained A reference was also made to the State Govt on 29 6 1988 seeking approval for

the proposed visit of the then Chairman Sh Pratap Singh and the then M D Sh Alak Dhan for participation in the aforesaid Fair. The approval of the State Govt to this effect was received vide their communication dated 23 7 1988

The Corporation incurred an expenditure of Rs 7 08 067 85 towards participation in the CEIO State Fair

The terms & conditions on which M/s New Era Steel Co New Delhi was associated as a consignment partner were never formalised by way of an agreement. It appears that the Corpn anticipated a profit in the transaction and as such agreed to the terms and conditions conveyed by the party. As the events turned to be the Corpn incurred loss for which the liability of the party became questionable.

The fact that the aforesaid fair being a Cattle Fair did not come to the notice of the Corpn as the communication received from PHD Chamber of Commerce & Industry did not have any mention of it. Instead the Chamber in their communication emphasised that the event will be welcome opportunity for the Corporation for displaying and selling its products which are normally sold through Emporia outlets. After taking into account the observations made by the State Govt /Audit and the Tour Note submitted by the visiting officers of the Corpn a communication dated 13 9 96 has been addressed to the PHD Chamber of Commerce & Industry conveying displeasure of the Corpn for a misleading communication resulting thereby in loss to the Corporation.

In this context it is further to state that M/s New Era Steel Co New Delhi had entered into arbitration proceedings with the Corpn for settlement of its outstanding accounts for the consignment counter being operated in the Corporation Emporium at New Delhi. Sh D V Bhatia the then Additional Director Industries was nominated as Arbitrator by the Commissioner Industries and in terms of the Arbitration Award an amount of Rs 8 47 lacs plus interest amounting to Rs 2 16 lacs (total Rs 10 63 lacs) was awarded in favour of the party. While the matter was pending before the Civil Court for converting the award to the rule of the Court, negotiations were held with the party to have a out of Court settlement. In terms of the settlement arrived at with the party an amount of Rs 8 25 lacs was paid to the party as full and final settlement of all outstanding claims. While the settlement was arrived at, the Corpn took notice of losses incurred by it during the participation in the CHC State Fair while the same party was an associate consignor of the Corpn and the Corporation tried to make good the loss to the extent it was possible during the course of settlement.

The Committee is of the view that the interests of the Company were not protected while entering into agreement with the firm and Company failed to know that it was a cattle fair.

The Committee, therefore, recommend that responsibility of the erring of ficer for such hasty and overzealous action unfavourable to the health of the Corporation be fixed and need be penalised under intimation to the Committee

2A 11 Rural Industrial Scheme

8 Rural Industrial Scheme was entrusted to the Company by the State Industries Department in 1978 for conducting various activities of training etc for which grant in aid was being received from the State Government for revenue as well as capital expenses Full grant was received up to 1981 82 Thereafter the grant was gradually reduced by the Government on the ground that the complexes under the scheme were to be operated on commercial basis after five years COPU had recommended (March 1994) that expenditure should be strictly regulated as per grants in future

It was however noticed in audit that the Company did not take effective steps to keep the expenditure within the grants resulting in excess expenditure of Rs 220 58 lakhs over the grants up to 1993 94 Of this adjustment of Rs 133 94 lakhs (acquisition of assets Rs 128 32 lakhs and sale of land Rs 5 62 lakhs) was made in 1992 93 thereby leaving an excess of Rs 86 64 lakhs which was charged to Company's revenue during the years 1992 93 and 1993 94 The excess expenditure could have been avoided had the Company taken timely action for keeping the expenditure within the grants The Board had declared (June 1993) 174 posts (including 141 of the scheme) as surplus to be retrenched on the principle of Last come first go Action on the decision of the board had not yet been taken (June 1995)

In their written reply the Government/Corporation stated as under

After 1981 82 when the grants started to reduce gradually the matter was taken up with the State Govt number of times to release the grants for total No of employees recruited under the Scheme as the Complexes which were expected to be operated on commercial basis did not come up to the expectations due to various circumstances prevailing in these years Thereafter as rightly pointed out the excess expenditure was off set by way of acquisition of assets leaving behind the excess of Rs 86 64 lacs only The Company after the decision had been taken to declare 174 posts as surplus approached the Surplus Cell of the State Govt for getting surplus staff adjusted in other Govt /Semi Govt Deptts The process has started on the recommendations of the State Govt and Bureau of Public Enterprises and it is likely to reduce quite a bit of the expenditure under the Scheme The Corporation is also making efforts to transfer some of the employees working under the Scheme to other Branches Some of the employees have already been adjusted in other organisations

Besides the Company had started taking effective steps to keep the expenditure within the grants available as it took up the matter with the State Govt for allowing Company to charge 5% service charges on the sale of Reserved items

State Govt allowed the same in the year 1994 95 which was made effective w e f 1 9 95 To further enhance the revenue generation the Distt marketing Centres having surplus staff associated with the Scheme were entrusted the sale of non reserved items which also generated extra revenue The figures given below would indicate the facts —

	1995 96
Revenue Earned by sale of Reserved & Non Reserved items by staff under the scheme including surplus staff	24 24 lacs
Grant in aid received during 1994 95	35 00 lacs
Total Income	59 24 lacs
Expenditure during 1994 95	61 29 lacs
<i>Loss</i>	<i>2 05 lacs</i>

It can be seen that the loss was only to the tune of 2 05 lacs as the service charges were effective from 1 9 95 This makes evidently clear that the surplus staff was gainfully utilised and the situation would further improve in the coming year i e 1996 97 and onwards The Targets for the sale of Reserved & Non Reserved items have been kept as 1050 lacs for the year 1996 97 generating an expected income of Rs 52 50 lacs Expected grant in aid would be 30 to 35 lacs Thus taking into account minimum of Rs 30 lacs as grant available expected income would be $52\ 50 + 30 = 82\ 50$ lacs against an anticipated expenditure of Rs $61\ 20 + 20\% \text{ increase} = 73\ 55$ lacs Thus anticipated profit would be $= 8\ 95$ lacs

Thus the surplus staff has been gainfully deployed and side by side efforts are on to get the surplus staff adjusted in other Boards/Corporations to further improve financial position of the Corporation As a result 15 No of persons have been adjusted Some of the staff has been gainfully deployed in other wings of the Corporation as a result of which the balance amount of Rs 86 64 lacs could be charged to revenue head of the Corporation

The Committee noted that the Company could not keep the expenditure on RI scheme within the grants and complexes under the scheme could not be run on commercial lines as per directions of the State Government

The Committee recommend that the expenditure on RI scheme be kept within the grants available and surplus staff be gainfully utilised in other units of the Company and/or adjusted in other Government/Semi Government Departments

2B HARYANA HARIJAN KALYAN NIGAM LIMITED (REVIEW)

2B 5 3 Special central assistance

9 The Company had received Rs 4491 77 lakhs up to 31st March 1994 on account of special central assistance (since 1982 83) for providing additional benefits to the members of the community including Rs 326 05 lakhs for rehabilitation of scavengers from the Government of India. A sum of Rs 806 04 lakhs was lying unutilised as on 31 March 1994 (Rs 463 lakhs since 1990 91). Besides a sum of Rs 117 26 lakhs (Government of India Rs 58 63 lakhs State Government Rs 58 63 lakhs) as matching assistance was received up to 31st March 1994.

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

It is submitted that the amount of special Central Assistance is generally received in two instalments in a year. The first instalment is received in the month of September or October whereas the second instalment is received at the fag end of the respective financial year. Thus the amount of second instalment which is received during the month of March of the respective year is generally carried forward for the next year till the first instalment of SCA is received. Rs 326 05 lacs was received for the rehabilitation of scavengers from the Govt. of India out of which only 91 41 lacs was utilised. The remaining funds have been utilised in the subsequent years. So far as the utilisation of matching assistance is concerned the same were utilised towards administrative expenses in the very year when it was received.

The Committee noted that special Central Assistance of Rs 806 04 lakhs (including Rs 463 lakhs since 1990 91) was lying unutilised as on 31st March 1994.

The Committee desired to know the year wise break up of unutilised amount of special central assistance vis a vis its utilisation. The whole of matching assistance was stated to have been utilised towards administrative expenses. The Committee wanted to know whether the matching assistance was received only to cover the administrative expenses. If so what are such other sources from where the administrative expenses are met.

2B 7 Cash management

10 The Company had not evolved any system for preparation of cash/funds flow statements to keep close watch on the funds position and to utilise surplus fund. A test check of main operating accounts for the year 1993 94 revealed that the Company kept heavy balances in the banks from April 1993 to October 1993 ranging between Rs 35 75 lakhs and Rs 74 17 lakhs. Had the Company kept the amounts in short term deposits after keeping a minimum balance of Rs 10 lakhs for day to day requirement, it could have earned an interest of Rs 1 53 lakhs.

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

Surplus funds are generally kept in the short term deposits but to meet the urgent requirement of field offices for disbursement of loan to scheduled caste beneficiaries adequate funds have to be kept in Saving Bank Accounts also because the Nigam has to transfer funds to field offices on receipt of their requirement. There are 16 district offices functioning in the State and it is essential to keep adequate funds in saving bank accounts to meet their urgent demand.

The Committee recommend that funds should be used in the best interest of the Nigam and excess amount should not be kept in the saving accounts

2B 8 (B) Targets and achievements

11 The Company fixed annual targets for advancing loan/subsidy/margin money. Following table shows the achievements vis a vis targets fixed for five years up to 1993-94

Sr No	Particular	1989-90	1990-91	1991-92	1992-93	1993-94
(A)	Number of applications received	31985	19161	28820	27842	24426
(B)	Targets					
(i)	Number of beneficiaries	16400	16525	15000	16000	12000
		(Rupees in lakhs)				
(ii)	Margin money	143.97	157.45	207.87	218.75	231.27
(iii)	Subsidy	337.30	339.10	626.46	705.84	758.60
(iv)	Direct loans	Nil	12.50	161.88	439.44	556.47
(C)	Achievements					
(i)	Number of beneficiaries	14846	8311	11518	12875	11296
		(Rupees in lakhs)				
(ii)	Margin money	119.50	79.83	126.58	134.20	124.15
(iii)	Subsidy	279.54	256.84	407.13	462.98	496.91
(iv)	Direct loans	Nil	Nil	Nil	183.89	166.92
(D)	Percentage of achievements to targets					
(i)	Beneficiaries	90.52	50.29	76.79	80.47	94.13
(ii)	Margin money	83.00	50.70	60.89	61.35	53.68
(iii)	Subsidy	82.88	75.74	64.99	65.59	65.50
(iv)	Direct loans	—	0	0	41.85	30.00

It may be seen that in none of the years the Company could achieve physical as well as financial targets despite the availability of funds and applicants. It was also noticed in audit that out of 106648 applications sponsored to banks during the five years up to 1993-94, 53083 applications were rejected by the banks. The percentage of rejection by banks ranged between 46 and 55. The reasons for fixing the targets on lower side and higher rejection by banks were called for from the Company (February 1995) but no reply was received (September 1995).

The following points were also noticed

- (i) The extent of Company's participation in disbursement of loans under various schemes since inception i.e. January 1971 to March 1994 was Rs. 5718.50 lakhs benefitting 2.05 lakh families (12.30 lakh members of the community). No procedure was prescribed to make an assessment regarding the extent to which the objective of socio-economic upliftment was achieved. The Management stated (February 1995) that the post-disbursement inspections were being made but all the cases could not be covered due to paucity of staff. The reply is not convincing as records of such inspections were not maintained. Moreover the Company has not devised any procedure to ensure that the assets created out of the loan were being utilised by the loanee till repayment of loan.
- (ii) Loans of Rs. 426.83 lakhs were disbursed to 475 beneficiaries by the Company in excess of the prescribed limit of Rs. 10000 per beneficiary for purchase of trucks/taxis, agricultural land and auto rickshaws which was ultra vires the object clauses of the Memorandum of Association. Had the Company disbursed the loans as per objective clause they would have covered 4200 beneficiaries.

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

For the 8th Five Year Plan the Nigam had sent a proposal of target to assist 85,000 scheduled caste families but the State Govt. did not accept Nigam's proposal and the Nigam ultimately reduced the targets to 67,000 scheduled caste families keeping in view the availability of funds provided by the Govt. vide this office letter No. Monitoring-93/4360 dated 26.3.93.

So far as the reason of rejection of 53083 applications of scheduled caste families by the Bank is that either they do not come forward to avail the loan facility from the bank or they found defaulters in repayment of loan granted by some other agencies functioning in the State.

The Nigam has created its own Monitoring & Evaluation Cell and the Nigam has been conducting the survey and evaluation regarding how many beneficiaries

crossed the poverty line with the financial assistance provided by the Nigam. The record of survey is being maintained properly. However for detailed study the Nigam has entrusted the work of evaluation to the independent agency (National Productive Council) to see the impact on target group. The report has been received and is being examined. The hypothecation of assets created out of the loan provided by the Nigam is got executed to ensure the loanee may not dispose off the assets till the repayment of loan is made to the Nigam.

The maximum loan in individual cases upto Rs 10000/- as per clause IIIA(3) and loan limit upto Rs 50000/- in partnership cases as per Clause-III (A) (4) of Memorandum and Articles of Association of the Nigam have been got removed by the Board of Directors in their meeting vide Agenda Item No 5/117. Thereafter the share-holders in their extraordinary meeting held on 16.6.95 have resolved that Clause-III (A) (3) and Clause-III(A) (4) are hereby removed by inserting the following two new clauses —

- (i) The Unit cost of all bankable schemes being implemented by the Haryana Harijan Kalyan Nigam would be upto the ceiling financial limit of Rs 35 000/- in each scheme when the unit cost exceeds this limit the approval of the State Govt. is required.
- (ii) As regards schemes being undertaken in collaboration with National Scheduled Castes and Scheduled Tribes Finance and Development Corporation the unit cost would be the same as approved by the National Scheduled Castes and Scheduled Tribes Finance and Development Corporation for each scheme.

The Committee recommend that instructions may be passed on to the field offices to process the cases rapidly with the banks within 30 days as per RBI guidelines and ensure that the benefit of loan assistance under various schemes be passed on to the weaker section of the society.

The Committee asked the Nigam to supply information regarding recovery status of 475 beneficiaries to whom Rs 426.83 lakhs were disbursed ultra-vires the Memorandum of Associations. **The Committee recommend that the said information may be supplied immediately.**

2B.9 Recovery of loans

12. Even though the amount recoverable from loanees was very heavy the targets of recovery were fixed on the lower side without proper justification.

The table below shows the total amount due targets fixed for recovery and achievements thereagainst during the period from 1990 91 to 1993 94

Year	Amount recoverable at the beginning of the year	Amount due during the year	Total amount recoverable	Targets fixed for recovery	Percentage of targets fixed to total recoverable amount	Recovery made during the year (Rupees in lakhs)	Percentage of recovery to targets fixed	Over due amount Outstanding at the close of the year (Rupees in lakhs)
<i>(Rupees in lakhs)</i>								
1990 91	255 93	125 57	381 50	105 46	27 64	13 29	12 60	368 21
1991 92	368 21	136 18	504 39	275 28	54 57	24 29	8 82	480 10
1992 93	480 10	146 28	626 38	230 32	36 77	53 21	23 10	573 17
1993 94	573 17	161 87	735 04	287 00	39 04	68 32	23 80	666 72

It follows from the above table that percentage of recovery to targets ranged between 8 82 and 23 80 within the four years up to 1993 94. Due to low recovery against targets fixed the recoverable amount accumulated to Rs 666 72 lakhs at the close of the year 1993 94. Reasons for heavy amounts remaining in default were not analysed by the Company so as to take remedial action.

A test check of the records of four district offices (Ambala Hisar Sirsa and Kaithal) of the Company revealed as follows

(i) In 23 cases of loans for purchases of auto rickshaws (Rs 2 15 lakhs) and 8 cases of purchase of trucks (Rs 4 80 lakhs) financed by the Company under Bank tie up scheme during the period from 1984 85 to 1993 94 the vehicles were not hypothecated in favour of the Company. In the absence of hypothecation the disposal of the vehicles could not be made to recover the amount of loans. Sixteen cases for purchase of auto rickshaws involving Rs 0 75 lakh and eight cases for purchase of trucks involving Rs 4 08 lakhs were in default as on 31st December 1994.

Out of the above the repayment of instalments in three cases of truck loan (Rs 1 78 lakhs) was not forthcoming since June 1990 May 1991 and June 1991 respectively. But no notice for recovery was issued. In the remaining five cases involving loan of Rs 3 02 lakhs though notices were issued in March 1991 (one case) March 1992 (three cases) and September 1992 (one case) yet no further pursuance was made with the concerned Collectors for effecting recoveries.

(ii) The amount of loan alongwith interest is fully recoverable in five and a half years from the date of disbursement. Thus loans disbursed in the years 1987 88 and 1988 89 had become due. However in 1198 cases (Rs 22 09 lakhs) out of 2616 cases (Rs 36 66 lakhs) for 1987 88 and 1118 cases (Rs 20 81 lakhs) out of 2126 cases (Rs 35

lakhs) for 1988-89 not even a single instalment of principal or interest was deposited by the loanees till March 1995. No action to recover the amount as arrear of land revenue in terms of provisions in the agreement was taken by the Company (March 1995).

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

Consequent upon the waiving off loans Rs 468.56 lacs in respect of beneficiaries who were advanced loan upto Rs 10000/- upto 23.3.1986 the remaining beneficiaries were also reluctant to repay their loan which adversely affected the recovery and they hesitate to refund the loan amount with the expectation that their loans would also be waived off.

There are only two Field officers in the Distt. to effect the recoveries and with this limited staff for the purpose it was very difficult to motivate/mobilise the beneficiaries to repay the loan in time.

No vehicle was available with the Nigam which could mobilise the recovery campaign. Moreover the State Govt. has also restricted the touring upto 10 days in a month.

Keeping in view the above position the recovery targets were fixed. However with the strenuous efforts made by the Nigam the recovery slowly picked up raising it from Rs 12.98 lacs in 1989-90 to 53.21 lacs in 1993-94, Rs 94.34 lacs in 1994-95, Rs 109.17 lacs in 1995-96 and Rs 58.81 lacs in 1996-97 (upto July 1996).

The Nigam has released only margin money to the extent of 25% of the total cost in truck cases and margin money @ 25% alongwith subsidy in the case of Auto rickshaw to the banks concerned. The banks further released the total amount of loan in favour of the seller/dealer of the vehicle on behalf of the respective beneficiaries and get the vehicle hypothecated in its favour but the name of the Nigam for the second charge did not include in the hypothecation deed. So far as the recovery in eight truck cases the position as on 31.7.96 is as under:

	Due	Recovered	Balance
Prin	479615.65	188256.25	316278.87
Intt	62390.43	37502.78	24887.65
P Intt	104029.67	18314.97	60795.23
Total	646035.75	244074.00	401961.75

The regular recovery notices are being issued to the loanees by the District Manager concerned. The District Managers have been directed to make all out efforts to effect the recovery and in case of continuous default collect or cases be made.

AUTO RICKSHAW CASES

The recovery position in respect of 123 Auto rickshaw cases as on 30 6 96 is as under —

Distt	No of cases	Amount disbursed	Amount due	Amount recoverable	Amount balance
Ambala	3	26250 00	14463 44	7905 00	6588 44
Hissar	15	116150 00	117004 10	18370 00	98634 10
Sirsa	2	15000 00	18297 50	6299 00	11998 00
Kaithal	3	22450 00	28886 85	6400 00	22486 65
Total	23	179850 00	178651 69	38974 50	139677 19

Recovery notices are being issued by the District Manager concerned to the loanees for effecting the recovery District Manager concerned has been directed to take all necessary steps for effecting the recovery

The contents of the audit are not correct According to the list of cases supplied by the A G alongwith the audit memo indicates that there are 2325 cases instead of 2316 as pointed out in the para The recovery position as on 30 6 96 in respect of 1208 cases for the year 1987 88 and 1117 cases for the year 1988 89 may kindly be persued at Annexure B & C respectively

From the perusal of the Annexure 'B' out of 1208 cases in 30 cases full recovery has been made Similarly in Annexure 'C' out of 1117 cases in 24 cases recovery has been made full

Regular recovery reminders are being issued by the District Managers for effecting the recovery The District Managers have been directed to take personal interest in affecting the recovery in such cases

The Committee constrained to note that no serious efforts are being made by the Nigam to recover its loans **The Committee recommend that recovery efforts need be strengthened and desired to know the yearwise break up of outstanding amount**

2B 12(b) Computer training scheme

13 The State Government directed (March 1988) the Company to prepare detailed project reports by April 1988 for improving the living conditions of weaker sections to utilise the funds received under Bilateral Aid Assistance Scheme from countries like West Germany The project report for imparting computer training to 144 Scheduled Castes youth in two years was got prepared (December 1988) from Haryana State Electronics Development Corporation Limited at a cost of Rs 4 08 lakhs and sent to State Government (April 1989) for onward submission to Government of India for approval There was delay of one year in submission of report to Government

Pending approval the Company spent Rs 4.09 lakhs on the training (including Rs 2.50 lakhs on equipments) during 1989-90 and 1990-91 and imparted training to only 47 persons during the period from 15th November 1989 to 19th November 1990. Thereafter no training was arranged. The approval of the project was not received from Government of India (April 1995). Thus due to delay in submission of report neither the amount incurred on the project could be recovered nor training to targeted number of persons imparted.

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

It is correct that training to 47 candidates were imparted during the period from November 1989 to November 1990. Thereafter no candidate came forward to get training in Computer. Computers have been lifted from the Haryana State Electronics Development Corporation and efforts are being made to make use of these Computers in the Nigam.

The Committee recommend that computers should be used in the Nigam

3 HARYANA STATE ELECTRICITY BOARD (REVIEW)

(PANIPAT THERMAL POWER PROJECT)

3 4 1 2 Delay due to installation of faulty generator rotor

14 The Unit V which was coal fired unit was synchronised on oil on 28th March 1989 and was closed down after seven minutes operation. It could not be put into operation for about seven months as coal handling system to feed the coal to boiler was not ready. The unit was put on coal firing on 31st October 1989. The unit had run on full loads and varied loads intermittently for only about 277 hours up to 12th January 1990 when earth fault appeared in the generator rotor. It was observed by the BHEL and Board's representatives that whenever the unit was operated near full load and at rotor temperature beyond 85 degree Celsius rotor earth fault alarm appeared. The defective rotor was replaced by BHEL in April 1990. The unit after putting on trial operation on 31st May 1990 was declared on commercial operation from 16th October 1990. Thus due to installation of a faulty generator rotor supplied by BHEL the commissioning of the unit was delayed by 139 days resulting in generation loss of 700 560 Mkw/h valued at Rs 51 41 crores.

There was no provision in the contracts with BHEL for obtaining compensation of generation loss due to supply of faulty equipment.

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

In this connection it is stated that the Generator Rotor is one of the major and vital part of turbo generator and the same was accepted after proper inspection by the senior Engineers of the Board and also senior representatives of M/s Desam Pvt Ltd New Delhi the consultants for Unit 5. Inspection party witnessed various tests on the rotor at BHEL works at Hardwar & consultants also conducted other tests of the rotor. Thus the clearance for acceptance of generator/rotor was given after thorough checking and scrutiny. Rotor was healthy and subsequent defect in the rotor was a Mechanical/Electrical failure in the equipment which can occur in any equipment and the same can not be predicted before hand. It is true that Board had to suffer a great loss of generation but it is clarified here that BHEL Hardwar gave free replacement of generator rotor (approx cost being Rs 4 crores) and all the other charges for dismantling the generator to and fro transportation insurance and re erection and commissioning were also back charged to BHEL. Generation loss can be termed as consequential loss which is not covered in the contract to be compensated by the manufacturer.

The Committee is of the view that inspection of the generator rotor valuing Rs four crores appears to be faulty. Had the test carried out properly before installation, the generation loss of 700 560 Mkw/h could have been avoided.

The Committee, therefore, recommend that action against the erring officers who were responsible for faulty inspection may be initiated immediately and report of the same be furnished to the Committee within three months. The Committee further desired that the Board may consider the desirability of provision in the future contracts for indemnifying the loss of generations due to supply of faulty equipments by the suppliers.

3 4 1 3 Incentive to construction staff

15 The Board allowed (December 1991) an incentive of Rs 14.43 lakhs to its officers and staff of Unit V for their involvement in achieving the synchronising of the unit (on 28th March 1989) in less than five months after boiler light up (8th November 1988) as against normal period of six months.

However as stated in para above the operation of the coal fired unit on oil on 28th March 1989 remained for seven minutes only and unit was shut down thereafter as various construction works were pending and coal handling system to feed the coal to boiler was not ready. The unit was actually synchronised on coal firing on 31st October 1989 in more than eleven months after boiler light up. The ground on which the incentive was paid to the staff was not justified.

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

The Panipat Thermal Standing Committee in its meeting held on 19.5.88 while reducing the programme for the boiler light up from Nov 1988 to Sept 1988 and its synchronisation by Feb 1989 decided to announce the following incentives/award to the staff for achieving the above target —

- (a) 2 months basic pay on revised scale if the unit is synchronised between 1st February to 28th February 1980
- (b) 1½ months basic pay if the unit is synchronised between 1st March 1989 to 31st March 1989

Due to certain constraints the boiler light up of Unit 5 was done on 8.11.88 only. However concerted efforts were put in by the project officers/officials to achieve the target within the reduced period between boiler light up and synchronisation consequently the unit was synchronised on 28th March 1989.

In this context, it is informed that synchronisation of unit is a major milestone which represents successful operation of equipment of Boiler and T G and other allied services. The unit was successfully synchronised on oil on 28th March 1989. The unit was de energised after a shortwhile since further running of the unit was of no consequence as the generation could not be sustained. Synchronisation on coal firing was achieved on 31.10.89 only as the related activities could not be tied up together before that date.

In view of earlier decision taken on 19.5.88 the P T S C having achieved the major milestone of synchronisation of the unit on 28.3.89 cash incentive was sanctioned by the Board vide o/o No 475/Finance dt 21.12.89 for payment of incentives award to the project officers/officals

The Committee feel that the payment of incentive to the staff for synchronising the unit on oil on 28th March 1989 was not justified as the unit was actually synchronised on coal firing on 31st October 1989. **The Committee recommend that the Board should desist from taking such hasty decision involving extra financial liability to the Board**

3.4.2.1 Avoidable payment of price escalation and over run charges in erection of boiler

16. A letter of intent was placed on BHEL in May 1980 for supply of boiler equipments. The supply started in August 1982 was scheduled to be completed by June 1985. On the Board request the supply of boiler equipments was suspended between May 1983 and December 1984 as connected activities (prerequisite to erection of boiler) of piling foundation etc. which were to be executed by other agencies were delayed due to shortage of cement. Though erection of boiler equipment was dependent on its supply and BHEL had been advised to suspend its supplies yet the Board placed a work order valuing Rs 302.40 lakhs in November 1984 on Punjab Chemi Plant Limited (PCPL) for erection, testing and commissioning of the boiler equipments by 18th January 1987. Prices of PCPL were firm and overrun/escalation charges were payable by Board if the work was delayed beyond January 1987. The action to award the work of erection was thus premature. The Board requested BHEL (January 1985) to resume supply of boiler equipments so that the process of steam blowing was achieved in February 1987. The value of erection work completed by PCPL up to January 1987 (the scheduled date of completion) was only Rs 4.24 lakhs (1.4 percent) and the total work was completed only in July 1990 after the supply of boiler equipment by BHEL was completed in June 1990.

The Board paid Rs 98.46 lakhs to PCPL on account of over run charges (Rs 65.75 lakhs), price escalation (Rs 27.71 lakhs) and payment for accelerated efforts put in by them to complete the work (Rs 5 lakhs).

Thus due to defective planning and coordination in placement of order on PCPL without finalising the delivery schedule for supply of boiler and its auxiliary from BHEL the Board had to incur avoidable extra expenditure amounting to Rs 98.46 lakhs.

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

The observations made by the Audit are not based on the facts and therefore are not correct. The facts about the cash are detailed out as under —

The work order for reaction testing & commissioning of boiler & its auxiliaries of units 5 was placed on M/s PCP in November 84 with the approval of Project TSC with the schedules of commissioning of unit 5 fixed as June 1987. It may

be realised that with the schedule of commissioning fixed the work order on M/s PCP was issued at the absolutely proper time as erection testing and commissioning of 210 MW unit requires 32 months as per norms fixed by Central Electricity Authority the apex body for power project in India

Further observations of audit that placement of order on M/s PCP was without ensuring supply of boiler & auxiliaries from M/s BHEL is totally misplaced as sufficient sequential material for starting the work at site had already been received from BHEL and moreover BHEL had also been authorised to restart the supplies of material in December 1984 For such a big job the erection agency normally takes 3 months to establish and mobilise the erection site for start of erection job Thus it is established that work order on M/s PCP for ETC of boiler and auxiliaries for Unit 5 was placed at technically proper time and during subsequent period also non receipt of any material from BHEL never became a major source of hold up in progress of work

A letter of intent for supply of boiler & turbo generator and their auxiliaries for unit 5 was placed on M/s BHEL in May 1980 Number of meeting was held between HSEB and BHEL to freeze the scope of supply of material (Technical) and to finalise the financial terms and conditions On the basis of the freeze scope BHEL submitted the price bid which was negotiated at the level of Chairman HSEB and final price was agreed upon Thereafter BHEL started the supplies of material

While finalising the terms and conditions of the contract, neither a fixed definite completion schedule of supply was defined nor any delay in delivery clause was fixed As already detailed above BHEL supply was never a constraint in completion of Unit 5 The reasons for delay in completion of Unit 5 had been due to paucity of funds which had a cascading effect on the progress of work on each & every stage The issue of detailed purchase order on BHEL in June 1990 was only a formality as and in the detailed purchase order technical scope freeze and terms and conditions agreed in various MOMs were incorporated by referring to MOMs

The issue of detailed purchase order at a delayed stage and non incorporation of definite supply schedule was never a factor in delay in commissioning of Unit 5 and true the reason for extra expenditure to erection agency (Rs 98.45 lacs) BHEL never delayed the supplies for Unit 5 rather it was HSEB who requested BHEL to postpone the supplies as project was not progressing as per schedule fixed due to shortage of funds On the contrary if BHEL would have supplied the material in one go without, co relating with requirement of the Project, then HSEB would have even suffered further loss as prolonged unplanned storage would have deteriorated the material and Board have to spent huge amount in repairing the material & then bringing the same in proper condition

Rather delay in one activity had a cascading effect in the progress of other activities of project as for example is evident from

- 1 Turbine hall with fully commissioned EOT crane was made ready for the erection of turbine only in April 1987 and boiler cannot be commissioned as the same has to be linked with TG at numerous stages
- 2 Unit 5 was commissioned on oil in 3/89 & then had to be boxed up as coal handling plant was not ready which was made operational only in 10/89

Conclusively supplies from BHEL was never a factor for delay in commissioning of unit But the progress on all fronts of projects was slow due to injection of inadequate funds The work order on M/s PCP was placed at proper time but further shortage of funds in later years effected the progress of project on all fronts and eventually delayed the project & Board had to incur additional expenditure also

The Committee noted that only 14 per cent of the work was completed within the scheduled date of completion and the Board's reply that it was due to funds constraints was not tenable as the over run charges (Rs 65.75 Lakhs) and price escalation (Rs 27.71 Lakhs) could have been avoided had the Board coordinated the construction work with the supply of boiler equipment from BHEL

The Committee, therefore, recommend that the officers/officials in default for such time over runs should be penalised

3.4.3 Unjustified investment on track hopper in Coal Handling Plant

17 The Project had two wagon tippers for unloading coal (for unit I to IV under stages I and II) on common hopper from conventional railway wagons It was decided to instal two more wagon tippers for unit V (Stage III) with similar arrangements However Kumarmanglam Committee set up by the Planning Commission to study coal handling arrangements observed that multiplication of tippers would not improve unloading of coal and recommended that the project should go in for track hopper with adequate conveyor and crushing capacity so as to avoid modification for handling coal for the existing as well as subsequent units Further the Department of Railways was to decide the design of wagons (Central discharge hopper wagons) suitable for open line traffic and mass production thereof and intimate the power houses for providing of the track hoppers Considering the volume of investment anticipated by the Railways the Government of India (Ministry of Energy) asked (October 1983) the State Electricity Board for equity participation for procuring prototype hopper wagons The Board informed (December 1983) the Government that it was not in a position to share the expenditure involved due to financial constraints However the Board without ensuring the implementation of the recommendations of the Committee regarding availability of

hopper wagons placed (April 1985) a work order on Davy Ashmore India Limited Calcutta for installation and commissioning of a 300 meter long track hopper suitable for unloading the coal through hopper wagons. The installation was to be completed by September 1986. The contractor completed after about six years (May 1992) the work of track hopper at a cost of Rs 361.70 lakhs. Besides the Board had paid Rs 28 lakhs to the Railways for construction of the railway track. Thus the track hopper was completed at a total cost of Rs 389.70 lakhs.

The Board in addition to the above placed (August 1985) another work order for design manufacture delivery construction and commissioning of two wagon tipplers and their auxiliaries on Engineering Projects India Limited New Delhi at a lump sum price of Rs 428.05 lakhs with a completion schedule of September 1986. The two wagon tipplers were constructed and commissioned in October 1989 and October 1990 at a total cost of Rs 492.05 lakhs. Both the arrangements (track hopper and two wagon tipplers) for handling of coal on the Project were independently sufficient for unit V under stage III as well as for future requirements of units VI and VII. With the commissioning of unit V under stage III in October 1990 unloading of coal was being done by the above two wagon tipplers. In the absence of availability of specially designed hopper wagons from Railways the track hopper constructed (May 1992) at a cost of Rs 389.70 lakhs was lying idle (March 1995).

Since two wagon tipplers installed and commissioned in October 1989/1990 could meet with the requirement for handling of coal for unit V under Stage III as well as for future requirement of units VI and VII the huge capital investment of Rs 389.70 lakhs made by the Project in installation of track hopper without ensuring availability of requisite hopper wagons was not justified.

In their written reply the Government/Board stated as under

In this context, it may be pointed out that Kumar Manglam Committee in its report under Para 3.3 had mentioned that the multiplication of tippler without removing constraints in the matter of arrangement of tipplers common hopper and limited crusher capacity will not improve unloading. The constraints regarding tipplers having common hopper etc are also covered by the said committee.

Panipat Thermal Power Project at present is having 4 units of 110 MW under stage I & II which are being fed with two No. wagon tipplers and at times when all the four units are running at full load it becomes quite difficult to feed the units with existing system due to coal quality (i.e. site boulder shales etc.) and the lower grade of coal being made available from the collaries. A separate specification for augmentation of the capacity of coal handling plant for unit I to IV have been got prepared from CEA and the scheme is under consideration for funding of the same through state renovation programme. The requirement of

the project for feeding of coal to unit V and for future units in Stage IV & V was for two wagon tippers staggered 50 meter apart with individual hoppers and for a manual unloading hopper. The provision for manual unloading hopper is being kept at all the power stations and was essential requirement to this project also keeping in view the requirements of Railway & Central Electricity Authority in forming that the project will be getting certain %age of coal in covered wagons also.

The arrangement provided under stage III adequately takes into account all the aspects regarding manual unloading as well as the requirements of ground hopper and for future introduction of Central discharge wagons by railway also. The manual unloading hopper is also helpful in expeditious unloading of open wagons during maintenance and breakdown of wagon tippers and also during receipt of poor quality coal (Muddy coal etc). Presently the project is having only one unit i.e. unit No. V the requirement of which is adequately being met with by the available wagon tippers.

The wagon tippers only may not be sufficient to meet with the full load requirement of future coming up units as the coal being received at Power Stations is generally not of designed specifications quality and contain big boulders, stones & shales etc. The manual unloading hopper is got provided by the Project will be fully in use on the coming up of the future units and also on the introduction of central discharge wagons by Railway Authorities.

The Committee is of the serious view that in the absence of centrally discharge wagons erection of track hopper in coal handling plant was not justified. The Committee, therefore, recommends that the officers who proposed to erect the track hopper and those who approved its execution resulting in blockade of Board's funds to the tune of Rs. four crore since 1992 (not utilised so far) for future utilization on the availability of centrally discharge wagons for which no action had been taken so far due to paucity of funds and well known to the officers of the Board should be immediately taken to task. Action taken on the concerned officers may be intimated to the Committee within three months.

3.4.5 (c) Inventory management

18. Construction wing of the Project held inventory of Rs. 11.08 crores as of January 1995 which included cement and steel items (Rs. 1.07 crores) and general store (Rs. 10.01 crores). A test check of records of general store revealed that in November 1990 out of store items costing Rs. 46.08 lakhs the Chief Engineer (Construction) declared store items of Rs. 38.78 lakhs as slow moving and Rs. 7.30 lakhs as non moving. Action to identify the obsolete inventory had not been taken (May 1995).

Besides cable accessories worth Rs. 20.39 lakhs were identified surplus and awaited disposal (May 1995).

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

The items in question have been identified and a list of such items has been sent to the Controller of Stores and all XENs C/S vide memo No 1974 dt 30 8 95 and 2210 dt 27 9 95 respectively. The matter has also been referred to Director Disposal HSEB Panchkula vide memo No 535 dt 12 3 95 for disposal of the same.

The list of cable accessories has also been circulated to the Controller of Stores and all SEs/TCC, Xen Grid Const CE/Const and Director Disposal HSEB Panchkula vide memo No 2885 dt 19 12 95 335 dt 22 4 95 1984 dt 20 8 95 623 dt 22 8 96 and 1445 dt 21 8 96 respectively for the disposal of surplus items.

The Committee recommend that the surplus stores be disposed of immediately under intimation to the Committee and such stores should not be allowed to accumulate in future

3 5 2 Expenditure on insurance premium

19 The Board took Marine cum Erection insurance cover for stage IV equipments (for 210 MW unit VI) including accessories aggregating Rs 327 94 crores for the period from February 1991 to June 1996 at an insurance premium of Rs 2 23 crores to be paid in instalments. The project authorities incurred expenditure of Rs 132 62 crores up to March 1994.

Project authorities after making payment of insurance premium amounting to Rs 1 74 crores up to November 1994 requested (December 1994) the Insurance Company to defer/terminate the MCE insurance policy on the grounds that erection activity which is the major constituent of the activities had not started and was likely to be further delayed. The Board sought for refund of insurance premium admissible on account of non starting of erection work at site and requested for issue of Storage Insurance Cover for the material received at site so that no further insurance premium is payable except for the storage insurance. The Insurance Company had not responded to the request of project authorities as of March 1995.

In their written reply the Government/Board stated as under

Board had taken Marine Cum Erection (MCE) insurance cover for stage IV Unit 6 equipments (for 210 MW) valid from Feb 91 to June 96 considering the MCE insurance cover to be most economical one at an insurance premium of Rs 222 91 lacs to be paid in instalments. The insurance policy is to cover the risk of various equipments during transit storage at site erection testing and commissioning etc. To carry out the various activities of the project necessary out lay was approved in the various financial years in the annual plans. During

1994 95 an initial outlay of Rs 4790 lacs was approved which was further revised to Rs 8390 lacs for the year 1994 95. The project had incurred an expenditure of Rs 4918 lacs in 1994 95 but due to non availability of funds even after approved outlay to the tune of Rs 8390 lacs (revised) for 94 95 no erection activity could be started at site even though equipments for Boiler TG and their accessories more than 60% of the total quantity had already been received at site (supplied by M/s BHEL). It is further added that bills for payment of Rs 8533 lacs are still pending (for payment to M/s BHEL & M/s Gammon etc). Even an outlay of Rs 6494.20 lacs was also approved for the year 1995 96 but no progress could be made towards erection activity as funds were not made available.

At the end of 94 95 when it became clear that approved outlay is not resulting into availability of funds and also participation of IPP is being expected for executing the erection of Unit 6 PTPP the project authorities took up the matter with the insurance Co M/S OIC vide letter No Ch 317/PTP/Stg IV/BCD IV dt 13 12 94 for the deferment/termination of the MCE insurance policy of Unit 6. Even the instalment due for Rs 1307985 towards insurance premium during Feb 95 was not paid and the matter was vigorously pursued with M/S OIC vide No Ch 6/PTP/Stg IV/BCD III dt 24 1 95 Ch 13/PTP/Stg IV/BCD III dt 6 2 95 followed by various reminders and last one vide No Ch 56/PTP/Stg IV/BCD III dt 18 5 95. The matter was even discussed by the project authorities at the level of Chairman OIC New Delhi and Regional Manager OIC Chandigarh.

As a result of efforts put in by the Project Authorities the Insurance Co finally agreed for the further extension of MCE policy from 6/96 upto June 99 with the nominal increase of additional premium of Rs 26 22 530 with next instalment due for payment on 8 8 96 for Rs 261223 and further quarterly instalment payment of Rs 815961/- with last instalment to be paid on 8 11 98 of Rs 815899/- by adjusting a sum of Rs 173 33 lacs already paid towards insurance premium to M/s OIC upto Nov 1994.

The above proposal of the Insurance Co has also been approved by PTSC on 29 8 95 in circulation.

The Committee observed that the belated action of the Board only in November 1994 to defer/terminate the MCE insurance policy and extending it upto June 1999 by paying additional amount of Rs 26 lakhs while there is no perceptible improvement in the flow of funds for the unit VI was not justified. **The Committee, therefore, recommends that officers/officials responsible for taking unnecessary insurance in the absence of erection be identified and held responsible under intimation to the Committee.**

3 7 1 1 Loss due non replacement of station batteries

20 During grid failure station batteries maintain direct current (DC) supply to auxiliaries of the turbo generator including supply of current to (DC) emergency oil pump for oiling the bearings of the turbo generator.

It was noticed that the station batteries of units I and II installed in 1978-79 were due for replacement in 1989. Though the electrical maintenance wing submitted (October 1989) their requirement of two sets of the batteries to material management wing, an order for supply of the batteries was placed as late as in July 1992 on Standard Batteries Limited, New Delhi at a cost of Rs. 10.91 lakhs. The Batteries were received in November 1993.

During grid failure (26 October 1993), DC emergency oil pump of unit II did not work for want of adequate DC voltage of existing batteries which resulted into starvation of bearing and serious damage to the turbo generator. After replacing the batteries (December 1993), the unit II was synchronised on completion of repair of bearings (8 January 1994) at a cost of Rs. 51.07 lakhs. Thus, delay in procurement of batteries resulted in damage to the turbo generator and consequential loss of generation of 192,720 Mkw valued at Rs. 26.34 crores during the period from 26 October 1993 to January 1994.

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

There is no prescribed life for replacement of station batteries. However, the User Section sent an indent for the procurement of 2 sets of batteries to material management section in Oct. 1989. It was decided to purchase the batteries through press tenders. The purchase order for the supply of batteries was issued on M/s. Standard Batteries Ltd., New Delhi in July 1992. The material was supplied by the firm at the end of 1993 due to labour trouble/lock out in their factory, although the material was to be received in January 1993 per terms of the purchase order. The delay was mainly due to inability of the firm to supply the material in time on account of forced majeure conditions. The damages for delayed supplies were, however, recovered from the firm (Rs. 51,881,90 i.e. 5% of Rs. 10,37,638/).

The damage to the bearings of the Turbine cannot be solely attributed to the weak Station Batteries. A detailed enquiry was conducted by a Committee of 2 Superintending Engineers and one Executive Engineer to investigate the happening. As per report of the Enquiry Committee, there was failure of power fuses of D.C. emergency oil pump at the crucial juncture. Moreover, there were some operational lapses also for which disciplinary action has been initiated against the defaulting officers/officials. The consequential loss of Rs. 26.34 crores is hypothetical and incorrectly worked out. The Audit has assumed running of Unit at full load during the outage period which is practically impossible. Moreover, there was no expenditure on account of fuel consumption and other direct O&M expenses during the shut down period.

The Committee is of the view that during grid failure (26th October 1993), DC emergency oil pump did not work mainly for want of adequate DC voltage of existing batteries. Had the existing batteries been replaced with the new ones in time, damage to turbo generator could have been avoided.

The Committee, therefore, recommend that action against the officials/officers be taken immediately under intimation to the Committee, who were responsible for delayed purchase of batteries as they took more than 2½ years in placement of purchase order from the date of requirement submitted by the electrical maintenance wing

3 7 1 2 Non conversion of ultraviolet flame scanners to visible flame scanners

21 Units I to V of the project had been provided with ultraviolet (UV) flame scanners. The system is used to indicate flame or no flame in the boiler furnace so as either to monitor the flame in former case or to trip the boiler in latter case to avoid any explosion in the furnace. The UV scanners were deficient as in case of low load operation poor quality of coal etc. coal is not completely burnt resulting in formation of cloud of carbon-monoxide around the scanner thereby causing spurious tripping of the unit on flame failure. To overcome to spurious tripping and reduce the consumption of unnecessary oil support to maintain the flame the BHEL introduced in 1987 an improved system of visible flame scanners.

The project authorities were apprised by the BHEL about the improved system in August 1989 and a proposal was also approved (September 1989) by the project authorities for conversion of ultraviolet scanners to visible scanners but the equipment was not procured for conversion of the scanners. However proposal for conversion of scanners at two elevations of furnace of unit V was approved (July 1993) by the project authorities and a purchase order was placed (May 1994) on BHEL for supply of two conversion kits at a cost of Rs 10.81 lakhs. The equipment for conversion was received in May 1995 and was installed in June 1995.

It was observed that non-conversion of ultraviolet scanners to visible scanners resulted into tripping of the units on failure of flames for an aggregate period of 357 hours (April 1990 to March 1994) and consequent generation loss of 56.90 Mkw/h valued at Rs 6.36 crores.

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

Unit-V was put on commercial run in Oct. '90 and BHEL had provided UV scanners for this Unit which were based on a long tried and proven technology. Though BHEL might have developed visible scanners in 1987 but such modifications cannot be straightaway adopted without going into relative merits-demerits and obtaining field performance report particularly in case of flame scanners which are primarily meant for the safety of the furnace. Moreover the visible flame scanners had initially a doubt of spurious pick-ups of flame under flame failure conditions which can otherwise endanger the safety of the Boiler. Therefore it was very

essential to obtain the field performance from the power stations where these have been installed. Also, it was not considered desirable to straight-away reject the existing UV scanners involving huge financial implications without giving fair trial to them in the 210 MW Unit commissioned in Oct., 1990. However, simultaneously an exercise was started to examine the utility of modified version of flame scanning system and the feasibility of substitution of the old system. After scrutiny of the detailed technical literature covering the modifications required to be carried out and verifying the facts from the end users, it was decided to go in for the conversion of UV scanners to visible scanners since it involved a huge expenditure. The placing of Purchase Order and the long delivery of this imported equipment took some more time after the approval by PTSC (O&M) in July, 93 and the equipment was finally installed in May 95 during the overhauling of Unit-5.

No doubt the visible flame scanners have better flame scanning but these cannot improve the actual flame conditions in the furnace which can occur in the furnace due to various reasons viz. incomplete combustion due to poor quality/wet coal etc. draft fluctuation due to system disturbances and milling plant problems like sheer pin failure etc. Under such conditions the boiler should invariably trip to save the furnace from abnormal pressure excursions/explosion no matter whatever type of scanner is installed. It is wrong to surmise that trippings on flames failure during 90-94 could have been avoided by installing visible scanner. The original UV scanners are avoided by installing visible scanner. The original UV scanners are still being used in most of the power stations. The audit observations linking all flame failure trippings to non-conversion of UV scanners is not correct and it shall be wrong to conclude that undue loss of generation or fuel had occurred on this account.

The Committee noted that inordinate delay in processing the purchase case of improved scanners needs detailed investigation. **The Committee, therefore, recommend that case of delayed purchase be investigated and departmental action against the erring officers/officials be initiated under intimation to the Committee.**

3.12 Manpower analysis

22. Project reports of Stages I (units I and II) and III (Unit V) did not lay down any standards or norms for the deployment of staff for operation and maintenance of the Plant. However, project report of Stage-II (units III and IV) envisaged deployment of 4-12 employees per MW of installed capacity for operation and maintenance. Compared to these projections the actual number of persons employed per MW of the installed capacity of all the units was higher during the four years up to 1993-94 as indicated below

Sr No	Particulars	Year ended March			
		1991	1992	1993	1994
1	Installed capacity at the end of the year (MW)	650	650	650	650
2	Number of employees required as per project report	2678	2678	2678	2678
3	Actual number of employees	2803	3078	3113	3125
4	Employees per MW of installed capacity	4 31	4 74	4 79	4 81
5	Excess number of employees	125	400	435	447
6	Total expenditure on salaries (Rupees in lakhs)	889 19	978 90	1357 96	1629 40
7	Proportionate extra expenditure on excess staff (Rupees in lakhs)	39 65	127 21	189 76	233 07

The proportionate extra expenditure on excess staff during the period from 1990 91 to 1993 94 worked out to Rs 589 69 lakhs

Employees per MW of installed capacity employed at the Project ranged between 4 31 and 4 81 which was higher than the All India average of 3 22 employees per MW. The Board had constituted on 15 October, 1993 a Committee to review the staffing pattern on the Project. Though, the Committee was required to submit their report and to give their recommendations within three months i.e. by January 1994 the report had not been submitted (March 1995).

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

The project reports of stage I & III did not lay down any standard or norms for the deployment of staff for operation and maintenance at Plant. The deployment at the Project has been made on actual basis duly approved by Board. It may be mentioned that the employees per M W of installed capacity employed at Project as mentioned in audit para ranged from 4 31 to 4 81 compared to Northern India level of 6 persons per M W as mentioned in the questionnaire on the para of the report of C&AG for the year 1988 89 (Commercial) (Govt. of Haryana).

A committee was constituted to review the staffing pattern in respect of Panipat Thermal Power Station vide Secretary HSEB Panchkula o/o No 4148/Cadre dt. 15 10 1993. The Committee was required to give their recommendations within three months from the date of issue of order.

The committee was reconstituted by the Board vide o/o No 4295/Cadre dt 22 4 94 due to retirement of Sh M L Thureja, CE (OP) Sh H S Dahrya was nominated as Chairman of Committee. The committee was again reconstituted by the Board vide o/o No 4302/Cadre dt. 10 1 1995 wherein Sh K G Dhall CE (Thermal Design) was made the Chairman of the Committee

The Committee submitted its report to Secretary HSEB vide No 9846/CE/TD dt 1 8 95. The Committee has recommended to abolish certain posts which includes the posts specifically created for the Thermal Projects. As such it involves a thorough examination as immediate shifting from the Thermal Project to the other Wings of HSEB is not possible. The report is under examination with the Secretary/Board. A final action as per the report is required to be taken after acceptance of the report by the Board.

The Committee took the serious view of the excessive manpower deployed in the Thermal Plant and delay in constitution of the Committee and implementation of its recommendations. **The Committee, therefore, recommend that the excess manpower be gainfully utilised in the other wings of the Board without further delay under intimation to the Committee**

3 14 1 Avoidable payment to a contractor

23 Work of construction of sewerage disposal sump was awarded (October 1979) to Radha Construction Company New Delhi at Rs 11 82 lakhs. The work was to be completed by 30 April 1980. As per terms of work order, it was obligatory for the project authorities to give clear site and ensure that there was no flooding or seepage of water from the already laid storm water lines and sewerage lines into excavation area.

After completing the work of Rs 11 31 lakhs (95 7 per cent) the contractor abandoned (March 1981) the work as the working area was flooded due to seepage of water from the storm water line and sewerage line and requested (March 1981) the project authorities for giving clear site to resume the work. The project authorities instead of taking remedial measure or allowing the contractor to rectify the seepage at an additional cost, issued (April 1981) a notice to the firm to resume the work within seven days of issue of the notice otherwise the work would be got done at their risk and cost.

The firm obtained (May 1981) stay order from court of Sub Judge Ist Class Panipat for restraining the project authorities from doing the work at their risks and cost. On the request (May 1981) of the firm the court appointed (14 January 1982) an arbitrator for adjudication of the dispute. The contractor lodged (December 1982) claims for Rs 38 37 lakhs for idle labour and machinery loss of profit, delay in handing over site etc and the Board lodged (February 1983) a counter claim of Rs 3 91 lakhs on account of completion of left over work before the arbitrator. The arbitrator announced (January 1991) his award and allowed relief of Rs 3 50 lakhs to Radha Construction Company New Delhi with simple interest at the rate of 12 per cent per annum from 14th January 1982 till the

date of award and at 9 per cent interest per annum from two months after the date of award till the date of payment. The award was made by the court on 15th May 1992. The project authorities deposited Rs 3.50 lakhs in the court and went in appeal in Punjab and Haryana High Court, which was dismissed on 15th July 1993. The court released (July 1993) amount of Rs 3.50 lakhs to the contractor and interest amounting to Rs 5.27 lakhs was paid (July 1993) by the project authorities.

Thus failure of the project authorities to provide clear site for work resulted in avoidable payment of Rs 8.77 lakhs.

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

The clear site was made available to the contractor on 23.2.81 after stoppage of the water leakage from the already laid line and confirmation in this regard was given to the firm vide XEN/CC II telegram/end st No 352/CWS 35 dt 6.3.81 and memo no 391/92 dt 12.3.81 addressed to M/s Radha Const Company BL 46 Hari Nagar New Delhi. Hence it is incorrect to say that the failure of the project authorities to provide clear site for work resulted in avoidable payment of Rs 8.77 lacs (Rs 3.50 lacs plus Rs 5.27 lacs). The contractor's claim on account of non release of clear site was even defended by HSEB before the arbitrator. After the non speaking award of the Arbitrator the case was also defended in the court but the court held the Arbitrator's decision intact. Because the clear site was given to the contractor hence the para be dropped as no body is responsible.

The Committee is of the view that either the Board had not defended the case properly or it had not provided the clear site to the contractor.

The Committee, therefore, recommend that the matter be looked into and responsibility of the officers/officials for this loss to the Board be fixed and penal action be initiated within three months under intimation to the Committee.

HARYANA AGRO INDUSTRIES CORPORATION LIMITED

4 1 1 Loss due to non acceptance of order

24 In response to an enquiry (December 1991) by a private firm for bulk purchase of various beverages and canned products worth rupees one crore approx during the year 1992 the Foods and Fruit Processing Plant, Murthal a unit of the Company intimated (January 1992) the rates which included the standard profit margin of ten per cent For the years 1990 and 1991 the firm had a rate contract with the plant having a profit margin of only five per cent The firm responded (January 1992) giving their tentative requirement for the year 1992 at marginally lower rates (with 9.9 per cent profit margin to the company) with reference to the rates offered by the unit The proposal was sent the same day to the Head Office for approval However the decision was not conveyed to the unit, reasons for which though called for (May 1994) were not intimated (October 1995)

It was observed that capacity utilisation during 1992-93 for beverage and canned products was only 0.3 and 13.3 per cent respectively and the plant could have executed this order The plant management has also confirmed (April 1995) that as per production capacity the plant could manufacture the material for supply to the firm over and above the production already made in the year 1992-93 with the same regular staff Had the offer of the firm for bulk supply been accepted the Company could have earned a profit of Rs. 4.75 lakhs

The matter was reported to the Company and Government in May 1995 their replies had not been received (October 1995)

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

Perhaps the Audit might have not been able to get the record from the plant or might not have discussed this matter with the then officer at the plant or at head office The facts of the case are that M/s Trade Links Limited sent an inquiry vide letter no TFP 3062 dated 19.12.91 indicating there in the tentative requirement for the year 1992 Such enquiries were also sent to other parties by M/s Trade Links It was neither any firm offer nor we were the exclusive party to offer the rates This proposal was examined at head office level and approval was granted to offer the best competitive rates for the entire qty at the minimum price inspite of the risk of price increase through out the year The GM quoted the rates vide letter No FP Sales 25/91/92 dt 2.1.92 which were as per price list finalised on the basis of rates prevailing on 1.11.91 whereas the cost was increased by 2.1.92 Besides 0.5% additional discount was also granted M/s Trade Link vide letter No 3438, dt 22.1.92 offered their own rates Case was sent by GM, Plant to Head office vide letter no Sales 25/91/92/Spl II dt 22.1.92 indicating therein the difference in the price list quoted by the Corporation and the rates offered by Trade Link the difference was substantial in several items, Besides there was risk of price increase during the year The GM was

allowed to offer 3% additional discount on the price which already offered to Trade Link. The G M offered the same vide letter no GM/Sales/25/91 92/16292 17 dt 20 2 92. This letter might have escaped the notice of the audit party. M/s Trade Link did not accept our offer and placed order on the plant for supply of fruit cocktail only.

From the above it is very clear that the Audit might have not been able to get the complete file/ papers and calculate the loss on the notional basis. The facts given above clearly indicated that head office has granted approval immediately and the plant was quick enough to respond to the enquiries of M/s Trade Links. But it was not in the hand of the Management to compel the party to place entire orders on the Corporation. Mere inquiry by the party should not be made the basis of audit objection till a final deal is concluded.

During oral examination of the Secretary the Committee noticed that Deputy General Manager informed the Audit party at the time of audit of Murthal Plant that the head office has not conveyed the decision to accept the offer and contrary to the version of Deputy General Manager, the representatives of the company informed the Committee that the head office had conveyed the acceptance of the offer to the plant. Thereafter the matter was also reported by the Accountant General office to the Company and the Govt but no reply has been received by them till October 1995 which reveals that audit objections are not taken up seriously by the Company.

The Committee recommend that Deputy General Manager, Murthal Plant be held responsible for not providing the correct information/record to the audit party and action be taken against him. The Committee further recommend that officer once posted as Managing Director of the Corporation may not be transferred at least for three years in the interest of the company and suitable steps be taken by the company to advertise their products so that the company can compete with the multinational companies in the field.

4.1.2 Avoidable loss of interest

25 Section 35 of the Income Tax Act prescribes deduction from taxable income in respect of payments made to any organisation/institution carrying out any work of scientific research provided such institution is approved for the purpose by the prescribed authority (Central Government) by notification in the official gazette.

The Company being the nodal agency for propagating interest of agriculture farmers and agro based industries in the State established an independent society viz HAIC Agro Research and Development Centre (Research Centre) on 11th March 1993. The payments made to the Research Centre (an institution carrying out scientific research) were deductible from the taxable income only after the Research Centre was approved by the competent authority (i.e. Government of India).

In anticipation of approval by Government of India the Company contributed (26th March 1993) Rs 2.25 crores to the Research Centre and obtained (14th May 1993) a loan of Rs 2.20 crores from the Institute at the interest rate of 12 per cent per annum. The Research Centre was approved by the Central Government in December 1993 for the year 1993-94 and 1994-95 with the result the Company could not get benefit of income tax rebate in respect of payment made to Research Centre during the financial year 1992-93.

The Company cancelled (February 1994) the loan agreement and decided to treat the contribution of Rs 2.25 crores to the Research Centre and loan of Rs 2.20 crores taken from it as interest free loan. As the Company had been availing cash credit from Banks at 17.75 per cent interest, it lost interest of Rs 4.55 lakhs for the period the amount remained with the Research Centre.

The decision to make huge contribution to the Research Centre which was not approved by the prescribed authority resulted in loss of interest of Rs 4.55 lakhs.

The matter was reported to the Company and Government in May 1995; their replies had not been received (October 1995).

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

As per the audit para submitted to us, the Corpn. has suffered a loss of Rs 4.55 lacs on account of interest on transfer of funds to the society. The reply to the said para is as under:

1. The Corporation has contributed a sum of Rs 2.25 crores to HAIC Research & Development Society for carrying out the research and development activities before the end of financial year 31st March 1993.
2. The Corpn. was entitled for 100% tax rebate from the Govt. of India under the provisions of the Income Tax Act (Section 35).
3. The Society had deposited the amount in a bank so as to start carrying out the research & development activities in the State of Haryana.
4. Since the society had not started carrying out research and development activities, the Corpn. decided to avail loan from the society @ 12% p.a. in the month of May 93.
5. The Corporation has not requested the society to refund the amount immediately. Since the society was to carry out development activities in month of April 93 and to make out a detailed proposal for the same.
6. Had the Corpn. approached the society immediately in the month of April 93 or in the month of May 93, the Corpn. would not have been benefitted since no CC limits with UBI for fertiliser and other activities had been availed and the Corpn. would not have taken the benefit of interest on that day.

- 7 These funds also could not be used for our wheat limits since according to the instructions issued by the Reserve Bank of India followed by the SBI the money kept in wheat limits could not be utilised for our other activities

The Committee is of the view that the company should not have established the Research Centre at the end of the financial year 1992-93 and an amount of Rs 2.25 crores should also not be contributed to this centre at the belated stage in anticipation of approval by the Govt. of India. The Committee is also of the view that had the Research Centre been established during the first quarter of the financial year 1992-93 and sincere efforts been made by the Company to get the early approval of Research Centre from the Govt. of India, loss of Rs 4.55 lakh could have been avoided.

The Committee, therefore, recommends that matter be got re-investigated and responsibility of officer/officials, by whom the case of establishing the new Research Centre at the fag end of the financial year 1992-93 was initiated, be fixed and penalised under intimation to the Committee.

HARYANA POLICE HOUSING CORPORATION LIMITED

4.2 1 Wasteful expenditure on Officers' mess

26 The Company without prior approval of the Board and Government hired a building (comprising five bed rooms, drawing dinning room, two lobbies kitchen bath room and one garage) at Panchkula with effect from December 1989 at monthly rent of Rs 5000 to be utilised as Officers mess cum Managing Director s (M D) residence Before hiring the building the requirement for setting up of the mess was not assessed

Three rooms of the building were utilised for the residence of the M D and his family with effect from 15th December 1989 and two rooms to be used for stay of other officers At the instance of Board (December 1991), the Government regularised (August 1994) the expenditure on rent of the building It was noticed in audit (May 1994) that no officer stayed in the mess/used the mess facility The Company never reviewed the working of the mess to assess its usefulness either before or after its occupation The mess was closed (21st February 1992) and the staff withdrawn in February 1992 when the premises were vacated by the family of the M D

Total expenditure on the residence and the mess up to February 1992 worked out to Rs 3 58 lakhs (rent Rs 1 34 lakhs electricity and water charges Rs 0 09 lakh staff salaries Rs 1 64 lakhs and non recurring mess expenses Rs 0 51 lakh) After deducting the expenditure of rent of Rs 1 34 lakhs of the building which was regularised by the State Government the Company incurred expenditure of Rs 2 24 lakhs for the running of the mess which never functioned

Running of the mess without assessing its viability resulted in a wasteful expenditure of Rs 2 24 lakhs

The Government stated (April 1995) that the Company had worked out the feasibility and reasonability of continuing and maintaining the mess The reply is not tenable as the mess did not function at all

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

The expenditure of Rs 2 24 lacs worked out by the audit pertains to following items —

1	Electricity & Water Charges	Rs 0 09 lac
2	Staff salaries	Rs 1 64 lac
3	Non recurring mess expenses on the purchase of furnitures fixtures curtains and other office equipments	Rs 0 51 lac

As already intimated to Audit, the above expenditure was minimum required for running the mess which was set up by the then Managing Director Late Shri J P Atray IPS there was full justification for incurring this expenditure. The then Managing Director had worked out the feasibility and reasonability of continuing and maintaining the mess with the purpose of utilising the above mess for official visitors who had to stay in connection with official duty as the staff members posted in the field at different stations were supposed to stay here while visiting the headquarters in connection with official duties as there was no other suitable accommodation available in the newly developed town Panchkula at that time. Since the Officer concerned has expired it would not be possible to fix responsibility.

It is further added that the amount of Rs 0.51 lac shown as non recurring expenses on the purchase of furnitures, fixtures and curtains etc. as already submitted at the time of Audit, all these items are being used in the office of the Corporation and as such this amount cannot be treated as wasteful expenditure. The matter in this regard was also taken up by the Managing Director vide D.O. Letter No. 5518 dated 24.7.95 with Deputy Accountant General (Commercial Audit) Chandigarh.

The Committee noticed that the Company hired a building at Panchkula in the month of December 1989 at the monthly rent of Rs 5 thousands without prior permission of the Board of Directors and the Government. The Company decided to use the building as Officers' Mess cum Managing Directors' residence but the Committee shocked to know that the building was entirely used as the residence of the Managing Director and was never used as Officer's Mess because no officer of the Police Department stayed there except the family of the Managing Director. Therefore, the Committee is of the view that the accommodation was hired by the then Managing Director to accommodate his family which is a great irregularity. The Committee took it very seriously and is of the view that stern action is warranted against the then Managing Director but since the then Managing Director has expired no action could be taken against him. However, the Committee recommends that concrete steps be taken by the Company to stop the re-occurrence of such type of irregularities in future and no building be hired by the Company without prior approval of the Board of Directors and Government in future.

HARYANA STATE ELECTRICITY BOARD

4 4 1 Avoidable payment of excise duty on repair of damaged transformers

27 To clear the backlog in repair of damaged distribution transformers the Board decided (9th May 1991) to get them repaired from private contractors on rates terms and conditions of work contracts entered into by Punjab State Electricity Board (PSEB) The PSEB conditions envisaged that excise duty legally applicable on parts used in the repair of transformers would be paid extra on actuals The work orders issued by Chief Engineer Workshops Dhulkote for repair of 1000 transformers during September and October 1991 provided that excise duty on parts used in repair of transformers shall be paid extra on actuals on production of documentary evidence

The excise duty was not leviable on the coils used in the repair of damaged transformers as decided (26th November 1991) by Central Excise Tribunal in the case of Collector of Central Excise Chandigarh versus Sub divisional Officer Coil Fabrication PSEB Amritsar The workshop authorities did not modify the terms and conditions of payment of excise duty on coils in their subsequent contracts until June 1993 reasons for the same though called for (November 1994) were not intimated (October 1995)

A test check of 16 contracts entered into with private contractors between July 1992 and February 1993 for repair of 3920 transformers revealed that the workshop authorities made provisions in contracts for payment of excise duty on actual basis involving avoidable payment of Rs 10 66 lakhs on coils used in the repair of 3551 damaged transformers received up to 31st March 1995

Thus due to non modification of terms in regard to excise duty on coils used in the repair of damaged transformers in the work contracts entered into between July 1992 and February 1993 in the light of decision of Excise Tribunal resulted in avoidable payment of excise duty of Rs 10 66 lakhs

The matter was reported to the Board and Government in June 1995 their replies had not been received (October 1995)

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

It is correct that the HSEB started repair of damaged distribution transformers through private contractors in the year 1991 following the rates terms & conditions of PSEB PSEB in their repair contract had the provisions of following clause regarding excise duty

Excise duty and any other Govt levy on parts used in the repair of transformers which is legally applicable shall be paid extra at actuals on production of necessary documents such as E D Gate Pass etc in proof of having paid the said amount It may be noted that as per existing excise duty rules excise duty is not

chargeable on the repaired transformers as a whole. No excise duty whatsoever shall be payable to the units which are exempted from paying excise duty.

With this clause HSEB placed 16 orders on various firms between July 1992 to February 1993.

Subsequently in April 1993 PSEB modified the above clause (payment of excise duty clause) as under —

Excise duty is not leviable on any component used in the repair of damaged transformers including leg coils in view of the order No 1002 1003/91A dated 26 11 91 of Excise Tribunal. It may be noted that as per existing excise duty rules excise duty is not chargeable on the repaired transformers as a whole. Bidder is itself responsible for obtaining relaxation in this regard from the Excise Deptt.

Following this amendment by the PSEB orders placed by HSEB in June 1993 were issued with the amendment as done by PSEB because WTM's decided to follow the PSEB in totality in 6/93. The PSEB had also paid the excise duty during the period discussed in the audit para as confirmed by PSEB vide Xen TRW Divn PSEB Patiala memo No 454/Q 3266 dated 19 1 95. As such no avoidable expenditure in payment of excise duty was incurred by the Board.

Further it may be clarified that even today though we are not paying excise duty on the leg coils but the repairers are being charged E D on the fabrication of coils in their workshops by the Excise Deptt where the units are exciseable and the relief given by the Tribunal to HSEB vide their order No E/275/93 B1 dated 24 9 93 is applicable for the HSEB departmental workshops as they are not marketing the product.

The Committee noticed that the Board has blindly followed the Punjab State Electricity Board in this case and paid excise duty amounting to Rs 10 66 lakhs from July 1992 to February 1993 inspite of the decision of the Tribunal in November 1991 and even the Board has not filed the claim to get the refund of the duty thus paid.

The Committee recommend that investigations be made whether the excise duty was actually payable and the private parties has not got the refund of the excise duty levied on them on the decision of the Tribunal or on some other authority. The results of such investigation be intimated to the Committee within three months.

4 4 2 Extra expenditure on purchase of copper wire

28 The Chief Engineer Workshops Dhulkote of Haryana State Electricity Board (Board) placed (May 1986) a purchase order on Hargo Transformers Panipat for the supply of 6000 kg Double Paper Covered (DPC) copper wire.

as per I S S 7404/Part I/1974 having ordinary covering of size 21 5 SWG at an equivalent rate of Rs 66 66 per kg. As per terms of purchase order supplies were to be completed by 7th March 1987. The firm offered for inspection 500 kg DPC copper wire in December 1986 1035 kg wire in April 1987 and 450 kg wire in July 1987 but each time the offered material was not found according to the specifications. The Workshop ultimately referred (April 1988) the case for advice to Legal Remembrancer of the Board who advised (May 1988) for initiating risk purchase clause against the firm. After serving the risk purchase notice (25th May 1989) tenders were invited (21st September 1989) by the Workshop. Tenders were opened on 18th October 1989 which were valid up to 16 January 1990. The rate of M/s Navin Dhatu Udyog Delhi at equated rate of Rs 103 58 per Kg (excluding CST and ED) was the lowest. Due to financial implications the matter was referred to store purchase committee which failed to finalise the tenders within the validity period and the tender enquiry was ultimately dropped on 27th December 1990.

Subsequently the tenders were re invited in February 1991 and placed (June 1991) supply order on P J Winding Wires Sonipat for the supply of 6000 kg DPC wire at Rs 120 per kg (excluding excise duty and sales tax). As against the extended delivery period of February 1993 (original delivery period up to January 1992) the Sonipat firm supplied 5877 3 kg DPC wire in June and August 1994 at an aggregate cost of Rs 8 38 lakhs whereas the material would have costed Rs 3 92 lakhs only had it been supplied by Hargo Transformers Panipat. Pending supply of material from the Sonipat firm the Board lodged (May 1993) claim of Rs 3 53 lakhs with Hargo Transformers Panipat. The firm referred the matter to the Arbitrator in May 1993. The Arbitrator dismissed (February 1994) the risk purchase claim of the Board being time barred due to expiry of limitation period of three years reckoned from the date of serving the risk purchase notice i.e. 25th May 1989.

Thus due to non finalisation of tenders invited in 1989 within the validity period and subsequent delay in lodging the claim with the defaulting firm in time the Board had incurred an extra expenditure of Rs 4 46 lakhs.

The matter was reported to the Board and Government in May 1995 their replies had not been received (October 1995).

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

The firm of Panipat offered the material thrice but every time the material failed in ESP test in Shri Ram Test House Delhi as a result of which the delivery period expired. Thereafter instead of offering fresh material for inspection the firm through their letter dated 2 2 88 demanded price escalation in violation of the provisions of the P O accepted by the firm. In the purchase order the prices were mentioned as Firm in line with the quotation of the firm. Hence there was no question of allowing price escalation to the firm and accordingly the request of the firm was rejected. In this way the firm failed to supply the material and the matter was taken up with L R HSEB Panchkula to seek advice regarding affect

ing risk purchase against the firm. The advice of L R HSEB Panchkula for affecting risk purchase was received on 2 5 88. The risk purchase notice could not be issued immediately as the then Chief Engineer/Workshops was hopeful that the firm will supply the material and as desired by the then Chief Engineer/Workshops the firm was asked to depute their authorised representative for discussion on 11 8 88 but the firm through their letter dated 6 8 88 showed their inability to attend this office on 11 8 88. Then the firm was again asked to depute their representative on 30/31 8 88 but nobody from firm's side turned up but instead the firm wrote a letter dated 6 12 88 demanding price escalation which had already been rejected. Due to the above correspondence the risk purchase notice could only be issued to the firm on 25 5 89 to which the firm did not respond.

For affecting the risk purchase against the firm NIT No WS 534 with opening date as 18 10 89 was floated through press a copy of which was also endorsed to the firm to meet with the legal formalities and provisions of the Purchase Regulations of HSEB. The tender could not be finalised within the validity period probably because the case was relating to risk purchase and the file remained marked to A/Cs Section for more than one month and to the C E /Workshops for about one month and finally it was dropped by the SPC in its meeting held on 27 12 90 as the case could not be decided within the scheduled validity period and the firms failed to extend the validity period.

Fresh NIT No WS 584 was floated through press and PO No WT 1485 dated 17 6 91 was placed on M/s P J Winding Wires Sonapat. The original delivery period was upto 1/92 but the firm did not supply the material upto this delivery period. The claim could only be lodged with the earlier firm after receipt of the material. The firm did not supply the material within delivery period and went in default on account of devaluation of rupee by the Central Govt which caused heavy fluctuation in foreign exchange as well as bank loans etc and subsequently after protracted correspondence between the firm and the C E /Workshops and as per decision of the WTM's the firm agreed to supply the material which was completed during 1993 94 by which time the limitation period for lodging the claim with M/s Hargo Transformers Panipat had expired. However to avoid further delay and to watch the interest of the Board the claim was lodged with the firm during 5/93 but the same was rejected by the Arbitrator in favour of the firm. However the Board filed an objection petition against the above award in the court and the case is still under consideration by the Hon ble Court. The next date of hearing has been fixed for 3 2 1997.

The Committee noticed that the Board could not invoke the risk purchase clause being the time barred due to delay in processing and finalising the purchase case and the Board had to incur extra expenditure of Rs 4 46 lakhs.

The representatives of the Board also admitted during the oral examination that some of their officers have committed lapse and they are initiating action against them.

The Committee, therefore, recommend that the matter be investigated and responsibility of the officer/officials for not pursuing the case expeditiously and properly be fixed within three months and action be taken against them under intimation to the Committee. The Committee further recommend that remedial steps be taken immediately to avoid re occurrence of such type of delays in future.

4 4 3 Extra expenditure on shifting of a transmission line

29 Sales manual of the Board provides that the cost of additional material required for shifting/diversion of the route of the electrical lines to comply with the demand of the requisitionist should be recovered from him.

It was noticed in audit (October 1992) that construction of a 66 KVD/C Panchkula Barwala power line was taken up by the Board in October 1990. While the work was in progress M/s Haryana Nitrochem Limited a joint sector company of Haryana State Industrial Development Corporation requested (March 1991) the Board for diversion of the line near village Manka because the proposed line was passing through their upcoming project where a prilling tower of 250ft height will be constructed and the power lines should be at least 150 metres away from the project site though initially the Chief Engineer (Construction) was of the opinion (April 1991) that the diversion was not possible due to the existence of topographical/technical constraints and the foundation work at a cost of Rs 0 37 lakh had already been completed (March 1991) in the original route the Board agreed ((October 1991) to shift the line on the condition that the additional expenditure would be borne by the firm. The Board did not insist the company for depositing the shifting charges in advance at the start of the work. The diversion work was taken up on the direction (December 1991) of Member Technical. Operation of the Board and completed (April 1992) at an extra expenditure of Rs 2 43 lakhs despite the fact the firm did not agree to bear additional expenditure.

Had the Board insisted for advance deposit of shifting charges before starting the work the extra expenditure of Rs 2 80 lakhs could have been avoided.

The matter was reported to the Board and Government in March 1995 their replies had not been received (October 1995).

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

This line was shifted on the request of the firm but the firm has shown reluctance to deposit the cost of estimate. Matter was pursued vigorously with the firm at all levels but the firm did not come forward to deposit the amount. It was decided to recover the amount through energy bills and accordingly the amount was debited to consumer's account by the AEE S/Urban S/Divn Panchkula vide SC&A Register item No 918/122/32 dated 24 11 95 and raised the energy bill accordingly. But the firm M/s Haryana Nitrochem Ltd did not make the pay

ment of even his current energy bills inspite of several notices issued to him despite disconnection of supply to the consumer (bearing A/c No (LSU 55) temporarily vide PDCO No 29/1788 dated 16-4-96 and disconnection of supply permanently vide PDCO No 35/1788 dated 21-5-96 from outside the factory from the HSEB system

It is further added that the security deposit of the consumer lying with the HSEB amounting to Rs 52,500 has been adjusted vide SC&A Register No 210/40/44 dated 13-6-96. The SE OP Circle Ambala has been directed to make all out efforts to recover the pending dues of the Board from the firm through Land Recovery Act

The Committee noticed that the diversion work was taken up on the direction of the then Member Technical OP of the Board in December 1991 without getting the advance deposit from the firm which is against the rules of the Board. The Committee also noticed that the then Member Technical OP of the Board has since been retired and therefore no action could be taken against him. However the committee is of the view that the power connection of firm should have been disconnected in the year 1992 i.e. just after the completion of the work but no action was taken by the Board till November 1995 which is a gross lapse

The Committee, therefore, recommend that the action be taken against the defaulting officer/officials, those have not taken any action against the firm from 1992 to 1995 and delayed the case too much

The Committee further recommend that it may be ensured by the Board that such type of diversion/shifting work may not be carried out without getting the advance deposit from the concerned party in future and a circular may be issued to all the offices of the Board in the State in this respect.

4.4.4 Avoidable expenditure on repair of distribution transformers

30 After considering the recommendations of Rural Electrification Corporation (Manual 9/1976) the Board decided (April 1989) to dispense with the provision of a breather in repair of the distribution transformers of capacity below 63 KVA. Accordingly breathers were not provided in the distribution transformers up to 63 KVA repaired in the Board's workshops from May 1989

It was observed in audit that contrary to the Board's decision provision of silicagel breathers in the transformers of capacity 63 KVA and below was continued to be made by the workshop authorities in 45 work orders placed on private firms during the period from July 1992 to November 1993 for repair of 5977 distribution transformers (25 KVA 2100 and 63 KVA 3877). Of these, 5947 distribution transformers (25 KVA 2096 and 63 KVA 3851) were received back duly repaired up to March 1995. The Board had

incurred an avoidable extra expenditure of Rs 2.83 lakhs on the provision of breathers in 4001 distribution transformers (25 KVA 150 and 63 KVA 3851). However, in the work order with various firms issued in January 1994 for repair of transformers of capacity 63 KVA and below, provision of a breather for the lower capacity transformers has been withdrawn.

Thus, non-compliance of the decision of the Board by the workshop authorities has resulted in an avoidable expenditure of Rs 2.83 lakhs.

The matter was reported to the Board and Government in March 1995. Their replies had not been received (October 1995).

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

In this connection, it is essential, first of all, to highlight the functioning of a breather in a transformer. The provision of a breather in a transformer is made to absorb the moisture and allow the breathing of dry air in the transformer due to temperature variations. It also acts as an absorbent of moisture inside the transformer and thus keeps the transformer free from moisture, thereby increasing the life span of the transformer. Whereas the transformer oil acts as an insulating and cooling medium in the transformer. As per ISS 2026 and ISS 1180, provision of silicagel breather in the transformers irrespective of their capacity is statutory. The recommendations of R.E.C. are only guidelines and do not have any force of statute.

It is further stated that the HSEB in the latest technical specifications for 25, 63 and 100 KVA conventional type distribution transformers issued during 12/94 has again made the provision of silicagel breather in 25, 63 and 100 KVA transformers to enhance the life of the transformers. Prior to issue of these specifications, provision of silicagel breather was not made in 25 KVA transformer only. However, it was existing for 63 KVA transformers.

It is technically incorrect to state that the Board had lost money by asking the repairing firms to provide silicagel breathers in 25 and 63 KVA transformers. Repairs by the private firms is as good as purchasing of new transformers as per ISS 1180, because they stand the same guarantee as for new transformers. Their old parts are replaced by new parts excepting the tank and the core. Since silicagel breather is also being asked in the new transformers being purchased, it was not incorrect to ask for the same in the repaired transformers and as such it cannot be considered as a loss to the Board.

It is also added for information that it was not possible to meet the demand of transformers of the field through departmental repairs only and therefore, it was felt that the damaged transformers be got repaired through private agencies instead of buying new transformers to save money on this account. PSEB had already started getting the damaged transformers repaired through private agencies and to save time, HSEB decided to adopt the technical specifications, rates, terms and conditions of PSEB for such repairs, as calling of tenders etc. by

HSEB would have taken a long time. In the technical specifications of PSEB provision of silicagel breather was also existing for 63 KVA and 25 KVA transformers as per ISS 1180 and the same was adopted by HSEB. It is therefore incorrect to say that contrary to the Board's decision the Chief Engineer/Workshops placed orders on private firms for the repair of distribution transformers of 25 KVA and 63 KVA with the provision of silicagel breather. It was also quite in view of technical specifications of the PSEB as adopted/decided by the Board. Since the provision of silicagel breather enhances the life of the transformer and is as per ISS 1180. The expenditure incurred on the provision of silicagel breather cannot be considered as a loss and the MO(O) of the Board after re-considering the issue decided in 2/95 not to make provision of silicagel breather in the repair of 25 & 63 KVA T/Fs in its own departmental workshops in view of REC recommendations whereas in the repair of 25 KVA and 63 KVA transformers through the private firms breather is to be/being provided for better performance of the T/F.

The Committee noticed that a decision was taken by the Board in April 1989 not to provide the breather in repair of distribution transformers of the capacity below 63 KVA and thus breathers were not provided in the distribution transformers upto 63 KVA repaired in their own workshop from May 1989. The Committee also noticed that the breathers were provided in the transformers of the capacity of 63 KVA and below which were got repaired by Board from private firms from July 1992 to November 1993 contrary to the decision (April 1989) of the Board. Thus the Board had to incur extra expenditure of Rs. 2.83 lacs.

The Committee therefore observed that the decision taken by the Board in April 1989 should have been strictly followed by the workshop authorities for getting the transformers repaired accordingly from Private Firms also.

The Committee recommends that responsibility of the officer/officials of the workshop be fixed by whom the orders were placed with the private firm to provide the breathers in the repair of transformer upto the capacity of 63 KVA and below and departmental action be initiated against them under intimation to the Committee.

4.4.6 Extra expenditure due to delay in finalisation of tenders

31. The Civil Works Division Gurgaon in anticipation of administrative approval of the estimates invited (January 1990) tenders for construction of a switch house building including services at 66 KV sub station Faridabad which was valid for acceptance up to 21 May 1990. Of the three tenders received the offer of firm A at Rs. 4.27 lakhs was the lowest. The Executive Engineer submitted (26th April 1990) the proposal along with tenders to the Superintending Engineer for obtaining approval of the Chief Engineer (Construction) which could not be obtained within the validity period due to transfer of the Superintending Engineer on 19th May 1990. The firm was asked to extend the validity period to which the firm did not agree.

Tenders for the said work without administrative approval were reinvited (6th February 1991) valid up to 10 April 1991. The offer of firm B at a cost of Rs 6 lakhs was the lowest. The Executive Engineer forwarded (22 March 1991) the proposal along with the tenders to the concerned Superintending Engineer for obtaining approval of the Chief Engineer. This time again the Superintending Engineer failed to submit the case to the Chief Engineer (Construction) for obtaining his approval and asked the Executive Engineer to get extended the validity period up to 25 April 1991 to which the lowest firm refused.

Ultimately the work had to be put to tender again in January 1992 and the work was awarded in April 1992 to the lowest tenderer at a negotiated rate of Rs 6.62 lakhs. The work was in progress (June 1995).

Thus due to delay in processing the tenders for the work the Board had to incur an extra expenditure of Rs 2.35 lakhs.

The matter was reported to the Board and Government in June 1995. Their replies had not been received (October 1995).

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

As per PWD codal rules the administrative approval and the technical sanction (sanction of the estimate) are the initial and basic formalities for invitation of tenders/commencement of works. In this case the validity of first time tenders called/opened on 22.2.90 was 21.5.90. The concerned Xen submitted the same to the S.E./TCC Faridabad for approval on 26.4.90 and the same remained pending with the S.E./TCC Faridabad (Sh. M. L. Sharma) who was relieved on 19.5.90 and thereafter the office shifted to Gurgaon. During this period the validity expired. When the lowest tenderer refused to extend the validity period the S.E. had to advise the Xen to reinvite the tender during 7/90.

The tenders were 2nd time invited and opened on 25.2.91 when the same were sent to the S.E./TCC Gurgaon for approval. He refused to approve the same as the work was not included in the list of works for the year 1990-91. Moreover sanction to the estimate for the work was also not accorded by that time.

The original estimate for Rs 41.3939/ prepared (Base HSR 1974) in 11/89 had to be revised in view of HSR 1988 and revised estimate was sanctioned on 1.4.92 for Rs 5.90 lacs and after calling third time tenders in 1/92 allotment of work was approved by the CE/Const. Hisar vide his letter dated 17.4.92 and finally allotted to the contractor (Sh. Jai Bhagwan) during 6/92 i.e. during the year 1992-93.

From the above it is clear that the tenders which were invited on the first two occasions for the construction of switch house building at 66 KV S/S (Green Field) Faridabad were not in order as the work was not approved by the Board at that time but it was approved as Mathura Road S/S.

It is also added for information that due to non availability of land in the near vicinity of Mathura Road the proposal of 66 KV S/S Mathura Road stood dropped from the list of works for the year 1990 91 Thereafter 66 KV S/S was named as 66 KV Suraj Kund (Green Field) Faridabad and included in the list of works for the year 1991 92 and accordingly tenders called for 3rd time in 1/92 were approved by the competent authority

The expenditure incurred in inviting of tenders and processing thereof in the first two occasions could have been avoided had Sh Kathuria acted in a proper manner Thus there is only lapse for invitation of the tenders for first two times without the work being approved and/or without sanction of the estimate for that work is on the part of Sh L D Kathuria the then Xen C/W Divn Gurgaon (Since retired) and no action against him can be taken at this belated stage

It is however added for information that had the work been allotted in view of the first tender opened on 22 2 90 the Board would have rather lost Rs 2 50 lacs as interest on the expenditure of construction of the work concerned as against the national loss of Rs 2 35 lacs pointed out by the Audit Therefore the so called loss of Rs 2 35 lacs is not correct

The Committee noticed that first two tenders were called without the administrative approval and technical sanction which were against the PWD codal rules The representatives of Board also admitted during the oral examination that the S E and the Xen have committed irregularities and it was the case of illegality and irregularity They further assured to take action against the S E and the Xen within three months

The Committee recommend that action be taken against the concerned S E and the Xen, those have committed irregularities and lapses in inviting tenders without prior administrative approval and technical sanction The Committee be intimated about the action taken against the defaulting officers within three months after the presentation of this report

4 4 7 Short recovery of security deposit

32 As per standing instructions (July 1987) of the Board a consumer whose supply of power is permanently disconnected due to non payment of energy charges can seek reconnection of supply provided he deposits all pending dues three times security erection and dismantlement charges and full cost of service line

Power supply of M/s Electronics Limited Faridabad a large industrial supply consumer having a connected load of 1287 KW under Operation Sub Division No 3 Faridabad was disconnected (February 1994) for non payment of energy bills

After payment of pending bills amounting to Rs 2 95 lakhs including service charges etc the consumer represented (March 1994) to the State Government that his being a sick unit might be allowed reconnection with a deposit of single time security at

Rs 3 86 lakhs instead of at Rs 11 58 lakhs required under rules. The application was forwarded to Board for consideration. The Member Finance of the Board opined that in the absence of any defined policy regarding relaxation in respect of sick unit, if it was considered necessary to give relief to the consumer, the Board should accept single time security and get the balance security deposited in convenient monthly instalments over a period of one year. Despite the recommendation on the basis of a precedent, the Chairman decided (April 1994) to relax the provisions and allow reconnection by accepting single time security without obtaining approval of the full Board. The supply was reconnected in June 1994. The precedent taken as basis by the Chairman was also not on the same footing because the decision to relax the condition of quantum of security deposit was taken by the Whole Time Members of the Board which is an empowered body.

The decision of the Chairman without the approval of the Board resulted in short recovery of security deposit amounting to Rs 7 72 lakhs.

The matter was reported to the Board and Government in June 1995. Their replies had not been received (October 1995).

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

In this case ex post facto approval with regard to exemption for depositing 3 times security (Advance consumption deposits) of the normal rates in respect of M/s Electronics Limited Faridabad was accorded by the Whole Time Members of the Board on 15 11 95. However the Board in its meeting held on 25 10 96 has also accorded ex post facto approval in this case.

The Committee felt that there was no compulsion before the Chairman to accord relaxation in the quantum of security before putting the case for approval by the competent authority. The Committee also observed that the Board had admitted the undue favour accorded by the Chairman to M/s Electronics Ltd Faridabad.

The Committee recommend that the matter be thoroughly re-investigated to know the reasons for relaxation in quantum of security. The Committee be intimated about the outcome of the investigation within three months after the presentation of this report.

4 4 8 Non recovery of large supply tariff

33 The Board decided (October 1987) that industrial connections having load between 71KW and 100 KW were to be released on 11 KV line and the existing consumers were to be allowed to change over the supply from low tension (L T) line to high tension (H T) line within a period of one year. During this period of change over of supply from L T line to H T line the existing consumers were to be charged tariff applicable to medium industrial power loads and were liable to pay surcharge at 25 per cent of energy charges after one year i.e. with effect from 1st October 1988. In February 1988 the industrial connections having load of 71KW and above were classified as large supply (L S) consumers and relevant tariff was applicable to them.

A number of consumers having industrial load between 71KW and 100KW filed writ petitions in Punjab and Haryana High Court challenging the above orders levying surcharge of 25 per cent and the change in classification of consumers. These writ petitions were dismissed on 7th October 1988 and 3rd April 1989 respectively by the High Court on the ground that matter was totally contractual and they may if so advised, resort to other civil remedies.

Jai Parkash Rice Mills a consumer with connected load of 97.22 KW under Operation Sub Division Karnal filed (15th March 1989) a civil suit in the court of Sub Judge II class Karnal and obtained (17th March 1989) stay order against payment of 25 per cent surcharge and changing of category from medium supply to large supply consumer.

The Board did not file written statement/objections till the date of next hearing fixed by the court i.e. 29th April 1989 to get the stay order vacated though the Legal Remembrancer of the Board advised (17th April 1989) Chief Engineer (Commercial) and all Superintending Engineers that for contesting ad interim injunction obtained by any consumers from any court and to plead Board's case the judgement of the Supreme Court in the case of Hyderabad Engineering Industry Limited etc. versus Andhra Pradesh State Electricity Board etc. should be cited wherein the Supreme Court held that the Board could lay down the condition of supply of power and frame uniform tariff. The Board instead of acting upon the advice of its legal remembrancer immediately filed the written statement only in May 1993 after a lapse of about four years and that too without citing the decision of the Supreme Court under reference as a result the Board failed to enforce the rates applicable to large supply consumers. The reasons for delay in getting the stay orders vacated though called for (October 1994) were not intimated (October 1995).

Thus due to inordinate delay on the part of the Board to act upon the advice of its Legal Remembrancer in this case in getting the stay vacated the Board could not recover Rs. 9.22 lakhs being the difference of large and medium supply tariff for the period from March 1989 to March 1995.

The matter was reported to the Board and Government in May 1995 their replies had not been received (October 1995).

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

The connection of M/s Jai Parkash Rice Mills Karnal having C/Load of 97.926KW which was disconnected in 1986 in connection with some other case was re connected on 25.11.88. The consumer was billed under large supply tariff during the months 12/88, 1/89 and 2/89 quite in accordance with the instructions contained in Sales circular No. 37/87 and the consumer made the payments thereof under protest. But the consumer filed a case in the court of Sr. Sub Judge Karnal in 3/89 and obtained stay against billing of LS tariff instead of MS tariff and also against disconnection.

The written statement was filed on 16 8 89 which may be termed a little bit late but not abnormally late as alleged in the para Since then the consumer is adopting delaying tactics although he has been asked by the court several times to pay costs

Regarding non citing of the precedent as mentioned in L R HSEB Panchkula memo no ch 91/LB 2 (1) 89/CHD dt 1 4 89 in the reply submitted by the Board on 16 8 89 copy of the letter was not available with the Sub Divisional Officer or Divisional Officer

Whereas the consumer succeeded in getting benefit through court by obtaining stay on flimsy grounds and it is an admitted fact that there was also slackness on the part of field officers to get the stay order vacated with the assistance of L R HSEB Therefore the following officers have been held responsible in this case and disciplinary proceedings have been initiated against them —

Sr No	Name of officer	No & date vide which chargesheet issued
1	Sh M L Dua SDO	No 22/Conf 3672 dt 8 1 97
2	Sh R P S Chauhan SDO	No 15/Conf 3670 dt 16 1 97
3	Sh A S Gandhi SDO	No 21/Conf 3671 dt 10 12 96

Final action taken against the erring officers will be intimated in due course

The Committee is of the view that sincere efforts should have been made by the Board to file the written statement immediately and the case should be contested in accordance with the advice of the LR citing the case decided by the Supreme Court

The Committee also noticed that the Board has held some officers responsible in this case and initiated disciplinary action against them

The Committee, therefore, recommend that the disciplinary proceedings initiated against the defaulting officers be completed at the earliest and the committee be intimated about the action taken against them

The Committee further recommend that concrete steps be taken by the Board to ensure that such type of delay in filing written reply may not occur in any case in future

HARYANA FINANCIAL CORPORATION

4 5 2 Undue favour to a firm

34 The Corporation introduced a settlement scheme (January 1993) to waive/settle irrecoverable loans from defaulter loanees after exhausting various recovery efforts for improving its liquidity position and with that purpose issued guidelines to waive/settle loans *inter alia* in the following circumstances

the loanee has no property

the district authorities have declared the amount as irrecoverable and

the sole proprietor of the loanee unit has expired and his legal heirs do not have any means to repay the loan

The Corporation had advanced a loan of Rs 10.09 lakhs (Rs 9.09 lakhs in October 1982 and Rs 1 lakh in March 1985) to a partnership firm. A number of opportunities was given to the party for repayment of loan but due to persistent default in payment, the unit was taken over in May 1988. The Corporation auctioned (November 1989) the unit for Rs 7.16 lakhs. After adjustment of the proceeds the loan due amounted to Rs 17.88 lakhs as on 31st August 1993. Under the settlement scheme the Corporation settled (January 1994) this amount for Rs 3 lakhs which was paid by the party between the period 10.12.1993 and 10.5.1994.

It was observed in audit that the value of immovable property of the partners as assessed by the Corporation itself at the time of settlement amounted to Rs 33 lakhs. Moreover the district authorities to whom the case was sent for recovery had issued a recovery certificate under Section 3 of Haryana Public Monies (Recovery of Dues) Act 1979 in February 1993 against which the partners had obtained only a stay order for their arrest which could have been got vacated. As such this firm was not covered in the above criteria/guidelines. The settlement of the case in contravention to these guidelines resulted in undue favour to the firm entailing a loss of Rs 14.88 lakhs (principal Rs 5.57 lakhs and interest Rs 9.31 lakhs) to the Corporation.

The Management stated (September 1994) that non settlement would have resulted in the mounting outstandings against the firm. The reply is not tenable as the partners were having sufficient means to repay the loan.

The matter was reported to the Corporation and Government in May 1995 their replies had not been received (October 1995).

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

These are only some of the criteria/guidelines taken from the Settlement Scheme of the Corporation approved by its Board of Directors

ANNEXURE A

List of Fairs/Exhibitions participated by the H S S I & E C Ltd Chandigarh

Sr No	Name of Officer	Duration of visit	Country visited	Total Exp including participation charges of fair (in lacs)	Order booked/ executed (in lacs)	Date on which tour report submitted to E O D	Purpose of visit
1	2	3	4	5	6	7	8
1	(i) Sh Pratap Singh Ex Chairman	17 5 89 to	Italy	1 70			To attend 20th International exhibition for furnishing textile star 89 at Milan (Italy)
	(ii) Sh Beant Singh IAS Ex M D	29 5 89	Switzerland				
2	(i) Sh Pratap Singh Ex Chairman	10 9 89 11 10 89	Kenya Egypt France U K	9 67	142 7	4 12 90	Our Ex Chairman Ex M D & GME visited Kenya to contact & finalise with Director FIU Nairobi (Kenya) for a global tender for the supply of Scientific Instruments valuing Rs 79 00 lacs CIF Nairobi and further orders of Rs 62 89 lacs was also executed for Handloom Scientific Instruments Readymades Garments and Leather Garments
	(ii) Sh Beant Singh IAS Ex M D	do	USA Canada				
	(iii) Sh R S Malik IAS Ex Director	16 9 89 to 11 10 89	Taiwan Spain Hongkong				
	(iv) Sh Bhaskar Chatterjee IAS Ex Director	28 9 89 to 7 10 89	Thailand				
	(v) Sh N Malhotra GME	10 9 89 to 11 10 89					
3	(i) Sh Pratap Singh Ex Chairman	10 12 89 to	Kenya & Dubai	1 04		4 12 90	To sign the agreement of Scientific Instruments of Rs 79 88 400/ with Director FIU Nairobi (Kenya)
	(ii) Sh Beant Singh IAS Ex M D	18 12 89					

1	2	3	4	5	6	7	8
4	(i) Sh Pratap Singh Ex Chairman	9 1 90	West Germany	2 57			To participate in the Heimtextile Fair Germany Our Corpn has received a sum of Rs 75 000/ from our associates as participation charges
	(ii) Sh Beant Singh IAS Ex M D	19 1 90					
5	(i) Sh Pratap Singh Ex Chairman	18 5 90	Australia to Newzealand	4 23	0 02		To participate in the Australia International Engg Fair at Sydney (Australia) and samples valuing US Doller 125/ equivalent to Rs 1695/ were sold after fair
	(ii) Sh Beant Singh IAS Ex M D	6 6 90	Singapore & Malaysia				
	(iii) Sh N Malhotra GME						
6	(i) Sh R S Malik IAS Ex Chairman	5 5 91	Italy U K	4 79	400 00	9 9 91	To Participate in the Star Fair-91 held at Milan (Italy) and Export promotion visit to U K France & USA
	(ii) Sh H C Disodia IAS Ex M D	21 5 91	USA & France				
7	(i) Sh N Malhotra General Manager (Exports)	18 6 91 to 22 6 91	Jakarta (Indonesia)	0 16			To participate in global tender for the export of Scientific Instruments and to deliver the sample to the tendering authority The associate suppliers had paid the excess amount except Rs 16 000/ borne by the Corpn
8	(i) Sh N Malhotra General Manager (Exports)	20 9 91 to 2 10 91	France & U K	0 17		16 12 91 & 7 4 92	To participate in Sernaine De Cuir Fair held at Paris (France) and export promotion visit to U K The extra expenditure was borne by our associate suppliers
9	(i) Sh N Malhotra General Manager (Exports)	7 1 92 to 21 1 92	West Germany/ Italy	1 77	24 68	7 4 92	To participate in Heimtextile Fair and export promotion visit to Italy
10	(i) Sh Mohd Aslam Khan MLA Ex Chairman	4 10 92 to 14 10 92	Kuwait Saudi Arabia Italy France & U K	1 48	12 08 (rice)	29 12 90 & 30 3 93	Visit to Kuwait & Saudi Arabia for export promotion of Basmati Rice
	(ii) Sh N Malhotra General Manager (Exports)	4 10 92 to 29 10 92		2 90	2 37 (XL)		Besides export promotion visit to Kuwait & Saudi Arabia of Basmati Rice GME also visited to Italy to participate in Star Fair held at Milan and export promotion visit to France & U K

1	2	3	4	5	6	7	8
11	(i)	Mohd Aslam Khan M/LA Ex Chairman	11.1.94 West to Germany 21.1.94 France & Spain	5.48		24.3.94	To attend the Heimtextile Fair at Germany and export promotion visit to France and Spain
	(ii)	Sh D V Bhatia IAS Ex M D					
	(iii)	Sh N Malhotra GME					

ANNEXURE B

Year 1987 88

Distt	Cases	Closed cases	Amount disbursed	Due		Recovered		Balance				
				Principal	Intt.	Principal	Intt.	Principal	Intt.			
1	2	3	4	5	6	7	8	9	10	11	12	13
Ambala	271	11	5 15 517	515517 00	67017 20	122255 72	31243 00	6149 50	13624 50	484274 00	60867 70	108631 22
Hisar	668	14	11 89 966	1189966 00	155266 39	275546 89	36218 00	5273 00	6963 00	1153748 00	149993 39	268583 89
Sirsa	269	05	4 90 321	490321 00	63631 50	116791 60	17797 95	4590 10	13317 95	472523 05	59041 40	103473 65
1208	30	21 95 804	2195804 00	285915 09	514594 21	85258 95	16012 60	33905 45	2110545 05	269902 49	480688 76	

29 96 313 30

1 35 177 00

28 61 136 30

ANNEXURE-C

Year 1988 89

Distt	Cases	Closed cases	Amount disbus	Due		Recovered		Balance				
				Principal	Intt.	Principal	Intt	Principal	Intt			
1	2	3	4	5	6	7	8	9	10	11	12	13
Ambala	261	8	506426	506426 00	65835 38	93850 97	21899 00	4771 00	7823 50	484527 00	61064 38	86027 47
Hisar	589	2	1090324	1090324 00	142671 97	206138 72	9275 46	1955 00	1848 54	1081048 54	140716 97	204290 18
Sirsa	267	14	489012	489012 00	63439 95	92619 25	35226 70	6592 65	10683 20	453785 30	56847 30	81936 05
1117	24	2085762	2085762 00	271947 30	392608 94	66401 16	13318 65	20355 24	2019360 84	258628 65	372253 70	
					27 50 318 24			1 00 075 05			2 650 243 19	

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