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**HARYANA VIDHAN SABHA**  
**COMMITTEE**  
**ON**  
**PUBLIC UNDERTAKINGS**  
**(1998-99)**  
**(NINTH VIDHAN SABHA)**  
**FORTY-FORTH REPORT**  
**ON THE**  
**REPORT**  
**OF THE**  
**COMPTROLLER AND AUDITOR GENERAL OF INDIA**  
**FOR THE YEAR 1995-96 (COMMERCIAL)**



1995-96

leak

*Presented to the House on*

9.2.1999,

**HARYANA VIDHAN SABHA SECRETARIAT,**  
**CHANDIGARH**  
**1999**

## TABLE OF CONTENTS

	Paragraph(s) No of the Audit Report	Paragraph No of this Report	Page(s)
Composition of the Committee on Public Undertakings			(iii)
Introduction			(v)
Report			
Haryana State Minor Irrigation and Tubewells Corporation Limited	4 2 1 4 2 2	1-2	1-8
Haryana Agro Industries Corporation Limited	4 3 1	3	9-11
Haryana State Handloom & Handicrafts Corporation Limited	4 6 1	4	12-15
Haryana State Electricity Board	4 7 1 4 7 3 4 7 4 4 7 5 4 7 6 4 7 8 4 7 9	5-11	16-35
Haryana Financial Corporation	4 8 1	12	36-38

(iii)

COMPOSITION  
OF  
THE COMMITTEE ON PUBLIC UNDERTAKINGS  
1998-99

**Chairperson**

- 1 Shri Bijender Singh Kadyan

**Members**

- 2 Shri Anand Kumar Sharma
- 3 Shri Bhagi Ram
- 4 Shri Jai Singh Rana
- 5 Shri Balwant Singh
- 6 Shri Chander Mohan
- 7 Shri Om Parkash Jain
- 8 Shri Chander Bhatia
- 9 Shri Sat Pal Sangwan

**Secretariat**

- 1 Shri Sumit Kumar Secretary
  - 2 Shri Zile Singh Under Secretary
-

## INTRODUCTION

I Bijender Singh Kadyan Chairperson Committee on Public Undertakings having been authorised by the Committee in this behalf present Forty fourth Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1995 96 (Commercial)

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

A brief record of the proceedings of various meetings of the Committee held during the year 1998 99 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 21ST JANUARY 1999

BIJENDER SINGH KADYAN  
CHAIRPERSON

## REPORT

### 4 2 HARYANA STATE MINOR IRRIGATION AND TUBEWELLS CORPORATION LIMITED

#### 4 2 1 Idle wages to excess workers

1 Due to transfer of Direct Irrigation Tubewells to Public Health Department/ beneficiaries/auction thereof etc and reduction of workload in its Karnal workshop the Company identified (October 1991) 348 employees as surplus since June 1988. In May 1992 the Company estimated annual wage bill of 345 employees at Rs 0 80 crore against the assessed retrenchment compensation amounting to Rs 1 60 crores. In August 1992 due to further decrease in workload the strength of surplus work charged employees swelled to 990 involving an annual wage bill of Rs 2 31 crores. An amount of Rs 6 35 crores was assessed as compensation and terminal benefits payable to the employees on termination of their services. In the meantime the number of surplus employees further swelled to 1530 as on 31 July 1995 involving an annual burden of Rs 4 85 crores and Rs 9 87 crores assessed as compensation and terminal benefits.

Upto November 1995 the Company paid idle wages worth Rs 12 24 crores to the surplus employees. Had all the employees been retrenched on their having been identified surplus the Company would have paid about Rs 9 87 crores as compensation and terminal benefits. Even on their adjustment in other Departments/Corporations the Company is bound to pay Rs 5 68 crores being payment of gratuity and leave encashment. Till March 1996 mere 50 workers were adjusted in other Government Departments/Corporations/Boards of Haryana State. The Company had been incurring huge losses (accumulated loss up to 1981 82 Rs 1 55 crores rose to Rs 39 94 crores in 1990 91). Had the Company acted as a professionally commercial organisation and retrenched the identified surplus work charged employees there would have been an extra expenditure of Rs 4 19 crores only as against the idle wages paid worth Rs 12 24 crores up to November 1995. The Company is still paying idle wages. Another loss making Company viz Haryana Agro Industries had, however successfully retrenched its surplus staff.

As a result of failure to retrench the surplus work charged employees or adjust them in other Departments/Boards/Corporations of Haryana State the Company is saddled with identified surplus staff involving avoidable payment of recurring idle wages. The incidence of compensation benefits would increase on account of delay in termination of services of surplus staff.

The matter was reported to the Company and Government in April 1996 the reply had not been received (November 1996).

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

Due to reduction in work load and financial constraints the Corporation started the exercise of identifying surplus staff. In Oct 348 employees were identified as surplus. In Aug 1992 the strength of such identified surplus workcharged

employees increased to 990. The Govt desired to know the amount required for retrenchment compensation to the surplus staff. Initially on 8.5.1992 for 345 employees the requisite retrenchment compensation amount was intimated to the Govt as Rs 1.60 crores approximately. But no decision was conveyed by the Govt. Consequently in a meeting held on 13.8.1993 under the Chairmanship of Hon'ble Chief Minister Haryana a decision was taken that a list of staff whose services are required to be terminated by HSMITC and amount required for retrenchment compensation will be intimated to the Finance Deptt. Accordingly a note was sent to the Financial Commissioner Sect to Govt Haryana Irrigation and Power Deptt. U.O. No. 4487/TW/Dated 20/23.12.1993 vide which it was requested that a sum of Rs 6.36 crores required for payment of retrenchment compensation to 990 workers be made available to the Corporation. The Govt was further reminded vide U.O. No. 504/TWS dated 8.2.94. It was also mentioned in the note that in case the matter regarding retrenchment of surplus employees is delayed then compensation shall further increase. The Financial Commissioner and Secy to Govt Haryana I&P Deptt. vide his memo 55/5/82/5MIP dated 26.7.1994 (Annexure III) conveyed the decision of the Govt that all the formalities of termination of services be completed and thereafter the funds for this purpose would be released. On receipt of the decision of Govt when an exercise to complete the formalities was being carried out the FCIP I&P Deptt. vide his memo No 55/5/82/5MIP dated 4.8.94 conveyed the following decision of the Govt -

This issues came up for discussions in the meeting presided over by Chief Minister Haryana on 28.7.94 and it was decided therein to make an attempt to accommodate all the 990 surplus employees of HSMITC in other places. You are therefore requested to take further action in the matter accordingly. Pursuant to the receipt of the decision the Corporation has made vigorous efforts to get the surplus staff adjusted in other Deptts /Boards and Corporations of Haryana State. In order to reduce expenditure on establishment some more categories of staff were further identified as surplus. In the year 1995 the total No. of surplus staff was increased to 1530. Upto 30/6/1997 about 101 surplus employees have been got adjusted in other Organisations. The Corporation is making metaculous efforts for the adjustment of surplus staff and the matter is under correspondence with various Govt. Deptts /Boards and Corporations. HSMITC is a fully owned Govt. Corporation and as such as is bound to comply with the decisions/directions of Govt. Had the decision of the Govt dated 4.8.1994 been not received the Corporation would have retrenched the surplus staff after receipt of the requisite funds for the purpose. It is pertinent to mentioned here that Govt. of Haryana constituted a Cabinet Sub Committee on HSMITC on 20.2.1997 to re organise its activities. The Cabinet Sub Committee has recommended to the Govt. that surplus staff of HSMITC should be absorbed in Govt. Deptts. and Public Sector Corporations and undertakings. The report of the Cabinet Sub Committee has been approved by the Govt. and action at Govt. level is now being initiated to adjust the surplus staff in other Govt. Deptts Public Sector/ Corporation and undertakings.

In view of the position explained in the fore going paras it is requested that the para on the subject may kindly be dropped as the Corporation is making strenuous efforts at all levels to get the surplus staff adjusted

During the course of oral examination the Commissioner and Secretary to Government Haryana, Irrigation Department informed the committee that efforts are being made to adjust the surplus staff and also for creating work for them so that gainful employment could be provided to the staff. She also informed that there was no proposal at the level of the Government to terminate the services of the surplus staff which are on the pay roll of the Corporation. Moreover she also informed that there was no proposal to disband the Haryana State Minor Irrigation & Tubewells Corporation Ltd. The Committee desire to have certain information. The Government by way of additional information sent a list of 567 Nos Tubewell Operators and 55 Nos Electricians who were working in the Corporation. The Government also gave the yearwise details of funds given to the Corporation against the approved/revised Plan and Non plan as per Annexure A & B. In addition it was also informed 52 Nos tubewells have been auctioned. As regards the list of water courses proposal for repairs for Rs 30 lacs the Government express its inability to supply the list at this stage. Only those water courses were to be repaired where water Works Association have been framed and registered and Shareholders agreed to provide voluntary labour for the repair of the water courses.

**The Committee, in view of the above information, recommend that strenuous efforts may be made by the Government to absorb the surplus staff at the earliest and the steps taken by the Government may be intimated to the Committee within a period of three months**

## Annexure A

**YEARWISE APPROVED/REVISED OUTLAY AND ACTUAL  
RELEASED OF FUNDS TO HSMITC**

Under Major Head 4702—Capital Outlay on Minor Irrigation (PLAN)

(Rs in Lacs)

Year	Annual Plan for works			Annual plan for establishment		
	Approved outlay	Revised outlay	Actual released	Approved outlay	Revised outlay	Actual released
1994 95	3000	2100	1912 50	957	957	957
1995 96	4300	3400	3400	1051	1051	1051
1996 97	4423	3400	2600	1200	1350	1350
1997 98	4721	1500	800	1350	1500	1392
99, 99 (upto 8/98)	4000	—	500	2175	—	700



## Under Head 2702 Minor Irrigation (Non Plan)

(Rs in Lacs)

Year	Maintenance of lined water courses			O & M of Aug Tubewells			Energy charges of Aug Tubewells		
	Provision outlay	Revised outlay	Actual released	Provision outlay	Revised outlay	Actual released	Provision outlay	Revised outlay	Actual released
1994-95	300	300	300	150	150	119.50	267	267	267
1995-96	300	300	232.50	150	150	150	287	287	287
1996-97	300	300	100	150	150	50	307	307	250
1997-98	300	300	—	150	150	—	328	328	105
1998-99	300	—	30	150	—	—	433	—	111

(UPTO 8/98)

#### 4.2.2 Avoidable loss of interest

2. In response of State Government's enquiry (December 1987) to all Boards/ Corporation for the construction of houses at Panchkula for its employees through Haryana Housing Board (HHB) with the help of loan from Housing and Urban Development Corporation (HUDCO) to the extent of 70 per cent of the cost involved the Company intimated (April 1988) its requirement for 180 houses of various categories involving a total cost of Rs 330.82 lakhs. The Company was to pay Rs 70.90 lakhs as advance and balance in nine yearly instalments of Rs 28.88 lakhs each. The Company also made commitment (April 1988) that the amount to be spent over and above HUDCO loan would be made available on demand and the instalments repayable to HUDCO towards loan would be provided in its budgets for the succeeding years. However the Government asked (May 1989) the Company if it had since made arrangement for payment of instalments to HUDCO and had provided Rs 70 lakhs for advance payment in its budget for the year 1989-90 to which the Company intimated (June 1989) its inability and requested the Government to provide Rs 70 lakhs and adjust the same against the recovery of lining of water courses waived off by the Government. However the Government did not agree to the proposal.

Considering funds constraints the Company intimated (July 1990) to the HHB its reduced requirement of 88 houses entailing estimated cost of Rs 1.78 crores (Rs 0.46 crore for cost of land and Rs 1.32 crores for cost of construction) excluding interest by arranging funds out of its own resources. A sum of Rs 16.37 lakhs (Rs 13.87 lakhs (44,040 Sq. feet @ Rs 105 per Sq. feet) being 30 per cent down payment for cost of land and Rs 2.50 lakhs interest for delayed payment) was deposited by the Company in June 1991. Due to poor financial position the Company could not pay subsequent instalments due in June 1992 and September 1992 and decided (March 1993) to withdraw the amount already deposited with the HHB. Though the Company requested for refund with interest (June 1993) the HHB refunded (July 1995) Rs 16.37 lakhs without interest due to withdrawal from the scheme by the Company itself.

The Company had been incurring huge losses (accumulated loss up to 1981-82 Rs 1.55 crores rose to Rs 39.94 crores in 1990-91) had heavy outstanding loans taken from State Government and banks (up to 1990-91 Rs 184.43 crores). In the wake of pre-known poor ways and means position it was not justified to make advance payment of Rs 16.37 lakhs in June 1991.

Injudicious decision to finance the cost of houses from internal resources despite poor financial position resulted in avoidable locking up of Rs 16.37 lakhs with HHB with consequent loss of interest amounting to Rs 9.17 lakhs calculated @ 14 per cent per annum (at which the Company obtained loans from banks from July 1991 to June 1995).

The matter was reported to the Company and the Government in March 1996. Their replies had not been received (November 1996).

In their written reply the Government/Corporation stated as under

In this connection it is stated that the Commissioner & Secretary to Govt Haryana PWD B&R Housing Deptt had circulated a letter No 16/17 87 2HB dated 28th December 1987 addressed to all Managing Directors and Chief Administrator of Corporations and Boards located at Chandigarh and Panchkula for providing housing facilities to the employees of the Boards and Corporations. On the basis of this letter the Corporation approached the Housing Board Haryana Chandigarh for providing 180 houses for various categories for the employees of HSMITC. The FCIP vide letter No 36/B 167 dated 11 1 1989 was approached for arranging budget provision of Rs 71 00 lacs in the State Budget in order to enable the Corporation to make the payment to the Housing Board on account of payment of houses in pursuance of the decision of Boards of Directors in their 92nd meeting held on 29 12 1988 who decided to approach the Government to provide funds for houses but the same was not provided by the State Government in the State Budget. The Board of Directors of the Corporation reduced the requirement of houses from 180 to 88 in the meeting held on 25 6 1990. The Corporation deposited a sum of Rs 16 36 966 vide Cheque No NMCE/D/813613 dated 26 6 1991 from its provision providing housing facility to its employees vide letter No 400 01/B 167/Funds dated 26 6 1991.

The matter was brought to the notice of the Board of Directors of the Corporation on 27 5 1992 time and again on 14 12 1992 and 17 3 1993 regarding release of funds to the Housing Board on account of purchase of houses for the employees but the Board of Directors showed its inability to release the funds due to tight financial position of the Corporation. The matter was again put up in the Board of Directors meeting (110th) which was held on 17 3 1993 in which the Board of Directors refused to allow diversion of funds from the World Bank aided project for purchase of houses at Panchkula due to the poor financial position of the Corporation. In its review the BOD noted that the Govt had not released Plan and Non Plan provision in full for 1992 93 and also a sum of Rs 80 00 lacs had been adjusted as interest. Direct Irrigation Tubewells were still incurring losses because of uneconomic water rate. A comprehensive proposal to grant of subsidy had not been considered favourably. The Board of Directors in its 111th meeting held on May 1993 decided to withdraw the amount deposited with Housing Board Haryana and utilise the amount for purchase of one number New Reverse Drilling Rig in the Corporation.

The Corporation accordingly requested the Housing Board Haryana vide its letter No 155/B 167 dated 4 6 1994. The proposal was again reviewed in the meeting of the Board of Directors held on 29 9 1993 to pay in 90 instalments. A committee of five officers was formed for this purpose vide office order No 155 163/B 167 dated 31 3 1994 to peruse the matter with Housing Board.

The Chairman of HSMITC recorded vide his note to FCIP vide No 196/B 167 dated 11 5 1994 that the Housing Board Haryana had been requested not to charge penal interest and the Chief Administrator Housing Board Haryana had agreed to consider the case if the Corporation were to deposit of Rs 75 00 lacs.

to Rs 1 00 crores. According a reference was sent to the Govt for making a provision of Rs 1 00 crore under the Major head 4216 Capital Outlay on Housing for the above said purpose and followed by No 44-46/B 167 dated 12 1 1995 but the proposal did not mature.

Keeping in view the position explained above the Corporation decided not to invest further in the scheme & requested to the Chief Administrator Haryana Housing Board to refund the amount of Rs 16 36 966/ with interest to the Corporation vide letter No 443/B 167 dated 24 5 93 and the money deposited with Haryana Housing Board was refunded to the Corporation vide this office letter No 473/B 167 dated 17 7 1995 inspite of Housing Board Haryana condition laid down in their letter No HBH/93/6417 dated 30 7 1993 that the allottee department shall not be allowed to withdraw from the scheme at any stage. Further more the Corporation have approached the Haryana Housing Board to pay the interest vide its letter No 443/B 167 dated 25 5 1995 subsequent reminder No 552/B 167 dated 17 7 1995 and No 655/B 167 dated 17/27 10 1995.

The Corporation is still actively pursuing the matter with the Housing Board Haryana to refund the accrued interest amounting to Rs 9 36 lacs. The Managing Director of the Corporation has also written a D O letter to the Chief Administrator Housing Board Haryana to personally look into the matter and expedite the refund of interest vide Reference No 277/B 167 dated 21 8 1997.

During the course of oral examination the representatives of the Government informed that the main functioning of the Corporation is the development of irrigation and desilting of the canals. The representatives of the Corporation informed that during the current financial year the Government has provided an amount of Rs 40 crores for lining purposes. So far as the question of refund of interest amounting to Rs 9 36 lacs is concerned the representatives of the Corporation informed that the matter was taken up with the Haryana Housing Board orally but the Haryana Housing Board has not exceeded to the oral request of the Corporation. Now the Corporation has decided to place the matter before the Board of Directors and get a resolution passed from the Board of Directors for onward transmission to the Haryana Housing Board. **The Committee, therefore, desired to know the outcome of the efforts made but no such information was supplied till the framing of this report. The Committee, therefore, recommend that strenuous efforts be made to recover the amount of interest from the Haryana Housing Board under intimation to the Committee within a period of three months.**

## 43

**HARYANA AGRO INDUSTRIES CORPORATION LIMITED****431 Avoidable loss**

3 The Company had been procuring wheat on behalf of the State Government for onward sale and delivery to Food Corporation of India (FCI) either on the same day or in any case within 48 hours. If however the delivery of wheat to FCI is not feasible within the stipulated time then the stocks are stored by the Company itself. The Company is reimbursed the cost of wheat alongwith incidental charges by the FCI at rates fixed by the Government of India.

The Mandi Supervisors/Store Keepers of the Company were responsible for proper stocking and in case of default they were liable for strict disciplinary action besides compensating the Company for any loss caused due to violation of instructions (April 1992).

The Company had a stock of 11853 wheat bags (March 1993) at Pundri pertaining to wheat it purchases during 1992-93. At the time of annual physical verification of wheat stock as on 31 March 1993, 22 wheat bags valued at Rs. 0.10 lakh were found short and the Mandi Supervisor was placed under suspension in October 1993. A committee of officers during an inspection of stocks in December 1993 found 11625 wheat bags damaged due to improper storage. Out of these 737 wheat bags were delivered to FCI after reconditioning/upgradation (March 1994) at an expenditure of Rs. 0.14 lakh and the balance 10888 wheat bags valued at Rs. 50.42 lakhs rejected by FCI due to deplorable condition of stock with excessive percentage of spoiled grains. The damaged wheat was auctioned (April 1994) at reduced rates for Rs. 33.61 lakhs. Another 206 wheat bags valued at Rs. 0.96 lakh were found short in December 1993.

The Management placed store keeper concerned under suspension in December 1993 and a FIR lodged against him in January 1994 with police for shortage of 228 wheat bags. However, action to recover the loss for damaged stock (10888 wheat bags) against the officials at fault as per instructions issued by the Company in April 1992 had not been taken (November 1996).

Thus, failure on the part of the company to ensure safe storage of 10888 wheat bags and shortage of 228 wheat bags resulted in avoidable loss of Rs. 17.87 lakhs.

The matter was reported to the company and the Government in March 1996. Their replies had not been received (November 1996).

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

HAIC had procured 71471 bags of wheat at Pundri Mandi during the year 1992-93. Out of which 2973 bags of wheat delivered to FCI directly from Mandi and 33680 bags of wheat stored in HWC at Pundri. Balance stock of 34816 bags of Pundri Mandi and 20375 bags of Deeg Mandi were stored on hired plinth of HSAMB at Pundri due to non availability of storage space with HWC. HAIC had delivered 41850 bags and 1520 bags of wheat stock to the FCI in 1992-93 and 1993-94 respectively out of the stock of 55191 bags (34816+20375) stored on the plinth of HSAMB at Pundri.

The Supervisors and Store Keepers posted in the Mandis for wheat procurement are responsible for safe/proper storage of wheat. The stocks were damaged due to negligence of the official responsible but it was not the sole reason as during 1992-93 there was acute shortage of poly covers. In this regard it is stated that an indent for 450 poly covers was placed for 1992-93 vide letter dt 24/10/91. The material, however, could not be procured because it was rejected on quality ground (due to pin holes). Thereafter the matter remained under discussions with Food & Supplies Deptt and Director Supplies and Disposals. On 13/7/92 a D.O. letter was written to D.F.S. for loaning of poly covers to HAI. Simultaneously a letter dt 13/7/92/17/7/92 was also circulated among field staff. The DFS Haryana vide his letter dt 16/7/92 instructed his Field Officers and 60 covers were allotted to Kaithal Distt (30 for Pundri Mandi which is a part of Kaithal). The DFSC Hissar from whom Kaithal had to lift material created problem in the supply. The matter was already taken up in various meetings in Food Department and ultimately in a meeting under the Chairmanship of C.M. Haryana it was decided to purchase the material by ignoring problem of pin holes. During this period the stock had to bear the vagaries of rainy season.

As soon as the Corporation came to know that there is shortage of wheat bags it placed Store Keeper and Mandi Supervisor concerned under suspension in October 1993 and December 1993 respectively. An FIR was also lodged against them in January 1994 with Police for shortage and damage of wheat stock. Moreover the Corporation got checked the wheat stock in the month of April 1993 besides the regular checking by D.M. concerned and on the report of the committee regarding infestation the work of re-conditioning, segregation and replacement of baidari was also allowed. Thus the condition of wheat stock was in the notice of the office and preventive steps were also taken as per inspection conducted by the Committee. The audit team has worked out that an amount of Rs. 17.87 lacs is the difference between realisation value from FCI and the amount actually realised by Corporation through auction. Actually this should have been worked out at the procurement price plus actual expenses incurred by HAI on this basis and not on the basis of realisation value from the FCI. The loss depicted in Audit para is towards carry over charges on wheat which was stored for a period of more than 2 years. There was a stock of 11831 bags as per book balance and out of it 737 bags were delivered to FCI and there was a shortage of 206 bags. Remaining 10888 bags of wheat were auctioned in April 1994 and loss on account of carry over charges on 10888 bags i.e. 10343.60 qtls comes to Rs. 1348184.82 @ 130.34 per qtl (From 7/92 to 9/92 @ 6.92, 10/92 to 2/93 @ 6.34 and 3/93 to 3/94 @ 6.06 per qtl per month).

After investigation into the matter the Superintendent of Police, Kaithal vide letter dt 10/12/96 (Copy enclosed) requested for sanction to prosecute the two officials. The requisite sanction has already been conveyed vide letter dated 13/12/96 (Copy enclosed). Charge sheets have been issued to both the officials for loss depicted in the Audit para.

During the course of oral examination the representatives of the Government and the Managing Director of Haryana Agro Industries Corporation Ltd explained that the damaged has not occurred because of rains but is only because of the negligence of the Supervisor and the Clerk/Store Keeper. Hence the case was got registered with the Police and the Police after investigation has filed the Challan in the Court. The said case was under process separately. In addition it was also informed by the representatives of the Government that the departmental action is also being taken against the defaulters and the concerned officials namely Shri R K Sharma Mandi Supervisor and Shri Suraj Bhan Store Keeper against whom F.I.R. has already been got registered have been charge sheeted. As both the officials have submitted their replies to the charge sheet the Enquiry Officer to investigate the matter has also been appointed and the departmental enquiry against both these officials who were also under suspension is under process. The Managing Director further informed the Committee that the next date of hearing in the Criminal Court is fixed for 19th December 1998 whereas the departmental enquiry will be completed within a period of six months by the Enquiry Officer. **Thereafter, in view of the assurance given by the representatives of the Government, the Committee recommend that the Enquiry Officer may be asked to complete the enquiry within the stipulated period of six months and submit his report. The Committee would also like to have a report in the matter alongwith the results of the judgement of the Criminal Court.**

## HARYANA STATE HANDLOOM AND HANDICRAFTS CORPORATION LIMITED

### 4.6.1 Avoidable payment of compensation

4. The Company took up two projects namely the Export Production Project, Panipat (EPP) and the Intensive Development Project, Bhiwani (IDP) during the year 1976-78 for large scale production of handloom products. The workers on these projects were engaged on piece rate basis. As per the agreement (August 1989) between the Management and the workers, the workers were to be paid minimum wages against a fixed minimum return of production.

Due to high cost of production, the projects became unviable. The Company stopped the production from April 1993 and started paying lay off compensation to the workers from the same date without ensuring entitlement of piece rate workers for any compensation. The Company sought (September 1993) legal advice from an Advocate/Management consultant on issues relating to payment of bonus and quantum of lay off compensation who opined that bonus was not payable and quantum of lay off compensation was to 50 per cent of minimum wages. The opinion whether piece rate workers were entitled for lay off compensation was, however, not sought.

The Company decided (September 1993) to wind up both the projects to effect economy in expenditure. It, however, continued to pay lay off compensation till September 1994 when opinion of an advocate was sought for on the issue of liability to make payment of retrenchment compensation to laid off piece rate workers. The advocate opined that since piece rated weavers were not engaged against any sanctioned post and were engaged on contract basis, it would be termination of contract only and as such they were not entitled for any retrenchment compensation because they were not workers under Industrial Disputes Act and either party (Corporation or weavers) could terminate the contract without service of any notice or compensation. There was also no need to pay any lay off compensation.

Accordingly, the Company decided (September 1994) to terminate the contract with workers engaged on piece rate basis at these projects.

Thus, by not obtaining the timely opinion of an advocate regarding eligibility for lay off compensation, the Company had to make an avoidable payment of Rs. 3.43 lakhs from April 1993 to September 1994 towards the same.

The Management stated (July 1996) that the workers have filed a writ petition in the High Court, final outcome of which is still awaited.

The matter was reported to the Government in April 1996, the reply had not been received (November 1996).

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

The para No. 4.6.1 is reported in the report of C&AG of India for the year ended March 1996 (commercial) is admitted to the extent that two projects namely



Export production project Panipat and Intensive Development Project Bhiwani were started during 1977-78 and the workers under the project were appointed as piece rate worker/part time worker. As per agreement with the workers (August 1989) they were required to be paid at piece rate fixed by the Govt. Export production project was stopped during April 1991 due to nonavailability of funds under this scheme from the State Govt. and production on capative looms at Bhiwani under Intensive Development project was closed during September 1993 because it was not viable due to higher cost of production.

It is not correct that corporation had not ensured before stopping the production whether the workers are entitled to retrenchment compensation. The corporation started paying the lay off compensation previously when this question was raised during March 1990 about the viability of the projects. Legal opinion from the legal Advisor of the corporation was obtained and according to him if we close down the units then we would have to pay the minimum wages as per provisions of Industrial Dispute Act particularly keeping in view the agreement made with the workers on 17.8.89. As per terms of agreement with the workers they were required to be paid.

Wages in case the work is not provided to them by the management. The legal Advisor of the corporation at Hq. as well as management consultant engaged at Panipat were of the view that retrenchment compensation and other benefits as detailed below be given under section 25(F) of the Industrial Dispute Act 1947.

- (i) As per provision of under section 25(F) we have to give one month's notice or notice pay.
- (ii) 15 days salary as retrenchment compensation also payable for each completed years of service or any period of more than six months will be accounted as full year.
- (iii) This payment is to be tendered in advance i.e. we have to ensure the payment alongwith notice of retrenchment otherwise retrenchment will be illegal.
- (iv) To display seniority for the category for which retrenchment is to be made.
- (v) Notice is to be sent to the Govt. in the prescribed manner.
- (vi) Under the provisions of Gratuity Act 1972 gratuity is also payable to the employees.
- (vii) Further bonus leave with wages is also to be paid.

The advocate has further stated to the project officer HSH&HC Bhiwani/Panipat that compliance of Section 25(F) before affecting the retrenchment is mandatory. Any minor violation made under the entire action as invalid and may create future liabilities by way of back wages if the case as decided in the court of law.

Keeping in view the above advice of the Advocate the corp. used to pay the lay off compensation. During September 1994 the case was referred to Sh. K. K.

Gupta Advocate Chandigarh and according to him two types of workers were engaged

- (i) Piece rate basis
- (ii) Part time basis

(on the rates agreed between the parties for its type of work)

Such persons were not engaged against any sanctioned regular posts. Their engagement as piece rate/part time basis was as per the work requirement at the relevant time. For quite sometime corpn has no work to offer to them and they were continue on the rolls of the Corporation without any work and were being paid without taking any work from them. Under these circumstance he was of the view that the Corpn can safely dispense with the services without any notice or compensation because the provisions of the Industrial Dispute Act is not applicable to them. The nature of the services of piece rate person is not more than a daily wage contractual engagement on day to day basis. Such persons are engaged for each day. Similarly the enagement on part time basis is also for few hours in a day and not for the whole day. For rest of the day there is no restriction on them to work elsewhere. It can not thus be said to pay a continuous employment within the meaning of section 25(F) of the Industrial Dispute Act read with Section 25(F) of the Act.

The matter regarding lay off compensation by the Corpn was also brought to the notice of the Board of Directors in its meeting held on 30th March 1994. The Board had decided to put up the matter for the consideration of the Government at the highest level. Accordingly a request was made to the State Government apprising the situation and also requested Government to provide funds to the extent of Rs 17.00 Lacs to enable the Corporation to pay compensation. The Board of Directors was also of the view to make efforts for the adjustment of retrenched workers in other Government/Public Undertakings. Since no response was received from the State Government. The Board of Directors in its Meeting held on 30.9.94 decided to terminate the contract with the weavers engaged on piece rate basis at Panipat and Bhiwani there being no work to offer.

Thus the payment of lay off compensation of Rs 3.43 lacs was keeping in view the earlier advices of the Advocate and also keeping view in agreement already made with the weavers before the Labour cum Conciliation Officer on 17.8.1989. The position was changed when this case was referred to Sh. K. K. Gupta Advocate and accordingly it was decided to terminate the contract with the weavers engaged on piece wages beyond 30.9.94 at Panipat and Bhiwani.

The civil writ petition which was filed by the workers in the High Court has been dismissed and decided in favour of the Corpn. the copy of the judgement is yet to be received.

The representatives of the Government informed that some units were installed under the Incentive Development Project during the year 1976 to 1978. The labour was

employed with the condition that the labour will be paid only for the work at the D C rates and if there is no work they will not be paid. But the projects were closed whereas the workers continued to be in service. After obtaining legal opinion the employees were paid 50% compensation. Thereafter production was again started. Then since the employee/labour remained with the Corporation the legal opinion was sought for making payments to them. The second legal opinion was found to be contrary to the earlier legal opinion. Since according to the second legal opinion more compensation was paid. This resulted into a loss amounting to Rs. 3.43 lacs to the Corporation. The Committee observe that full facts were not placed before the second legal consultant with the result that the loss has occurred to the corporation. Since the case is pending to the Court the Committee decided to keep this para pending however the Committee desire to have information as to who were the Officer involved in obtaining the legal opinion on both the occasions. The representatives of the Government assured the committee to send a detail note with full facts which were not received till the framing of this report. **The Committee, therefore, recommend that the required information alongwith the latest position of the case in the High Court may be sent within a period of three months.**

47

## HARYANA STATE ELECTRICITY BOARD

## 47.1 Avoidable expenditure

5 The Board placed (October 1994) a supply order on Indian Aluminium Cables Limited New Delhi for supply of 642 Kms of ACSR Zebra Conductor at firm ex factory rate of US \$ 2938 per Km as per international competitive bidding to be supplied by 7th March 1995 at a total cost of \$ 18 86 196 (equivalent rupee value Rs 595 09 lakhs) as part of the power utilities efficiency improvement project under World Bank Loan scheme financed through Power Finance Corporation (PFC) costing Rs 36 70 crores. Thirty *per cent* of the cost of project was to be met by the board from its own sources. The terms of supply order required that ten *per cent* of the contract price (Rs 595 09 lakhs) was to be paid as an interest free advance within 30 days of signing the contract against bank guarantee for equivalent amount and ninety *per cent* was to be paid through irrevocable letter of credit (LOC) established in favour of supplier's bank on submission of documents.

Interest free advance of Rs 59 51 lakhs was released (December 1994) prior to execution of loan agreement with PFC. Though the PFC had sanctioned loans for Rs 19 20 crores and Rs 6 40 crores in August and October 1994 respectively the loan agreement with PFC could be signed on 22nd March 1995 after the lapse of the schedule for delivery of material (7th March 1995). The delay in execution of loan agreement was non observance of terms and conditions of loans in time viz establishment of escrow account and furnishing State Government guarantee or bank guarantee for the loan. The board could furnish the bank guarantee (for 50 *per cent*) loan and State Government guarantee (for balance 50 *per cent*) only on 16th March 1995. Since the Board had defaulted in opening the irrevocable LOC during the currency of the agreement the supplier refused to execute the supplies at the old rates due to price escalation. During negotiations with the supplier the Board had to agree (8th September 1995) to purchase the material at the revised average rate of US \$ 3286 59 per Km from the same supplier and the firm was to pay interest at 12 *per cent* on advance (Rs 59 51 lakhs) already paid less cost of 22 202 Kms conductor (supplied in April 1995) from 1st April 1995 to the date of revalidation/issue of fresh bank guarantee against advance. The Board had to spent Rs 87 32 lakhs (inclusive of Rs 42 36 lakhs being exchange rate fluctuations) on 408 773 Kms material received at revised average rates up to 9th March 1996.

The Board stated (December 1995) that it was not in position to arrange funds from its own but to wait for the start of disbursement of loan by PFC. The reply is however not tenable as the Board assured (March 1995) the supplier that the payment will be released immediately on receipt of material in the absence of LOC.

Thus non compliance of terms and conditions of loans in time and non opening of LOC even from its own sources as per financing scheme with the PFC resulted in extra expenditure of Rs 87 32 lakhs in the purchase of ACSR Zebra conductor.

The matter was reported to the Board and Government in May 1996 their replies had not been received (November 1996).

In their written reply the Government/Board states as under -

The Government of India received a loan from IBRD for Power Utilities Efficiency Improvement Projects and it sanctioned a loan of Rs 56.70 crores to HSEB for 5 Nos. improvement projects costing about Rs 80 crores through Power Finance Corporation. The entire expenditure was divided into three groups -

- (i) Material to be purchased through International Competitive Bids (ICB)
- (ii) Material to be purchased through Local Competitive Bids (LCB)
- (iii) Establishment and construction cost

The expenditure was further divided into different ordering schedules and packages and the same was approved by World Bank and PFC. Only after their approval tenders for different items were floated and procurement action initiated. The entire payment of material to be procured through International Competitive Bids as to be made by the World Bank whereas the entire payment of material to be procured through Local Competitive Bids was to be made by PFC and payment of labour establishment charges and petty expenditure was to be made by the Board.

In this case a purchase order for the supply of 642 Kms Zebra conductor was placed on M/s Indian Aluminium Cables Ltd. New Delhi under the international Competitive Bid floated with the approval of World Bank. 100% payment of this conductor was to be made by World Bank through letter of Credit to be opened in advance in favour of Firms Bankers and no payment was to be made by the Board. Not only this in all purchase orders for material worth Rs 50 crores were placed by HSEB for different items against these schemes for which 100% payment for the same was to be made by World Bank.

As per payment terms specified by the World Bank of the purchase order placed under International Competitive Bid 10% payment was to be made as advance within 30 days of signing of contract and balance 90% payment was to be paid through Letter of Credit.

Since the signing of contract with World Bank was delayed so the Board made 10% advance payment to firms out of Board's funds. As per terms and conditions of World Bank the Board applied to Government of Haryana for granting State Government guarantee of the loan in time and the approval of State Government was received on 26.12.94. The complete loan papers were submitted to PFC on 28.12.94 but the PFC INFORMED THAT AN ESCROW ACCOUNT MAY BE ESTABLISHED BY HSEB TO THE SATISFACTION OF PFC and the guarantee of State Government of the loan may be furnished alternatively the Bank Guarantee of the entire amount may be furnished by HSEB. It is mentioned that PFC was not insisting upon such conditions in the past but this time they informed that World Bank was not agreeing to sign the contract agreement without this.

Accordingly HSEB approached State Bank Patiala Lead Bank under consortium agreement for establishment of Escrow Account but they did not agree to open the same. The PFC was accordingly informed by Financial Advisor/HQ HSEB Panchkula vide letter dated 28.12.94 that the Bankers of the Board were not ready to open Escrow Account and more over it was not possible to furnish Bank Guarantee by HSEB for full loan amount of Rs. 56.70 crores for want of Non funds base limit from the Bank. The PFC was requested to accept the loan documents against State Government Guarantee and Bank Guarantee equal to 25% of the Loan amount but PFC did not agree for the same. Finally the Chairman HSEB wrote a DO letter to chairman PFC on 4.1.95 to accept the above proposal. A meeting was also held by Member Finance and Commerce HSEB with PFC New Delhi on 2.2.95 to sort out the issue. The PFC finally vide letter dt. 22.2.95 agreed to accept the Bank Guarantee equal to 50% of Loan amount subject to an undertaking from the State Government that in case of default by HSEB the amount may be deducted by Government of India from Central Plan Allocation and paid to PFC. Accordingly Bankers were approached immediately to issue Bank Guarantee and the State Government was also approached to give the required undertaking. The undertaking of State Government was received vide their letter dt. 15.3.95 and BG was received on 16.3.95. All the documents were submitted by the Board to PFC vide letter dt. 16.3.95 and there after contract agreement was executed by PFC on 22.3.95. The opening of letter of Credit in favour of firms by the Board was possible only after 22.3.95 as the Board was not in a position to arrange the funds from own sources being very heavy amount of above Rs. 50 crores involved specially when the financial position of the Board was very tight.

No doubt, the Firm was asked to supply the material and informed that the payment

1 be released on receipt of material. It was just to ensure that the Firm may supply the material as the prices of raw material had already increased. This was done purely in the Board's interest to have the conductor although the Board was not at all in a position to make the payment or to arrange the funds from its own resources. But the firm refused to execute the order on FIRM rates. Negotiations were held with the Firm by the Board and it was agreed that the Firm will supply 162 Kms conductor at Firm prices on which the Purchase Order was placed and balance 480 Kms at the rate of a purchase order placed by APSEB on this Firm against the same PFC WORLD BANK Loan Scheme. It is correct that the Board paid Rs. 44.96 lacs extra to the firm due to increase in prices of Aluminium. But still the rates against this order were lower than the rates at which the orders had been placed by Gujarat, Andhra Pradesh, Rajasthan State Electricity Boards etc. and had the Board not allowed the increase in prices to this Firm the Board would have to spend atleast Rs. one crore more than in case fresh orders were placed after calling fresh tenders at the prices received by Gujarat Electricity Board which were US \$ 3675 per KM against revised price of US \$ 3286.59 per KM allowed to this firm by HSEB.

The Audit has pointed out that had the Board opened letter of credit from own resources and had made payment to the Firm out of Board's funds then this loss

of Rs 44.96 lacs could be avoided. The audit has not visualised the fact that this ACSR Conductor could not be utilised unless the entire matching line and Sub Station material worth Rs 25 crores was arranged by the Board and the Board was not in a position to arrange this Rs 25 crores from other sources. Had the Board arranged the funds to the tune of Rs 5.95 crores from other sources for the ACSR conductor only and had taken the delivery of conductor then there were no changes of utilisation of this conductor upto 12/95 in the absence of availability of other matching material and in that case the Board would have to pay Rs 1.15 crores as interest on this amount for the period from 22.2.94 to 31.12.95 resulting in additional financial loss to the Board. Moreover it could not be apprehended by the Board authorities that there would be steep increase in the prices of Aluminium in such a short span.

Further the Board was not to spend the amount on arrangement of material out of Rs 11.01 crore Board's share. The only alternative left with the Board was to wait for the start of disbursement of loan by PFC and then to negotiate the delivery and other terms and conditions with the firms on which the orders were placed. However all other firms agreed to supply the material at the rates on which the purchase orders were placed and the supplies received whereas the increase in price to this firm had to be allowed due to steep increase in prices of Aluminium in International Market which is basic raw material for ACSR Conductor.

Conclusively the decision of non arranging of funds from other sources for this purchase order and holding of negotiations with the firm after loan was released by PFC World Bank was taken in the best interest of the Board and this action has resulted into a net saving to the Board as it avoided unnecessary blockage of inventory and heavy interest i.e. liability on the Board whereas the delay in arrangement of funds against World Bank Loan Scheme was beyond the control of the Board.

Regarding remaining loss of Rs 42.36 lacs (87.32 - 44.96 = 42.36 lacs) it is stated that it was due to exchange rate fluctuations. As stated above the World Bank had sanctioned loan to Government of India in US dollars and as per terms of loan the material was to be procured through international competitive bid. In this case both the bidders had quoted rates in US dollars as they had to import raw material from other countries. As the fluctuation in exchange rate was beyond the control of Board the loss of excess payment of Rs 42.36 lacs in rupee consequently was unavoidable.

During the course of oral examination the representatives of the Government informed the Committee that the Company was requested time and again to supply the material but the material was not supplied because of some delay on the part of the Board for entering into an agreement with the Company. In fact, the delay should not have taken place but it was because the HSEB was not having enough sources to collect the required amount and the time was consumed in obtaining loan. It was also informed that the condition of opening of Escrow Account which was the part of terms and conditions of loan to be obtained from the Power Finance Corporation was not complied with. Neither the board could timely negotiate alternative arrangements

acceptable to Power Finance Corporation or the World Bank in lieu of opening of Escrow Account. In the meantime the rates of the raw material were enhanced with the results that negotiations were held at the time of opening of tenders and it made the HSEB to suffer a loss of Rs 87.32 lacs. The representatives of the Government informed that the delay which has occurred is only a procedural delay and is an error of judgement. The representatives of the Board informed the Committee that the case was not only dealt with by the HSEB but it was dealt with at the level of the Haryana Government including the Finance Department and it might have been approved by the Cabinet also. He however assured the Committee that the Board will inform as to at what level the case was dealt with and finalised but the promised information complete in all respects was not supplied till the framing of this report.

The Committee is of the view that had the Board taken up timely action with Power Finance Corporation and made proposed alternative arrangements in lieu of opening of Escrow Account. The Board could have avoided the loss of Rs 87.32 lacs. The Committee viewed seriously the apathy shown by the Board's Officers for the said action and recommended that the responsibility of the Board's Officers in the matter as also for not supplying the desired complete information to the Committee be fixed and the Committee may be informed about the action taken within a period of three months.

#### 4.7.3 Avoidable loss

6. The Board approved (June 1991) construction of two 220 KV Sub stations at Palla and Ash Dump Faridabad. A tender enquiry for the purchase of two Power Transformers of 100 MVA 220/66 KV for these Sub stations was floated in October 1991 and a purchase order was placed (October 1993) on Crompton Greaves Limited Bombay (CGL) for the supply of two units Power Transformers at the firm's ex works price of Rs 2.39 crores per unit (excluding Excise duty, CST and Freight) subject to price variation clause. According to the purchase order the Board was to provide interest free advance equivalent to 20 per cent of the ordered value against Bank guarantee and the firm was to deliver the first unit within 15 months and second unit within 17 months from the date of release of advance payment.

Despite the fact that the work on these Sub stations was not taken in hand due to shortage of funds and in one case even the land had not been acquired the Board released an advance of Rs 90 lakhs (Rs 45 lakhs each in January and February 1994). The effective contractual delivery of these two transformers accordingly fell due on 25th April 1995 and 21st July 1995 respectively.

Considering the fact that due to financial constraints no work could be initiated on these Sub stations and the transformers ordered would not be gainfully utilised in the next 2 to 3 years the Member Technical (OP) after discussion with Chief Engineer (Planning) proposed (April 1994) to reschedule the delivery of these transformers. The Store Purchase Committee (June 1994) reviewed the position with regard to the progress of works vis a vis availability of funds and recommended that the delivery of both the transformers be deferred up to March 1996. The Whole Time Members (WTMs)



considered (November 1994) the question of rescheduling the delivery of these transformers followed by discussions with the representative of the firm. It was mutually agreed (February 1995) to extend the delivery schedule to September 1996 and charge 12 per cent interest from CGL on the advance given by the Board for the period to be counted from the next day of contractual delivery period up to the deferred delivery period i.e. September 1996.

In January 1996 the Board decided that it was not in urgent need of these transformers and therefore Rs 40.43 lakhs be adjusted on 30th January 1996 against other supply orders (July 1995/January 1996) and balance Rs 49.57 lakhs be adjusted on pro rata basis against future supply of five transformers subject to recovery of 12 per cent interest on the outstanding amount.

The hasty action in placing the order without ensuring its actual requirement and the required finance for construction of Sub station resulted in avoidable loss of interest amounting to Rs 24.50 lakhs (calculated from the date of payment of interest free advance during contractual delivery period i.e. up to 25th April 1995 and 21st July 1995 respectively at full rate and at concessional rate thereafter up to 29th January 1996). The loss would increase further as the balance advance of Rs 49.57 lakhs would be adjusted on pro rata basis in due course resulting in interest loss at the rate of 6.25 per cent being the difference in cash credit interest rate and 12 per cent interest rate recoverable from the firm.

The matter was referred to the Government in March 1996. The reply had not been received (November 1996).

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

It is submitted that —

220 KV S/Stn Palla and Ash Dump near Faridabad were included by Planning Organisation in the 8th Plan Project Report for 220 KV Transmission Works and the same were got approved from Central Electricity Authority. Thereafter these works were included in the list of works for the year 1991-92.

For the above works 2 Nos. 100 MVA 220/66 KV Transformers were required. Since transformer is a long delivery item of an equipment so its procurement action is required to be taken in advance. Accordingly a tender enquiry No QDH-47 bearing NIT No. 50 dated 21.10.91 was floated for the procurement of these 2 Nos. transformers. After processing the tender enquiry a PO No HDH 188/QDH 47 dt 22.10.93 was placed on M/s Crompton Greaves Ltd Bombay for the supply of these 2 Nos. transformers for above sub stations. As per PO the delivery schedule was as under —

Ex works Kanjure delivery of 1st Unit within 15 months and 2nd unit within 17 months the delivery period shall be reckoned from the date of release of advance payment due in respect of each Transformer.

It is further indicated in the PO that 20% of the order value as interest free advance on submission of equivalent amount of B.G. on placement of order. Accordingly 20% interest free advance to the tune of Rs 45 lacs for 1st unit was

released on 25.1.94 and the contractual delivery period for the 1st Unit thus was upto 24.4.95. The advance for the 2nd unit to the tune of Rs. 45 lac was released on 11.2.94 and the contractual delivery period of the 2nd unit therefore was upto 20.7.95.

Due to various constraints as explained below in respect of commissioning of 220 KV S/Stn Palla and Ash Dump the completion of these works had to be deferred for the time being —

1. During 1992 the piece of land which was acquired by HSEB during the year 1988 for the purposes of disposal of Ash from Faridabad Thermal Project was transferred to Construction Organisation for constructing the 220 KV S/Stn which was named as 220 KV S/Stn Ash Dump Faridabad.

Preliminary works viz. route survey, designing and engineering of the sub Station as well as transmission lines were carried out besides preliminary civil and electrical works which was initiated in February/March 1994.

2. During May 1994 Faridabad Complex Administration (FCA) now Municipal Corporation raised an objection to the construction of Sub Station in view of its close proximity to the Urban Area and also as per the master plan at Faridabad. It was proposed to urbanise this piece of land as well. It was consequently suggested by FCA to shift this Sub Stn to an alternative site for which land was offered in exchange to the site.

After visiting various sites offered by Municipal Corporation a piece of land offered by Municipal Corporation site No. 3 of village Pali was found acceptable which was subsequently agreed to by Municipal Corporation with minor modifications.

3. On a proposal for exchange of land the WTMs during September 1994 in circulation decided that such a proposal can be accepted only when there is an indication/commitment from Municipal Corpn. Faridabad regarding land prices of both the sites. A simple exchange of land without any confirmation regarding land price would create problem at a later stage.

In view of this it was decided by the Component Authority i.e. WTMs in their in house meeting held on 10.4.95 to permit the exchange of land if the Municipal Corporation Faridabad deposits an amount of Rs. 6.45.694 with HSEB towards the difference in cost of land and the preliminary works carried out by HSEB at site.

4. Similar problems were faced in the acquisition of land for 220 KV Sub Stn Palla.

Further it may also be submitted that the original plan was to construct 220 KV Double Circuit Smaypur Palla line via combined Cycle Gas Thermal Project (CCGP) under Central sector. The CCGP is Power Station controlled by Power Grid Corporation of India and this 220 KV Line was to pass through CCGP with the understanding that a portion of line from 400 KV Smaypur to CCGP shall be

constructed by the HSEB but the cost would be reimbursed by Power Grid Corporation of India. The work of construction of 220 KV Double Circuit Smaypur Palla Line via Combined Cycle Gas Thermal Project was stated but it had to be deferred due to the reasons that Power Grid Corporation of India though committed but backed out in respect of its commitments for reimbursement of cost of this line from Smaypur to CCGP.

Number of references were made to C E A and Power Grid Corporation of India by Chief Engineer/Planning in respect of this work but after number of meetings the decision boiled down to that HSEB line Construct this may at their own cost, the Power Grid Corporation would not bear the cost of the part of line. This issue was in reference between HSEB and Power Grid Corporation and C E A for a pretty long time causing the delay in starting work of this line and these Sub Stations. The construction/commissioning of 220 KV Sub Stns Ash Dump (Pali) and Palla is very important in order to draw its major share of energy from 400 KV Sub Station at Smaypur under the control of NTPC and BBMB respectively and to avoid the collapse of the existing transmission under work.

The delay in construction of these two S/Stns as evident from the above was due to change of stand by Power Grid Corporation and objection raised by Municipal corporation Faridabad. Both these factors were beyond the control of HSEB.

However every effort has been made to safeguard the interest of the Board. It is informed that despite of the fact that there is no provision in the contract/PO for the payment of interest on the advance that granted to the firm yet the competent authority by pressing the firm made the firm agree to make the payment of interest @ 12% of the advance made to them beyond the contractual delivery period but not beyond September 1996. This point should be appreciated by the Committee.

The amount of advance Rs 90 lacs paid to the firm has been adjusted against PO No HDH 289 dt 11 7 95 for the supply of 7 Nos 10/16 MVA 132/11 KV T/T and 2 Nos 25/20 MVA 132/33 KV T/Fs against PO No HDH 348 dated 25 3 96 alongwith recovery of interest on advance amounting to Rs 12 87 087 41.

From the above it is clear that delay in commissioning of the 220 KV Sub Station Palla and Ash Dump Faridabad for which procurement action for these transformers was initiated in time was due to the circumstances/reasons as explained above which were unforeseen and beyond the control of the Board.

The committee observed that due to lack of proper monitoring and over anxiety to place the order Board's scarce funds were locked up as purchase order for the procurement of transformers was placed and advance released to the firm without ensuring availability of sufficient funds required for completion of the Sub stations and availability of clear/approved site for the Sub stations. The reply of the Board that no permission was required for commissioning of 220 KV Sub station (Ash Dump) is not convincing as the land acquired by it originally was meant for dumping of Ash. The Committee desired to know whether any permission from the concerned authorities was required for change in purpose.

The Committee, therefore, recommend that the matter may be got investigated by fixing the responsibility of the Officers/Officials for loss to the Board and Committee be apprised of the action taken within a period of three months. The Committee further desired to know the latest position of commissioning of these Sub stations.

#### 4.7.4 Extra expenditure due to delay in finalisation of tenders

7. The Board floated (April 1991) a tender enquiry for the purchase of 6 Nos 10/16 MVA 132/11 KV Power Transformers to be opened on 10th December 1991. The offers given by the firms were valid up to 19th September 1992.

While evaluating the tender it was found that ECE Industry New Delhi (ECE) had quoted *ex works* price of Rs 27.75 lakhs per Transformer with base date 1st November 1991 but after adding the freight and transit insurance of Rs 0.40 lakh the *for destination* Transformer price was wrongly given as Rs 38.15 lakhs instead of Rs 28.15 lakhs. Although the Store Purchase Committee (SPC) and Whole Time Members (WTMs) were aware of the fact that there was totalling mistake in the rates quoted by ECE as these were unrealistic as compared to the second, third and fourth bidders in the merit position, the Board placed telegraphic purchase order (12th October 1992) on ECE for 6 Nos Transformers at their quoted *ex works* rate of Rs 27.75 lakhs per transformer instead of obtaining clarification with regard to rates from the firm.

On receipt of telegraphic purchase order ECE represented (29th October 1992) that an error had occurred in the offer copy submitted to the Board while writing the price and requested to place the order at *ex works* price of Rs 37.75 lakhs excluding Rs 0.40 lakh on account of freight and insurance. The ECE was however the lowest in the comparative cum merit position for the supply of all six Transformers on both of these *for destination* rates of Rs 28.15 lakhs and Rs 38.15 lakhs per Transformer. The General Electric Company of India (GEC) who had quoted an *ex works* rate of Rs 44 lakhs for first two Transformers and Rs 48.03 lakhs for the next four transformers as per their original tender with a base date of 1st October 1991, revised their offer with base date as 1st July 1991 while extending the validity of its offer beyond 19th September 1992.

At the instance of the WTMs (9th November 1992) the negotiating Committee consisting of Member Technical (Operation) and Member Finance, Accounts & Commercial held negotiations (16th November 1992) with four firms in the order of merit viz ECE, GEC, Bharat Bijlee and NGEF. On the basis of negotiations the WTMs in their inhouse meeting (9th December 1992) revised the requirement from six to nine Transformers and decided to place order for 3 nos Transformers on ECE at *for* rate of Rs 40.01 lakhs with base date 1st November 1991 (*Ex works* price Rs 37.75 lakhs, freight & transit insurance Rs 0.40 lakh, extra Transformer oil Rs 0.36 lakh and dry coil breather Rs 1.50 lakhs) on the grounds that backlog of eight Transformers was already there with the firm. The balance requirement was divided equally between GEC at Rs 47.73 lakhs (including Rs 3.73 lakhs due to change of base date from 1st October 1991 to 1st July 1991) and Bharat Bijlee at Rs 48.15 lakhs with base date as on 1st November 1991.

It was noticed in audit that ECE was found technically competent to supply all the six Transformers as the Board had placed order for the entire quantity at its ex works rate of Rs 27.75 lakhs. The placement of purchase order for only three transformers subsequently on ECE at a rate of Rs 40.01 lakhs and meeting out the balance requirement of three transformers by placing order on GEC at its revised rate of Rs 47.73 lakhs was not justified as it resulted in extra expenditure of Rs 23.16 lakhs. The additional requirement of three transformers could have also been met by placing order on GEC in place of Bharat Bylee, the third bidder in the merit position and an extra expenditure of Rs 1.26 lakhs avoided.

Thus, placing the order after being aware that the rate quoted by ECE contained an arithmetical mistake, taking time in resiving the order which took the Board beyond validity period in respect of the second lowest and again splitting the order resulted in an extra expenditure of Rs 24.42 lakhs.

The matter was reported to the Board and Government in March 1996, their replies had not been received (November 1996).

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

A two part tender enquiry (QDH 33) for the purchase of 6 No. 10/16 MVA 132/11 KV T/Fs was floated in the press vide NIT No. 41 dt. 11.4.91 tender. In response of Enquiry No. QDH 33 part II of the tender of 8 No. participating firms were opened on 22.6.92. M/s ECE Ltd. New Delhi quoted their price as reproduced below —

(i) Unit Ex works price	Rs 27.75 000 (Twenty seven lacs & seventy five thousand only)
(ii) Unit charges for Freight forwarding & coverage for risk in transit	Rs 40 000 (forty thousand only)
(iii) Unit for Destination price	Rs 38.15 000 (Rs. Thirty eight thousand one hundred fifteen only)

Thus against Sr. No. iii which is the derivation by totalling Sr. No. i & ii a figure of Rs 38.15 000 instead of Rs 28.15 000 has been given. The figure of Rs 38.15 000 has also been wrongly written in words as is clear from the above. Therefore, there was ambiguity as two different rates were appearing in the price bid of M/s ECE who was the first lowest for the supply of 6 No. T/Fs on both of these rates of Rs 28.15 000 and Rs 38.15 000. But taking advantage of the situation in the interest of Board, the WIMs in the first instance approved placement of an order for all the six transformers on

M/s ECE at ex works rates of Rs 27.75 000 with Rs 40 000 as F&L charges and accordingly telegraphic PO was issued on dt. 12.10.92. But against this TPO the firm made representation to the Board Member vide their letter CTD/9378/VH dt. 29.12.92. The explanation given by the firm for quoting wrongly in their tender was accepted by the WIMs in their inhouse meeting held on 9.12.92.

and they recommended placement of order for 3 Nos T/Fs on M/s ECE at *ex works* rates of Rs 37 75 000 with F&I charges of Rs 40 000 as the *ex works* rates of Rs 37 75 000 compared favourably with the up dated rates (38 07 000) quoted by M/s ECE against enquiry No QE 1456 and also compared with the rates of next lowest firm against this tender enquiry

Further the WIMs in their in house meeting held on 9 12 92 also decided that M/s ECE should bear the escalation in cost of all the six No T/Ts as per IEEMA formula for the period reckoned from 12 10 92 when TPO was placed on the firm based on faulty bid upto 14 12 92 when revised TPO was issued as a penalty due to faulty price bid submitted by M/s ECE

The net requirement of Power Transformers of this rating for the year 1992 93 was 15 Nos but due to financial constraint while approving the purchase proposal for 6 units the WIMs in their in house meeting held on 9-12 92 also decided that in view of only one transformer of this rating left to be delivered against current purchase order the quantity to be purchased against this proposal be revised to 9 No and accordingly splitting up the order for 9 Nos T/Fs equally on three firms i.e M/s ECE GEC and M/s Bharat Bijlee as pointed out in the para was done. In this connection it is stated that splitting up of the order is essential as in case of eventuality/untowards incident with any of the firm the supply of material is received from the other and the work of commissioning of the Sub station is not jeopardised/held up. However for the procurement of these T/Fs negotiations of rates/terms and condition with the firms were held by the negotiating Committee on 16 11 92. After negotiation with the firms and looking all the pros and cons of the case the purchase proposal was decided for the placement of orders by the competent authority i.e WIM/Board

In the end it is summarised that by taking the advantage of the situation due to submission of faulty bid by M/s ECE involving a difference of Rs 10 lakhs on the lower side (in their own quoted rates) the competent authority decided for the placement of all the 6 No T/Fs on M/s ECE. In case this decision had not been taken then the Audit would have taken the point otherwise that for non placement of order taking benefit of their quoted rates on lower side having a new advantage of Rs 10 lakhs per unit

During the course of oral examination the representatives of the Government stated that the order was splitted keeping in view the pending order with the lowest tenderer

**The Committee feels that the reasons put forth by the Board for splitting the order were not logical as the lowest tenderer has quoted the rates keeping in view its capacity and pending orders. The Committee observed that placing the order after being aware that the rates quoted by lowest tenderer contained Arithmetical mistake, taking time in revising the order and splitting the order was not in interest of the Board**

**The Committee further observed that the information as asked for from the Board during the course of oral examination was not supplied complete in all respects**

as per the discussions taken place in the meeting The Committee, therefore, recommend that the information complete in all respect be supplied to the Committee and the action against the erring Officers be taken under intimation to the Committee within a period of three months

#### 4.7.5 Non commissioning of WSX 100 Telephone Switching equipment

8 The Board placed (February 1990) a purchase order for supply of 9 Nos 8 port WSX 100 inter dialling telephone switching equipment alongwith oher Power Line Carrier Communication (PLCC) items on W S Industries India Limited Madras and again placed (December 1990) another purchase order for supply of 9 Nos 8 port and 2 Nos 16 port WSX 100 inter dialling telephone switching equipment alongwith the other PLCC items These WSX 100 telephone switching equipments were proposed to be purchased for strengthening the carrier communication network of the 220 KV sub stations The terms of supply orders *inter alia* provided as under

- (i) The material was to be supplied within 10 months and 8 months of purchase orders of February 1990 and December 1990 respectively on the inspection of the equipment at the manufacturer s premises before their despatch
- (ii) The supplier was liable to replace free of cost the equipments found defective in quality within twelve months from the date of its erection or eighteen months from the date of despatch whichever is earlier

Against the supply of 20 switching equipments the firm supplied 14 Nos equipments (4 Nos in November 1990 and 10 Nos in January 1994) costing Rs 14.19 lakhs (including price variation) for which full payments were made by the Board on the receipt of material The Board however waived (February 1994) the inspection of 10 Nos equipments on the basis of test certificates found generally in order (including 5 Nos of supply order of February 1990) before their despatch Four equipments (cost Rs 2.62 lakhs) received in November 1990 could not be fully commissioned and 10 equipments (cost Rs 11.57 lakhs) received in January 1994 could not be commissioned at all by the Board till date (March 1996) due to design inadequacy/manufacturing defect The remaining 6 Nos equipments have not been supplied (March 1996)

The Board did not pursue the supplier to supply the material within delivery schedule of 10 months from the date of purchase order as 5 Nos equipments of first supply order were received after the lapse of a period over three years from the purchase order

The Board accepted 10 nos equipments in January 1994 by waiving the pre inspection requirement knowing well the fate of 4 Nos equipments (received in November 1990) which could not be fully commissioned due to design/manufacturing defects The board also could not claim replacement of 14 Nos equipments within the warranty period of 18 months from the date of supply as it took cognisance of the design/manufacturing defects first time in October 1995 when the warranty period had already elapsed

Thus accepting of defective equipment by waiving the pre inspection clause and non enforcement of warranty clause resulted in locking up of funds of Rs 14.19 lakhs for a period ranging from about 2 to 5 years

The matter was reported to the Board and Government in May 1996 their replies had not been received (November 1996)

In their written reply the Government/Board stated as under

As per the position available on record the first lot of four nos exchanges were received in March 1991 for which the warranty period expired in July 1992 3 Nos exchanges out of first lot were commissioned in 2/92 3/92 and 5/92 i.e. before the expiry of the warranty period the 4th exchange was commissioned after the expiry of the warranty period Similarly the second lot of 10 nos exchanges was received in 2/94 (5 Nos ) and 4/94 (5 Nos ) for which the warranty period expired in 8/95 and 10/95 respectively all the exchanges of the second lot were commissioned during 10/95 to 8/97 i.e. after the expiry of the warranty period

As this equipment was fully programmable IC/microprocessor based and was received in HSEB for the first time therefore the engineers of HSEB were not fully equipped for the programming and functional commissioning of the equipment and the help of the firm was repeatedly required to commission the various exchanges after programming at site taking into consideration the switching equipment installed at the other end The pursuance with the firm for commissioning the exchanges were made right from 10 9 91 i.e. well within the warranty period by issuing reminders and personal contacts Though the field officers were approaching the firm time and again personally as well as through correspondence to depute their engineers but the response of the firm was not encouraging Due to lack of response from the firm their payment of approximately Rs 29 00 lacs against further supplies of material made by them was withheld even though the total cost of the switching equipment was of the order of Rs 15 56 lacs only Thus the firm was made to cooperate and get all the exchanges programmed and fully commissioned which has since been done It may further be mentioned that this payment is still withheld The Bank Guarantees of the firm against performance are also withheld and have not been released to the firm so far

It would be seen from above that the delay in commissioning has been on account of lack of cooperation from the firm which has finally secured after withholding their future payments The Board has suffered no financial loss on account of commissioning of the exchanges As per the letter enclosed at Annexure I and other letters on record it is gathered that the concerned Divn involved in commissioning of the exchanges has been taking up the matter timely with the firm for getting the exchanges commissioned Therefore no officer/official of the HSEB is responsible for this delay in commissioning in view of facts and circumstances of the case explained above

Inspection of second lot of the WSX 100 exchanges was waived off by the E I C / D&P on the recommendations of Chief Engineer/Arb & C C in January 1994 on the basis of successful inspection of the first lot and commissioning of 3 out of 4 Nos exchange of first lot In accordance with HSEB Regulation No 16 1 the inspection



and/or tests may be waived off in special circumstances by Chief Engineer/D&P after recording reasons therefore. The inspection in this regard was waived off by the competent authority after following the proper procedure as above. The Chief Engineer/arb & CC, Hisar recommended the waiver of the inspection and has recorded as under

- (i) The TCs are in order which I have also seen
- (ii) These equipments are very urgently needed on already running sections. We do not have qualified man power to spare for inspection of these specialised equipments. Similar equipments have been inspected and hence waiver of inspection is recommended for which the approval of M T (O) may please be sought and conveyed. It will otherwise save the expenditure as well.

The E I C /D&P waived the inspection on the above recommendations and orders that the firm may be asked to despatch the material immediately. The penal clauses in the purchase order were incorporated as per Schedule D of the Board as accepted by the firm while deciding the order. The delayed supplies were accepted as the exchanges were urgently needed as mentioned in the note of Chief Engineer/Arb & CC. Payment on account of delay in delivery has also been deducted as per contract.

The action as above has been taken in the interest of Board's work and there is no laxity or irregularity on the part of any Officer/official. It is also incorrect to state that the defective equipment has been accepted because in the case of these exchanges the programming and numbering scheme etc. has to be carried out at site for which the involvement of the firm is essential as already explained. The lack of co-operation on the part of the firm caused delay in proper functioning of the equipment along with numbering scheme etc. It is reiterated that the firm was made to send their engineers after stopping their payments against future supplies and the commissioning of all the supplied equipments was thus ensured. It is pertinent to mention that no defective equipment was accepted as none of the equipment was needed to be sent back to the firm nor got replaced for reasons of any defects but all the equipment as received was got commissioned at site by the firm's engineers. It was only the tuning and adjustments at site which delayed the full commissioning of the equipment and this delay is attributed to the firm who failed to send their engineers in time. As such no responsibility of any Officer/official for the same is required to be fixed.

During the course of oral examination the representatives of the Board informed that last time when he appeared before the Committee it was pointed out as to why the equipments were replaced after five years. The committee, however, decided that the matter which is to be decided within a time frame of five months may be decided and further decided that the decision for placing the order with the firm be also taken and intimated to the Committee.

The Committee also desired that the position for not supplying 6 Nos equipments by the firm may also be intimated to the Committee along with the position regarding withholding the payments of Rs. 56 lacs of the supplier.

#### 476 Robbery of cash

9 The Board prescribed (May and July 1973) safety measures required to be taken while carrying cash from/to bank so as to minimise the chances of robbery. These were reiterated in June 1985 and March 1994 which provided for provision of Board's Vehicle police escort to the cashier for accompanying him to/from the bank if the amount exceeds Rs 50 000. There were no instructions to insure loss of cash in transit.

(i) A test check of records of Superintending Engineer Operation Circle Karnal revealed that on 1 March 1994 Cashier/Lower Division Clerk of Assandh Sub division had drawn a sum of Rs 4 96 345 06 from State Bank of Patiala Panipat for disbursement of salary for the month of February 1994 to the staff. The Cashier however disbursed Rs 11 699 30 to the staff at Panipat. The balance cash (Rs 4 84 645 76) which was being carried in Board's vehicle without the police escort was looted on the way to Assandh by four armed miscreants. First information report (F I R) of the robbery was lodged (1 March 1994) with the police but the police investigation report was awaited (July 1996).

(ii) Similarly in the Operation division Ballabgarh on 16 March 1995 the Assistant Executive Engineer City Operation Sub division Ballabgarh had deputed a lineman along with the cashier to deposit cash amounting to Rs 2 55 lakhs in the bank. On the way to the bank two persons armed with country made weapons (*kattas*) approached the officials and took away the cash box after gunning down the lineman on the spot. The first information report (F I R) of the robbery was lodged on 16 March 1995 with the police the results of which were awaited (July 1996). A compensation of Rs 1 67 lakhs was paid to the heirs of the late lineman. Though police guard was available on payment basis, the same was not provided to the cashier for accompanying him to the bank.

Thus, due to failure on the part of field offices to observe the instructions of the Board in providing police escort in both the cases had resulted in a loss of Rs 9 07 lakhs. In spite of the robbery cases, no standing arrangements have been made with the police for providing police escort till date. The Board while admitting the lapse on the part of field offices stated (February 1996 and July 1996) that the explanation of the concerned officer who failed to arrange police guard was being called for the results of which were awaited (August 1996).

The matter was reported to the Board and the Government in April 1996 their replies had not been received (November 1996).

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

- (i) The cash worth Rs 4 84,645 76 salary of the staff of Assandh Sub Division being carried in Board's truck No HYK 2509 to Assandh was looted on 1 3 94 by some miscreants travelling in white Maruti Car which was following the above truck from Panipat. The incident took place on a public road in the jurisdiction of Safidon Police Station and as per latest report from police four culprits have been arrested in the said case and Rs 7500/- could be recovered from them.

In this case the then SDO Assandh is considered to be responsible who did not provide police escort as per instructions of the Board. The SDO Sh Inderjit Likhra was held responsible for the lapse & has been charge sheeted by the Secretary Board vide memo No Ch 31/Conf 3687 dt 8-9-97

- (ii) the bank was hardly 500 meters away from the office and was located in thickly populated area and it was not considered expedient to provide the vehicle for such a short distance and that too in such inhabited area. However the SDO should have arranged police guards which was available on payment basis. The SDO Sh R K Jindal who was held responsible for this lapse has been charge sheeted by the Secretary Board vide his Memo No Ch 10/Conf 4084 dated 13-10-97. Final action is awaited.

During the course of oral examination the representatives of the Government informed the Committee that the Board had suffered a loss of more than Rs 9.00 lacs due to non observance of Board's instructions in these cases and both these cases were pending in the Court.

**The Committee recommend that necessary action to make good the loss from the Officers responsible for the lapse may be taken within 2-3 months of the decision of the Court under intimation to the Committee.**

**The Committee further recommend that field officers be directed to observe strict compliance of Board's instructions to avoid such losses in future.**

#### **4.7.8 Loss of cash**

10. According to the instructions issued (June 1982) by the Board, Sub Divisional Officer (SDO) shall act as custodian of cash chest, be responsible for correct and prompt remittance of all cash collections into the Bank on the same day and wherever it is not possible in the morning of the next working day. Board's instructions (March 1990) further provided that cash chest be kept under proper security arrangements duly embedded in the walls with reinforced concrete structure and provided with iron gate, proper watch by chowkidars ensured and surprise inspections on chowkidars be carried out. Following cases pertaining to loss of cash due to non observing of the prescribed procedure were noticed:

(i) The SDO (Sub urban sub division) Kaithal reported (11th April 1994) to the Executive Engineer (Operational division) Kaithal the theft of cash amounting to Rs 2,21,656.85 from his cash chest on the night of 10 April 1994. The chowkidar was also reported to be absent from duty on that night. The amount comprised of collection of 7 & 8 April 1994 Rs 1,09,645 and Rs 1,05,970.85 respectively and general cash Rs 6041. An F.I.R. was lodged with the police on 11th April 1994. The Executive Engineer (Operational division) Kaithal who conducted the investigation into the case held the chowkidar responsible for his serious negligence and placed (11th April 1994) him under suspension.

The Board stated (August 1995) that cash collected on 7 April 1994 could not be deposited on the same day due to rush of work. There was a strike in the bank on 8 April

1994 and 9 & 10 April 1994 were holidays in the office being Saturday and Sunday. However, the bank strike on 8 April and holidays on 9 & 10 April 1994 was known in advance to the division. The SDO neither took appropriate steps for safeguarding the heavy cash balance by arranging police guard nor was arrangement made to deposit the cash on 9 April (Saturday) when the bank was open.

(ii) The SDO (Operation Sub-division) Chhajpur reported (20 June 1994) to the Executive Engineer (City Division) Panipat the theft of the office chest containing cash and cheques worth Rs 2 77 861 on the night of 19 June 1994. The amount comprised of cash collection of 17 June 1994 (Rs 2 60 946), undisbursed staff payment (Rs 13602) and cheques (Rs 3313). The cash chest embedded in the wall was reported to be missing. The regular chowkidar was absent since 17 June, 1994 and another chowkidar who was required to look after both the office and the Sub station did not perform duty in the office. An FIR was lodged with the police on 20 June 1994.

The Superintending Engineer (Operation circle) Karnal who conducted the investigation into the case held that the SDO should have taken remedial measures to ensure proper security of the office and taken steps to deposit the heavy amount of cash in the chest with the Bank on the next day i.e. Saturday. He proposed deterrent punishment for the chowkidar and suitable punishment for the Cashier and SDO. The action taken has not been intimated.

(iii) The SDO (OP Sub division No 1) Kaithal reported (25 January 1995) to the Executive Engineer (Operation division) Kaithal the theft of cash amounting to Rs 1 84 244 68 from his cash chest on the night of 24 January 1995. The amount comprised of the cash collection and BA 16 receipt of 24 January 1995 (Rs 1 73 986) and unpaid wages etc (Rs 10 258 68). The chowkidar was reported to have been overpowered by the thieves. The chowkidar of the adjoining OP Sub division No 2 remained absent from duty on that night and was placed under suspension on 25 January 1995 for his gross negligence. An FIR was lodged with the police on the same day.

The Executive Engineer (Operation division) Kaithal who conducted the investigation into the case *inter alia* held the SDO and Cashier responsible for not depositing the money in the bank in lump sum despite his instructions dated 18 April 1994 and also for not taking extra precautions by way of additional police help.

Thus, in all the above cases the Management failed to ensure proper safety of public money. Lack of proper system to ensure deposit of cash collection on the same day or the next day and requisitioning special safety measures by the SDOs as and when the cash balances went up resulted in avoidable loss of Rs 6 80 lakhs. The action taken against the delinquent officials has not been intimated.

The theft cases relating to Sub-divisions Chhajpur and Kaithal were filed in the court by the Police in February 1996 and January 1996 respectively and case relating to sub urban Sub division Kaithal was still under investigation (April 1996).

The above matters were reported to the Board and Government in March 1996. Their replies had not been received (November 1996).

In their written reply the Government/Board stated as under

(1) The following officials/Officers were held responsible and latest position of disciplinary action against them is mentioned against each

Sr No	Name of officials/officers	Latest position of disciplinary action
1	Sh Kishan Chand, Chowkidar	Four increments with future effect have been stopped vide XEN OP Divn Kaithal O/o No 777 dt 6 11 96
2	Sh Rajnish Garg S D O	Three increments of the officer have been stopped without cumulative effect vide Secy HSEB O/o No 85/Conf / 3877 dated 6 3 98
3	Sh Vinod Kumar L D C (Cash)	Disciplinary proceedings were initiated After receipt of a report from the Enquiry Officer (Sh S K Arora Xen/Works) appointed on 25 9 97) Two increments without future effect have been stopped vide S E OP Kurukshetra O/o No 417 dated 1 5 98

- (ii) S P Panipat vide his memo No 7643 dt 26 2 97 has intimated that four culprits have been arrested in the said loss and Rs 7500/- recovered from them. The challan against all the four culprits stands submitted in the court on 25 2 96 by the police authority and the same is under trial in the court. Next date of hearing has been fixed for 23 10 98. The status position of the disciplinary action against the delinquent officials for omissions/commissions on their part is given as under

**(i) Sh R C Kathuria the then S D O**

The E I C OP Zone II Delhi has sent draft charge sheet to the Secretary/Board vide his memo No Ch 11/ESG 2652 dated 21 4 98

**(ii) Sh Partap Chand, LDC (C)**

Charge sheet has been served upon the official vide S E OP Karnal memo No 56/EP 8163 dt 4 6 98

(iii) Sh Subhash Chand Chowkidar and Sh Jagdish Chand Workmate were charge sheeted by the Xen City Divn Panipat. On consideration of reply to the charge sheets the SSE 132 KV S/S Panipat was appointed as Enquiry Officer vide Xen City Panipat O/o No 471 dt 11 9 96 who has submitted his findings to the Xen vide his memo No Ch 287/complaint dt 6 3 98 and further no final action could be taken being the case under trial in the court.

The delay was caused particularly due to transfer of Sh B S Ahuja S E on promotion. Sh H K Sharma took over the charge as S E OP Kurukshetra in

his place Further Vigilance Wing posted at Kurukshetra was shifted to Karnal during mid of 1995 The Vigilance representative of Karnal was asked to conduct the enquiry repeatedly and in the meantime Vigilance Inspector was transferred to his Parent department On arrival of new Vigilance representative joint enquiry was completed on 22.10.97 and as per their report followings/were held responsible for loss and action initiated/taken against them is mentioned against each —

- 1 **Sh Arun Kumar Chowkidar** Two increments have been stopped by the XEN OP Divn Kaithal vide O/o No 788 dt 6.11.96
- 2 **Sh M C Garg, S D O** Charge sheet has been served upon the officer by the Secy/Board vide his memo No Ch 6/Conf 4349 dt 2-4.98
- 3 **Sh Pawan Kumar, L D C (Cash)** Two increments without future effect have been stopped by the SE OP Circle Kurukshetra vide his O/o No 418 dt 1.5.98

During the course of oral examination the departmental representatives apprised the committee of the action taken/being taken against the officers/officials at fault It was also brought to the notice of the committee that the board was going to introduce insurance of cash to indemnify itself against such losses in future

**The committee viewed seriously the instances of delay in taking action against some Officers/officials and, therefore, recommend that the Officers/officials responsible for such delay may be identified and suitable action be taken against them to curb the tendency to delay disciplinary cases and cases under process may be finalised expeditiously under intimation to the Committee**

#### **4.7.9 Nugatory expenditure**

11 Section 25 (F) of Industrial Disputes Act, 1947 *inter alia* lays down that no workman who has been in continuous service for not less than one year under an employer shall be retrenched until he has been given one month's notice in writing indicating the reasons for retrenchment and after expiring of notice period or the workman has been paid wages *in lieu* of such notice

The Board circulated (November 1973 and December 1976) to all its field functionaries the provisions relating to Section 25 (F) of the Industrial Disputes Act 1947 for strict compliance The Board while reiterating (June 1981) all references issued in this behalf from time to time to all subordinate functionaries brought out the salient points which must be kept in view by field offices while affecting retrenchment and also decided to recover the amount of compensation involved in illegal retrenchment from the officer found negligent in this regard

In February 1984 the name of a workman employed (August 1981) on daily wages in the office of the Executive Engineer Western Yamuna Canal Hydro Electric Project Bhudkalan (Yamunanagar) who did not turn up for job was deleted from the muster roll tantamounting to retrenchment without following the aforesaid statutory provisions

On representation (16 October 1984) from the workman to reinstate him with continuity of service with full back wages and all other benefits the State Government referred (May 1985) the dispute to the Labour Court Ambala for adjudication. The Labour Court held (July 1993) the termination illegal and observed that the workman was entitled to reinstatement with continuity in services and full back period wages as the Management failed to produce any documentary evidence to show that the workman had not completed 240 days of continuous service in the period preceding twelve months to his termination. The workman was reinstated in March 1994 after dismissal of the Board's civil writ petition of November 1993 by the Punjab and Haryana High Court and paid (August 1994) Rs 1.27 lakhs as arrear of back period wages for 1 February 1984 to 24 March 1994 without utilisation of the services of the workman.

Thus the Board's action in terminating the services of workman without following the procedure laid down resulted in a wasteful expenditure of Rs 1.27 lakhs. Further the Board had not initiated any action to recover the amount of compensation involved in illegal retrenchment from the officer concerned found negligent in this regard.

The matter was reported to the Board and Government in January 1996. Their replies had not been received (November 1996).

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

In this case Sh. R. K. Sharma, Executive Engineer (Civil) remained posted in Hydrel HSEB, Bhudkal. He has been held responsible for not following the instructions issued vide Secretary HSEB's circular No. 173/722/802 dated 25.11.1973 as well as the provision of Section 25 F of Industrial Disputes Act, 1947 at the time of retrenchment/termination of the workman Sh. Munshi Ram, Daily Wages Worker.

For this lapse Sh. R. K. Sharma, Executive Engineer (Civil) has been charge sheeted vide Secretary Memo No. 11/Conf. 4577 dated 14.7.98 which stands acknowledged by the officer on 15.7.98.

During the course of oral examination the representatives of the Government apprised the Committee of action being taken against the Officers responsible for non-observing the laid down procedure for retrenchment of workmen.

The committee took serious view of the inordinate delay of more than four years for issuing charge sheet to the Officers at fault when the High Court had dismissed Board's writ petition in November 1993.

**The Committee recommend that the enquiry may be got completed expeditiously and the recovery of the loss may be made good from the Officers/officials at fault under intimation to the Committee within a period of three months.**

**4.8.1 Avoidable loss**

12. The Corporation disburses loans to the entrepreneurs for promotion of industry in the State. Section 25(2) of the State Financial Corporation Act 1951 restricts granting of loans unless it is sufficiently secured by pledge mortgage hypothecation or assignment of movable immovable or other tangible assets of loanee in the manner prescribed by regulations. The regulations framed by the Corporation require appraisal of loan cases by the inspecting officers before their sanction which further *inter alia* provide for obtaining of the following particulars and documents

- bio data and full details of the means of the sole proprietor/partners/directors (as the case may be) both movable and immovable copy/copies of their latest wealth tax assessment order and
- the means of the promoters to be supported by reasonable documentary evidence

The Corporation disbursed two loans amounting to Rs. 11.60 lakhs (Rs. 8.50 lakhs in September 1983 and Rs. 3.10 lakhs in February 1984) for purchase of land construction of building purchase of machinery and for contingencies for manufacture of chemicals (Menthol with D. Menthol oil) to a partnership firm without ascertaining the exact location/address of the loanees in order to safeguard the interest of the Corporation. Due to consistent default in repayment entire loan amounting to Rs. 16.25 lakhs as on 31 August 1988 was recalled (February 1989) by the Corporation.

The firm failed to return the entire loan and as such under section 29 of the Act *ibid* the possession of the unit was taken over (October 1989) by the Corporation which auctioned (February 1992) the unit for Rs. 4.24 lakhs. To recover the shortfall amount recovery certificates were issued to the Collectors Delhi Ghazirabad and Meerut along with a list of properties of the partners of the firm which were returned back for want of specific details of immovable properties such as exact location and number etc. The Corporation could not thereafter provide the details of properties to the collectors in the absence thereof. Resultantly it could not recover the balance loan of Rs. 50.29 lakhs (stood as on 29 February 1996) including principal of Rs. 10.30 lakhs so far (May 1996). In reply the Management stated (January 1996) that the Corporation has now started taking affidavit from the borrowers regarding their means and collateral security in certain cases.

Thus due to lapse on the part of the Corporation in sanctioning loan without verifying assets of the promoters duly supported by documentary evidence had resulted in non recovery of Rs. 50.29 lakhs. No responsibility for the lapse has been fixed by the Corporation.

The matter was reported to the Government in April 1996. The reply had not been received (November 1996).



In their written reply the Committee/Corporation stated as under

In terms of State Financial Corporations Act the Corporations loan is primarily secured by way of mortgage of fixed assets viz land, building plant and machinery being considered for financing as per approved project. The loans are not secured by way of personal properties of the borrowers/guarantors unless and otherwise a stipulation regarding collateral security is imposed by the sanctioning authority. In this case there was no such stipulation imposed. As per policy of the Corporation the borrowers/partners are liable for repayment of dues and accordingly documents are got executed from them. In this case the loan was secured by way of mortgage of primary security viz land building plant and machinery after retaining the stipulated margin approved by the sanctioning authority. Further in terms of mortgage deed the partners are personally liable to pay the dues of the corporation in case there is still shortfall after sale of primary security. The address of the concern as well as its partners were taken at the time of appraisal and the partners have changed their residence after the recovery proceeding were started against them. As such the observation regarding non compliance of State Financial Corporation Act is not correct.

In this case first appraisal was done on 17.8.83 and second appraisal was done on 14th February 1985. The sole idea behind obtaining the list of movable and immovable assets owned by the party was to get net worth and background of the promoters/partners. The Corporation released loan after retaining the required margin as stipulated while sanctioning the loans. Further the assets disclosed by the partners at the time of appraisal were not mortgaged against the loan as such we could not bind the borrowers not to dispose off the same. As the system of verifying the means was not prevalent at the time of appraisal of this case there is no lapse on the part of the appraising officer and hence no action could be initiated against them.

Now in addition to primary security loan is guaranteed by all the promoters/partners. Besides collateral security is also taken in all those cases where unit is coming up in leased premises or is being set up outside the municipal limits. Third party guarantees are also being taken on the merit of each case. Affidavits of means and supporting documents are also taken at the time of appraisal and the same are to be verified.

In this case one of the promoters Sh. M. C. Jain has expired. However the corporation has been able to trace out the whereabouts of the one of the partners namely Sh. Rajesh Jain and efforts are being made to trace out the whereabouts of the remaining two partners who are the brothers of Sh. Rajesh Jain. The Corporation is hopeful to recover some amount in this case.

As regards matter reported to the State Government in April 1996 that reply had not been sent uptill November 1996 by the Corporation it is submitted that in response to their letter No. (कॉ०)/12/D P 21/95 96/42 45 dated 23.4.96 addressed

to the Financial Commissioner and the Secretary to Government Haryana Industries Deptt Chandigarh and a copy thereto endorsed to the Corporation No CAII/TDP/95 96 dt 15 05 96 the reply was delivered on 3 6 96 vide corporation s letter No HFC FD 96/2271 dated 3 6 96 As such reply was sent well in time by the Corporation prior to November 1996

After hearing the version of the Government and the reply submitted by the corporation the Committee observed that there is a serious lapse on the part of the Corporation in sanctioning the loan to the loanee without proper appraisal and verifying movable and immovable assets which resulted in the non recovery of an amount of Rs 50 29 lacs Moreover the Corporation has not yet fixed any responsibility for the said lapse The Committee was further informed that the Corporation has been able to trace out one of the partners of the firm and recovery certificates of loan alongwith interest has been issued to the Collector Delhi The Committee was, therefore, pained to observe that no serious efforts have been made by the Corporation in recovering the loan for the last seven years The Committee, therefore, recommend that responsibility for the delay and wrong appraisal may be fixed and the matter may be pursued regularly with the Collector, Delhi, to recover the balance amount from the partner of the firm and follow up action taken be intimated to the Committee

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