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HARYANA VIDHAN SABHA
COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2000-2001)
(TENTH VIDHAN SABHA)
FORTY-EIGHTH REPORT
ON THE
REPORTS
OF THE
COMPTROLLER & AUDITOR GENERAL OF INDIA
FOR THE YEARS 1995-96 TO 1997-98 (COMMERCIAL)



(Presented to the House on 15th March, 2001)

HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH
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(III)

**COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2000-2001)**

CHAIRPERSON

- 1 Shri Balwant Singh Maina

MEMBERS

- *2 Shri Krishan Lal
- 3 Shri Chander Mohan
- 4 Shri Rajinder Singh Bisla
- 5 Shri Pawan Kumar Dewan
- ***6 Shri Rambir Singh
- 7 Shri Balbir Pal Shah
- 8 Shri Dev Raj Dewan
- 9 Shri Purn Singh
- **10 Shri Krishan Pal Gujar
- *** 11 Shri Abhay Singh Chautala

SECRETARIAT

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

* Resigned from the Public Undertakings Committee w e f 28 3 2000

** Nominated as Member of the Committee on Public Undertakings
w e f 28 3 2000

*** Resigned from the Public Undertakings Committee w e f 23 6 2000

** Nominated as Member of the Committee on Public Undertakings
w e f 23 6 2000

INTRODUCTION

I the Chairperson of the Committee on Public Undertakings having been authorised by the Committee in this behalf present this Forty Eighth Report of the Comptroller and Auditor General of India for the years 1995 96 (Haryana Seeds Development Corporation Limited Haryana Tourism Development corporation Limited Haryana State Electricity Board and Haryana Concast Limited) 1996 97 (except Haryana Financial Corporation) and 1997 98

2 The Committee for the year 2000 2001 undertook the unfinished work of the previous Committee(s) constituted for the year 1999 2000 which could not prepare and present its report to the House due to dissolution of the Assembly on 14 December 1999 and also orally examined the representatives of the Government/ Public Sector Undertakings/Boards A brief record of the proceedings of various meetings of the Committee and of its inspection of the various Workshops/Stores and Sub stations of the Haryana State electricity Board has been kept in the Haryana Vidhan Sabha Secretariat

3 The Committee are thankful to the Accountant General (Audit) Haryana and his staff for his valuable assistance and guidance in completing this report The Committee are also thankful to the Secretary to Government Haryana Finance Department including his representatives and representatives of Department/ Corporations/Boards concerned who appeared before the Committee from time to time The Committee are also thankful to the Secretary Under Secretary the dealing officer and the staff of the Haryana Vidhan Sabha for the whole hearted co operation and unstinted assistance given in preparing this report

Dated Chandigarh
The 28 February 2001

BALWANT SINGH MAINA
CHAIRPERSON

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1995 96

2A HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED

(REVIEW)

2A 6 Financial position and working results

(a) Financial position

1 The following table summaries the financial position of the Company for the five years up to 1995 96

Particulars	1991 92	1992 93	1993 94	1994 95	1995 96
A LIABILITIES					
	(Rupees in lakhs)				
Paid up Capital	416 89	427 79	434 38	434 60	457 91
Reserved and surplus	92 63	91 89	79 78	74 31	664 31
Borrowings	639 32	918 72	830 28	801 04	597 31
Trade dues and current liabilities (including provisions)	182 88	349 97	375 83	319 15	190 20
Total	1331 72	1788 37	1720 27	1638 10	1909 73

* Reserves and surplus includes capital grant in aid amounting to Rs 536 lakhs

Particulars	1991 92	1992 93	1993 94	1994 95	1995 96
B ASSETS					
	(Rupees in lakhs)				
Gross Block	879 91	891 10	910 15	929 22	963 76
Less depreciation	471 49	508 40	546 67	579 83	613 80
Net Fixed Assets	408 42	382 70	363 48	349 39	349 96
Capital work in progress	0 46	0 24	0 18	16 45	46 48
Current Assets including loans and advances	600 33	1145 67	1213 18	1187 16	1507 39
Miscellaneous expenditure to the extent not written off			2 25	6 02	5 90
Loss	322 51	259 76	141 18	79 08	
Total	1331 72	1788 37	1720 27	1638 10	1909 73
Capital employed*	825 87	1178 40	1200 83	1217 40	1667 15
Net worth	187 01	259 92	370 73	432 81	1116 32

* Capital employed represents net fixed assets plus working capital

** Net worth represents paid up capital plus reserves and surplus less intangible assets

Capital employed and net worth during 1995 96 increased sharply due to receipt of Rs 536 lakhs as capital grant from Central/State Government

(b) *Working results*

The table given below summaries the working results of the Company for five years up to 1995 96

Particulars	1991 92	1992 93	1993 94	1994 95	1995 96
A INCOME	(Rupees in lakhs)				
Sales	1367 27	1619 55	1936 26	2484 33	1900 45
Subsidy from State Government	251 41	257 31	328 07	292 86	232 54
Other income	16 00	42 53	36 29	30 64	92 37
Total	1634 68	1919 39	2300 62	2807 83	2225 36
B EXPENDITURE					
Purchases	1198 62	1694 09	1674 22	1771 05	1805 98
Salaries operational and administrative expenses and selling and distribution expenses	289 67	357 36	438 66	519 78	545 20
Interest	102 87	137 48	162 64	127 52	91 99
Depreciation	44 99	39 66	37 96	40 07	35 68
Provisions	0 51				
Accretion () / Decretion (+) in stock	()68 75	()361 44	()128 84	(+)287 04	()369 98
Net profit for the year	66 77	52 24	115 98	62 37	116 49
TOTAL	1634 68	1919 39	2300 62	2807 83	2225 36
Return on capital employed	8 08	4 43	9 66	5 12	6 99
Percentage of profit to sales including subsidy	4 12	2 78	5 12	2 25	5 48

Reasons for decrease in profit from Rs 115 98 lakhs in 1993 94 to Rs 62 37 lakhs in 1994 95 as analysed by the Company were due to

failure to meet the standard of certification of large quantity of cotton seed which had to be sold at lower rates [discussed in paragraph 2A 7 2 (b)(iv)]

purchase of Sun flower seeds which had to be sold at lower rates [discussed in paragraph 2A 10 (a) and (b)] and

increase in expenses on inter unit transfers (discussed in paragraph 2A 11)

Increase in profit during 1995 96 despite low turnover (Rs 1900 45 lakhs in 1995 96 as against Rs 2484 33 lakhs during 1994 95) was mainly due to non operational income as indicated below

earning of interest of Rs 38 63 lakhs on Fixed Deposit Receipts (FDRs) purchased out of capital grant from Central State Government during 1995-96

receipt of assistance for production programmes of villages during 1995 96 Rs 39 41 lakhs as against Rs 15 69 lakhs received during 1994-95 and

receipt of assistance for development of new varieties of cotton seed during 1995 96 Rs 4 46 lakhs

During the course of oral examination the Committee was informed that main reason for decrease in profit from Rs 115 98 lakh in 1993 94 to Rs 62 37 lakh in 1994 95 was failure to meet standard of certification of large quantity of cotton seed which had to be sold at lower rates

The Committee feels that the failure of cotton seed to meet the standard of certification may be due to lapses in the procurement of raw cotton **The Committee therefore, recommend that procedure for purchase of raw cotton should be streamlined and deficiencies, if any, in the system plugged The position of profitability of the Company for the latest three years should also be intimated to the Committee**

2A 7 2 (b) Certified seed

2 The table below indicates the targets and actual production of the certified seeds during the five years up to 1995 96

Seed	Year	Target	Actual Production	Percentage of achievement
		(In quintals)		
Wheat	1991 92	196000	141775	72
	1992 93	185500	201442	109
	1993 94	210500	216112	102
	1994 95	220000	194028	88
	1995 96	231400	172000 (Provisional)	74

Seed	Year	Target	Actual Production	Percentage of achievement
Paddy	1991 92	17200	13428	78
	1992 93	19900	23582	119
	1993 94	7500	10543	141
	1994 95	14100	9512	67
	1995 96	17460	10659	61
Cotton	1991 92	15250	9141	60
	1992 93	9500	10610	112
	1993 94	10690	8294	78
	1994 95	15000	6456	43
	1995 96	17000	7163	42

It would be observed from the above table that the percentage of achievements to target of all the three varieties showed a declining trend during 1994 95 and 1995 96 and ranged between 42 and 88 per cent during these years

A few cases of production of certified seeds where the management could not effect economy and effectiveness are discussed below

(i) For Kharif 1993 season the Director of Agriculture Haryana indicated the production requirement of 3500 quintals of certified seed of Pusa Basmati No. 1 for the State. The Company however increased (June 1992) production programme of certified seed of the variety to 7000 quintals in view of heavy demand during the previous year. Against this target of 7000 quintals the Company however procured 14377 quintals of certified seeds. In addition to this the Company was already having a stock of 95 quintals.

After adding processing and other charges the sale price of these seeds worked out by the Company was Rs. 1440 per quintal. Out of total available quantity of 14472 quintals the Company could sell 4694.92 quintals (392.22 quintals in the State and 4302.70 quintals outside the State) during Kharif 1993 and 1994. Against sale outside the State 601 quintals certified seed was sold to Maharashtra State Seed Corporation Limited (MSSC) and 3501.70 quintals to Department of Agriculture Uttar Pradesh (DOAUP) at a reduced rate of Rs. 1300 and Rs. 1235 per quintal respectively. Of this 205.60 quintals and 1044.07 quintal seed was received back due to poor germination from MSSC and DOAUP and had to be auctioned on as is where is basis at a loss of Rs. 0.74 lakh and Rs. 5.20 lakhs respectively.

The remaining quantity of 9444.51 quintals (excluding shortage 332.57 quintals) was sold (September 1994) as grain at a loss of Rs. 40.75 lakhs. The total loss thus worked out to Rs. 46.69 lakhs.

The Board had appointed (January 1994) a Committee consisting of Managing Director, Director of Agriculture and one Director of the Company to examine the circumstances under which 14377 quintals of certified seed was procured against the target of 7000 quintals.

The Government stated (October 1996) that the Committee had examined the case and responsibility of the defaulting officials/officers for procurement of excess quantity and for shortages was being fixed

(iii) Seed processing plant at Hisar delinted* (February April 1995) 5862 64 quintals of Cotton seed Out of above quantity 1222 44 quintals of fresh seed failed to meet the minimum required germination standard due to late delinting of seed in February 1995 (against the normal schedule of November December) late receipt of acid required for delinting and ginning machine having remained out of order The rejected seed including shortage of 57 62 quintals valued at Rs 20 24 lakhs was disposed of (May 1996) at a loss of Rs 11 24 lakhs

The Government stated (October 1996) that the officials responsible for the loss had been identified and the administrative action was being taken

(iv) (a) Seed production programme for production of certified seed during Kharif 1992 included among other seeds production of 4000 quintals of F 414 variety of Cotton seed

Against the above programme the Company procured 2702 quintals of seed in Kharif 1992 and after processing it could sell 1276 quintals only in Kharif 1993 leaving a balance of 1426 quintals On revalidation during Kharif 1994 1042 quintal seed met the required standard Despite the fact that during Kharif 1993 there was no good response and there was sufficient stock the Company gave a further production programme of 1910 quintals of seed for production during Kharif 1993 against which 1603 quintals of seed was procured Out of total available quantity of 2645 quintals certified seed for sale during Kharif 1994 it could sell only 563 quintals and a stock of 2082 quintals was left with the Company Out of left over stock only 199 quintal seed could pass during revalidation in January 1995 and 1883 quintals (i e more than 90 percent) of seed failed to meet the required standard Due to excessive production and huge rejection 2267 quintal seed (including 384 failed during Kharif 1994) amounting to Rs 37 04 lakhs was disposed of (May 1996) at a loss of Rs 19 38 lakhs including Rs 0 40 lakh due to shortage of 51 67 quintals

(iv) (b) In another case the Company was having 3569 quintals of F 505 variety Cotton seed for sale during 1994 Of this it could sell 1412 quintals seed only during 1994 When the remaining seed of 2157 quintals was put for revalidation 1699 quintals (78 77 per cent) of seed valued at Rs 27 74 lakhs could not be revalidated and disposed of (May 1996) at a loss of Rs 15 58 lakhs including shortage of 44 39 quintals

In reply to an audit observation for failure of such a huge quantity of seed in both cases the Government stated (October 1996) that the reasons for failure of cotton seed have been examined and the administrative action against the defaulting officials/officers was being taken

*It is a process through which residual cotton fibre (after ginning process) on cotton seed is separated

In its written reply the department/Corporation stated as under

The declining trend in achievements of targets during 1994-95 and 1995-96 in wheat, paddy and cotton are as under —

Wheat Mid season review are usually made after fixing the targets and corrective measures are taken for curtailing/increasing the production as per sale trend. The wheat seed production of some of the old varieties was not liked by the growers. Some area was rejected by the certification Agency on account of lodging and other factors. The wheat raw seed was having more percentage of Karnal Bunt i.e. more than 0.25% was not accepted by the Corporation and sizeable qty was rejected on this account.

Paddy In case of Paddy seed the lustre is adversely affected due to natural factors. Paddy PR 103 was rejected by the Haryana State Seed Certification Agency on account of admixture at field stage. The disease Rice Bunt more than the prescribed standard was observed in Paddy raw seed and it was rejected. The unprecedented floods experienced in the State affected paddy yield. Now the Corporation has fixed the limit of raw seed to be accepted per acre which restricts excess in take of raw seed even if the production assessed by Haryana State Seed Certification Agency is more. Earlier the Corporation used to accept the raw seed from the seed growers out of the certified area on the basis of estimated yield given by Haryana State Seed Certification Agency.

Cotton The cotton crop is highly susceptible to insects and pests and entire produce of certified area is not accepted by the Corporation when insects damage and this is one of the reasons of short fall in receipt of cotton/raw seed. Market fluctuations is another reason for less delivery by the seed growers though the amount of incentive premium given to the cotton seed growers is reviewed by the B O D from time to time so that the targetted quantity of seed is produced/received. For last three years the yield of Seed Cotton per acre is observed to be very less due to severe attack of insect/pests. Further more due to less delivery of Seed Cotton by the growers due to fluctuations of rates in Cotton market growers withheld the seed Cotton in anticipation to sell their produce at higher rates in the market. Therefore the grower did not deliver the seed cotton to HSDC resulting thereby decline in achievements of production targets.

This variety was introduced in Haryana for the first time. The physical features of this variety resemble Basmati rice except Aroma. A decision was taken at the level of Govt. to treat this variety with other Basmati varieties. Hence the procurement price was kept at par with the procurement price of Basmati. Since the Corporation gave more

procurement price than the prevailing price in the market the sale rate of this variety eventually became very high when it was offered for sale in the market and stocks remained unsold Since the decision was taken at the Govt level the Corporation could not do much in this regard On receiving complaints of germination from MSSC and Department of Agriculture Uttar Pradesh the seed was accepted back by the Corporation as goodwill gesture as per the decision of the Board

So far as production target of PB No 1 is concerned programme for producing 7000 qtls of PB No 1 were fixed by the Board An agenda item for Seed Production Programme during Kharif 1992 was put up before the BODs in its 81st meeting held on 29.6.92 and the BOD approved the proposed seed production programme of 7000 qtls of Pusa Basmati No 1

The Corporation received 17394.52 qtls raw seed from the certified area Out of this 217.13 qtls raw seed was returned to the growers before processing However company was having 17177.39 qtls raw seed for processing against target of 8400 qtls After processing 14377 qtls was certified against the target of 7000 qtls resulting this the excess produce of 7377 qtls during Kharif 92 It can thus be seen that the accepted quantity of raw seed is way above the target fixed for the year in question

This issue was discussed in the 88th meeting of BOD held on 28-1-94 and it was decided that a committee consisting of MD HSDC, Director Agril Haryana and Sh Sarv Mitter Kamboj, Director HSDC may examine the circumstances under which 14377 qtls certified seed of this variety was procured by the Corpn against the target of 7000 qtls fixed for Kharif 1982

It was observed by the Committee that as per the notification/literature of PB No 1 the average yield was 45 qtls per hectare i.e. 18 qtls per acre but in some of the cases the seed certification agency had assessed higher yield even more than 25 qtls per acre The Committee referred the case to HSSCA for comments

Director HSSCA informed that the average yield is 45 qtls per hectare as per the recommendations of the scientist He also informed that the assessment is made by the officers of HSSCA on the basis of the standing crops and in the presence of growers and officials/officers of seed production agencies

HSDC had also asked the Deputy Director General ICAR New Delhi and Project Director Directorate of Rice Research Hyderabad about the maximum yield of Pusa Basmati No 1 which can be obtained under Haryana conditions on farmers fields The Project Director DRR Hyderabad informed that PB No 1 gives 20 to 22 qtls per acre in

multi locational testing programme. It has also been mentioned that higher yield upto 30 qtls per acre has been recorded by the progressive farmers from Andhra Pradesh because of its sound management practices.

It is therefore emphasised that higher arrival of PB No. 1 against fixed target was due to high yield estimates given by the Haryana State Seed Certification Agency officers and higher procurement price paid by the Corporation for the procured qty. It is also observed that the said variety was sown in more area than the allotted production programme and raw seed produced in the additional area was also accepted.

Moreover, higher procurement price of PB No. 1 seed was given to the seed growers/farmers of the State which was at par with other Basmati varieties to watch the safeguard and interest of the seed growers of the State as per the decision taken by the Govt. of Haryana.

The matter regarding shortages/losses occurred in PB No. 1 is under enquiry and the further action would be taken on the basis of outcome of enquiry.

(i) During the course of oral examination the departmental representatives explained that due to higher yield of the seed variety of Pusa Basmati No. 1 production executed the targets fixed. **The Committee was not satisfied with this justification and therefore recommend that the responsibility of the officers liable for the loss may be fixed under intimation to the Committee.**

(ii) Out of Kharif 1994 produce 5862.64 qtls cotton chikil seed was available at Hisar for further delinting and processing. Out of the finally processed and delinted seed 1222.44 qtls seed failed in germination. The failed seed has since been disposed off. A committee comprising of CAO, CMP & CE was formed to investigate the reasons for the failure of cotton seed and fix responsibility of the officials for this lapse. The committee has submitted its findings in which the officials responsible for the cotton seed loss incurred have been identified and administrative action has been taken against them. All the defaulting officers/officials have been chargesheeted for major penalties and departmental enquiry against them has been ordered.

During the course of oral examination the departmental representatives informed the Committee that the cotton seed failed due to receipt of seed with excessive moisture and delay in processing the seed. The officers responsible for the loss have been identified and the enquiry proceedings were likely to be completed within two three months.

The Committee recommend that the administrative action against the officers found guilty should be completed expeditiously and report to the Committee.

- (iv) The BOD of the Corporation fixed the production targets of 2500 qtls of cotton F-414 certified seed for production during Kharif 1991 against which no qty of seed was produced

During Kharif 92 production season 2702 qtls certified seed of cotton F 414 was produced against the approved target of 4000 qtls. During Kharif the production targets of 4000 qtls was fixed in view of the experience of sale of F 414 seed during Kharif 1991 when about 833 qtls seed was offered for sale after purchase from outside sources and almost entire qty was sold. Out of Kharif 1992 produce 1276 qtls seed was sold during Kharif 1993. The production programme during Kharif 1993 was organised simultaneously and the off take of seed was known only when the production programme had already been allocated. Out of Kharif 1993 produce Corporation procured 1659 qtls seed of F 414 and the total availability for sale during Kharif 1994 after revalidation of carry over stocks and fresh stock was 2646 qtls. In view of the poor response for sale the production programme was drastically curtailed during Kharif 1994 and produced only 210 qtls seed of this variety. It would be seen that the production of seed was not excessively high but the demand of seed of this variety declined due to sudden change of preference of farmers for other cotton varieties. The failed quantity has since been auctioned.

In both the cases i.e. (iv)(a) and (b) facts finding Committee has submitted the report indicating probable reasons for failure of Cotton seed. Defaulting officers/officials are being identified for appropriate action.

During the course of oral examination the Commissioner and Secretary to Government of Haryana Agriculture Department apprised the Committee that the report submitted by the fact finding committee was being examined to identify the persons responsible for losses in both the cases. Thereafter action against the persons found guilty will be taken. **The Committee observed that there should be a time limit for this. The Committee recommend that the Government should take action against the persons found guilty within three months and apprise the Committee accordingly.**

2A 8 1 Cotton ginning and bale pressing plant

3 The company procures raw cotton (kapas) from the growers. This raw cotton is then ginned and seed is separated from cotton which is pressed in cotton ginning and bale pressing plant. The Company is having a ginning and bale pressing plant at Hisar. The installed capacity of this plant is 28800 bales per working season of 150 days in a year.

The table below summaries the capacity utilisation of the plant

Year	Installed capacity in number of bales	No of Cotton bales ginned and pressed			Percentage of utilisation of installed capacity
		Own	Other Parties	Total	
1991 92	28800	1163	4733	5896	20
1992 93	28800	2241		2241	8
1993 94	28800	1438		1438	5
1994 95	28800	1220	96	1316	5
1995 96	28800	819	106	925	3

It may be seen from the above table that percentage of capacity utilisation decreased from 20 during 1991 92 to 3 during 1995 96. The reasons for low capacity utilisation were due to less work as the Company did not procure/produce cotton seed of the quality acceptable to the growers in the State. It was further observed that no significant work for ginning and pressing of bales was undertaken on custom basis during the years 1992 93 to 1995 96 despite the fact that HAFED and Cotton Corporation of India had been procuring raw cotton in Hisar but its ginning and pressing was not being given to the Company because of its poor quality of ginning and bale pressing. No efforts had been to improve the quality of ginning and bale pressing and obtain orders subsequently.

The Government stated (October 1996) that efforts were being made to dispose of the ginning and bale pressing plant in view of its under utilisation.

The department/Co operation in its written reply stated as under

Cotton ginning and bale pressing machine installed at Hisar is having a capacity of 7 bales per hour taking into account 80% efficiency of the machine and for seed purposes the season is to be considered for 100 days per year. Thus the capacity is assessed for 11200 bales per year. The ginning and acid delinting factory was installed mainly with the following objectives

- 1 Timely ginning
- 2 To avoid admixture of other varieties of cotton
- 3 Timely availability of seed to the farmers
- 4 Delinting of seed with acid for enhancing germination easy sowing by seed drill and to kill larvae of pink boll worms

The Corporation had been approaching CCI and Hafed for getting custom work at Hisar just to increase the capacity utilization but after 1991-92 pressing season no custom work was given by Hafed or CCI at Hisar to HSDC Corporation is also exploring the possibility of disposing the ginning and pressing machines in view of its under utilization and also trying to get more custom work. It is also a fact that the installed capacity of ginning plants at Hisar (including private plants) is more than the actual bale production

At present the book value of the ginning factory is 23.47 lac as on 31-3-97. Although it is being under utilised but the quality of the seed is more important and efforts are being made to improve the utilization capacity.

2A.8.2 Capacity utilisation of cotton delinting plants

4. After the seed is separated from raw cotton a few lints remaining on the seed are removed through delinting process. The Company has three delinting plants (two at Hisar and one at Sirsa) with total installed capacity of 23000 quintals per season. The table below shows the utilisation of installed capacity during the five years up to 1995-96 both at Hisar and Sirsa.

Years	Installed capacity	Seed processed	Percentage of capacity
(Figures in quintals)			
1991-92	23000	9397	41
1992-93	23000	10830	47
1993-94	23000	8539	37
1994-95	23000	7729	34
1995-96	23000	7164	31

It would be seen that the percentage of capacity utilisation decreased from 47 during 1992-93 to 31 during 1995-96. The main reason of under utilisation as analysed in audit was due to low production of cotton seeds acceptable to the growers.

The Management stated (January 1996) that the main reason for decline in sale was new varieties of cotton seed available in the market but the same were not recommended by the State Government for commercial cultivation in the State. The plea is not tenable as the Company neither could produce the varieties demanded by the farmers nor could convince the farmers about quality of its seed.

The department/Corporation in its written reply stated as under:

The Corporation is having Acid Delinted Equipment at Hisar with a seasonal capacity of 10,000 qtls and machine delinting equipment having output of 6500 qtls per season are installed each at Hisar and Sirsa. Thus the total capacity of machine and acid delinting plant is

about 23 000 qtls per season both at Hisar and Sirsa including acid delinting and machine delinting

The targets of production of Cotton seed are fixed on the demand/sale of particular variety For the years under review the production targets are fixed up to 15000 qtls except 1995 96 which were 17000 qtls It may be seen that targets are less than the installed capacity of delinting and these targets are fixed keeping in view the demand scenario for the notified varieties

It is true that many private producers are also offering new varieties of cotton seed which are not recommended for commercial cultivation in Haryana either by the Department of Agril or by the States Agril Universities HSDC can not produce and market the seeds which are not in the recommended list of the Deptt of Agril Haryana or Haryana Agril University for commercial cultivation in the State Keeping in view the over all interest of the farmers of the State the corporation can not go beyond the recommendation of the Agril University and Deptt of Agril Haryana Any sale of varieties which are not recommended by HAU or Deptt of Agril would bring bad name to the Corporation and Govt face unnecessary litigation and loss of credibility

During the course of oral examination the departmental representatives apprised the Committee that the low capacity utilisation was attributed to decrease in cotton production for the last many years due to damage to cotton crop by untimely rains etc Though the Company was not successful in its efforts to get custom work from Hafed and Cotton Corporation of India the idea to dispose of the plants was not in the interest of the State as these plants were playing a key role in providing quality seeds to the farmers The Committee observed that the management should consider utilisation of these plants The Commissioner and Secy to Government Haryana Agriculture Department assured the Committee that they would make all out efforts to improve the capacity utilisation at least to the extent of 25 to 30 per cent

The Committee recommends that the Government should constitute a Committee of officers to take effective steps for improving the capacity utilisation of the plants

2A 9 2 Contribution of the Company towards meeting the demand in the State

5 One of the main objectives of the Company is to provide quality seeds to the farmers at reasonable prices The prices fixed by the Company however were on higher side as discussed in the preceding paragraph Despite providing subsidy by the State Government on various seeds the percentage contribution of the Company towards meeting the demand in the State is showing a declining trend during the last five years up to 1995 96 and the farmers purchased seeds from

private agencies particularly more in case of cotton seed as indicated in the table given below —

CROP VARIETY	1991 92	1992 93	1993 94	1994 95	1995 96
Wheat			<i>(In quintals)</i>		
Total sale of seed in the State	155840	174232	235966	276350	228503
Contribution of the company	128423	140750	192978	216262	172337
Percentage of Company's contribution	82	81	82	78	75
Paddy					
Total sale of seed in the State	16905	10515	13554	15184	14547
Contribution of the Company	11521	7942	10028	10731	9292
Percentage of Company's contribution	68	76	74	71	64
Cotton					
Total sale of seed in the State	11977	18430	20574	11387	28312
Contribution of the Company	8439	10353	9275	5397	6346
Percentage of Company's contribution	70	56	45	47	22

The Government stated (October 1996) that the demand and supply of certified seeds was determined by various factors by Agro-climatic conditions and farmer's preference etc

The reply is not tenable as the total state in the state showed increasing trend in the case of wheat and paddy up to 1994 95 and during 1995 96 in the case of cotton

The Department/Corporation in its written reply stated as under —

"So far as private industry is concerned we cannot stop it. We are living in a free market and we can not claim monopoly on seed industry. The figures given by the audit are explanatory. Our contribution has been more than 70% which is by and large satisfactory.

The seed production of cotton is undertaken by the Corporation as per recommendations made by the Directorate of Agriculture and Haryana Agricultural University. If we look at the total sale of Cotton seed in the State as shown by the audit, it fluctuates from 11 000 qtls to 28 000 qtls without any rationale. The cotton industry is conditioned by different factors. The Corporation produces and markets the seeds of those varieties which are notified and duly recommended by Directorate of Agriculture and Haryana Agricultural University, whereas other competitors have no such compulsions. Like in any other consumer

goods the farmers too are attracted by new varieties irrespective of the fact whether these are notified or not. The private traders make it a point to take advantage of this tendency and at times go to the extent of using coercive methods in selling spurious seed. The loss to a farmer is hardly a concern of the private trader. On the contrary the Corporation has a responsible role to play. Perhaps if comparative sale figures of notified varieties had been made the position would have been entirely different.

In case of Cotton seed there are number of private seed producers which some times offer seeds of newly released and unnotified varieties which are not being produced by the Corporation for want of their notification by Govt. of India. In addition to this the farmers adjoining to the area of other States like Punjab & Rajasthan bring the certified seed from these two State

During the course of oral examination the departmental representatives apprised the Committee that the Company's contribution towards meeting the seed demand was not low as compared to that of Seed Corporations of other States. However the contribution was declining due to entry of large number of private seed producers every year over which the Company has no control. The Committee was further informed that the farmers first preference was to purchase the seeds sold by the Company as they had faith in quality of Company's seeds. As such the presence of the Company was urgently required in the seed market to keep a cap on prices of seed being sold by private seed producers.

It was observed by the Committee that though at times the Company was having seed but it was not made available in time to the farmers in the field.

The Committee, therefore, recommend that in future the management should ensure that seed of various varieties is sent to the sale outlets keeping in view the demand of that area and the management should also ensure that immediate steps are taken for transfer of seed of any variety found surplus at any outlet to the needy outlets so that the demand of farmers is met and blockade of seed stocks is also avoided.

2B HARYANA TOURISM CORPORATION LIMITED
(REVIEW)

2B 8 Occupancy ratio

6 The Company had neither fixed any targets for occupancy ratio nor worked out break even point to run its tourist complexes. A summarised break up of the occupancy ratio of the tourist complexes for the last five years ended March 1996 is given below

Occupancy ratio	Number of tourist complexes				
	1991 92	1992 93	1993 94	1994 95	1995 96
Less than 20 per cent	1	1	1	2	2
Between 20 to 39	6	5	5	7	7
Between 40 to 59	10	7	6	6	7
Between 60 to 79	8	11	13	11	8
80 per cent and above	9	10	10	10	14
Total	34	34	35	36	38

It would be seen from the above table that occupancy in 34 to 50 per cent (12 to 17 complexes) of total units was below 60 per cent which is an acceptable norms in the hotel industry. The total shortfall of potential earnings in these complexes calculated by taking earning capacity at 60 per cent worked out to Rs 103.80 lakhs for the last five years ended March 1996. Out of 17 complexes, 6 complexes (Narwana, Morni, Meham, Mussorie, Dadri and Hathnikund) were opened during 1987-88 to 1990-91 by the Company without assessing their viability despite the fact that the COPU had recommended (March 1985) for setting up these complexes by exploring viability.

The Company had not analysed the reasons for low occupancy. An audit analysis revealed that the low occupancy was attributed to

- *improper location of tourist complexes*

unrealistic increase in the tariffs (1993-94 to 1994-95) in six complexes (Narwana Hotel, Panipat, Morni, Yamuna Nagar and Mussorie) having low occupancy

lack of infrastructure facilities (sight seeing, package tours, recreation and picnic spots etc.) to attract tourists as recommended by the COPU and

lack of publicity

The Government stated (August 1996) that two complexes i.e. Dadri and Hathnikund had been closed in February 1994 and September 1995 respectively and the efforts were being made to increase the occupancy ratio by putting more

sideways hoardings making more advertisement through newspapers and offering off season discounts lower rates for newly wedded couples for group tours of students and for employees of State Government especially at Mussorie complex

In its written reply the Department/Corporation stated as under

Large number of Haryana Tourism Complexes are located in small towns which are not big commercial centres The occupancy in such locations is also low As already stated in the reply to Para 2B(7) the objective behind such complexes is the promotion of tourism and provision of facilities to the local residents If there are less number of tourists in that area that is precisely the reason for creating more complexes so that a greater number of tourists are attracted It is further reiterated that the facilities provided by Haryana Tourism Complexes are better than every other private sector complex of similar category The work of tourism promotion under taken by the Corporation has won appreciation for the State all over the country and world "

During the course of oral examination the departmental representatives apprised the Committee that in some tourism complexes occupancy ratio was even below 20 per cent This was attributed by them that these complexes were situated away from the highways and there was some security problems also

The Committee observed that the higher rates charged at the complexes was also one of the reasons for low occupancy in tourism complexes The Committee, therefore, recommend that the tariff structure of tourism complexes be rationalised to attract more tourists and menu rates should be displayed Besides, other effective measures to improve the occupancy of the complexes be taken under intimation to the Committee

2B 14 Performance of liquor activities

2B 14 1 Irregular credit sale

7 The Company was having one wholesale depot (L 1) (three wholesale depots (L 1) up to 31 March 1995) 10 retail outlets (L 2) and 25 bars (L 4 and L 5) as on 31st March 1996 The wholesale depot besides making direct sale to private parties was also arranging liquor for sale at the retail outlets of the Company The retail outlets were making direct sales to private customers and feeding bars being run by the Company at its various complexes

The irregularities noticed in the working of liquor trade are discussed below

- (i) The State Government auctions retail liquor shops to private parties on yearly basis and as such the continuity of a particular private liquor shop can not be ensured In view of this the private credit sale is highly risky and the Company had brought this fact to the notice of Board of Directors (June 1989) To avoid such risks the Company modified (September 1991) the limit of credit for 21 days on sales to

private parties up to Rs 50 000 Further credit was to be allowed after receiving previous payment However in contravention of these instructions the wholesale liquor vend at Karnal allowed the credit facility to a firm of Faridabad since June 1993 There was a debit balance of Rs 4 92 lakhs as at the close of June 1993 The Company continued to allow the credit facility to the firm beyond 21st days for more than stipulated amount of Rs 0 50 lakh and there was closing debit balance of Rs 6 70 lakhs as on 31st March 1994 against the firm The Company did not check this ongoing irregular credit facility while reviewing the quarterly accounts which resulted in the accumulation of the debit balance to Rs 18 lakhs as on 8th August 1994 Though six cheques amounting to Rs 10 19 lakhs received in August 1994 were dishonoured the Company again accepted payment of Rs 6 09 lakhs through cheques in September 1994 which were again dishonoured The firm deposited Rs 3 17 lakhs in cash from September 1994 to December 1994 and the balance outstanding as on 21st December 1994 amounted to Rs 14 86 lakhs

The Government stated (August 1996) that the concerned official had been suspended and departmental enquiry was in progress It had also filed a criminal case against the firm The decision thereof was awaited

- (ii) Similarly the wholesale depot at Faridabad Division had also been allowing credit to the same firm and there was a debit balance of Rs 0 95 lakh as on 31 March 1995

Thus a sum of Rs 15 81 lakhs remained unrecovered due to irregular extension of credit

In its written reply the Department/Corporation stated as under

One of the officials responsible for extending facility of credit sale to one of the party in clear violation of the instructions of the company has already been dismissed from service Action against others is under consideration

Moreover the company has filed a criminal case against the party for recovering the amount of Rs 14 86 lacs

The party has already deposited Rs 0 95 lacs during the month of July 1997 and thus there is nothing outstanding on this account

During the course of oral examination the departmental representatives informed the Committee that a civil suit for recovery of outstanding dues from the defaulting firm has been filed

The Committee therefore, recommend that the civil suit be pursued objectively to its logical conclusion and final outcome of the case be reported to the Committee. The Committee would also like to know the final outcome of departmental enquiry initiated by the Management

2B 16 1 Infertuous expenditure

8 Contemplating acute shortage of water in tourist complex at Damdama the Company decided (June 1993) in consultation with Public Health Department to install a tubewell on the land belonging to Fisheries Department. The Company accordingly got drilled (July October 1993) a tubewell without prior permission of Fisheries Department. The work of laying pipelines from the tubewell to its complex was completed by the Company departmentally at a total cost of Rs 3 lakhs. The Fisheries Department refused to allow the Company to energise the tubewell.

The Company decided (January 1995) to hand over the tubewell to Fisheries Department and recover the cost thereof. However there has been no response from the Fisheries Department so far (September 1996).

Thus installing a tubewell without concurrence of the Fisheries Department which refused to energise it resulted in unfruitful expenditure of Rs 3.00 lakhs.

The Government stated (August 1996) that the necessary persuasion to recover the amount was being made or alternatively it was being explored to take water from that tubewell. The reply is not tenable as the Fisheries Department neither allowed to energise the tubewell nor paid the cost incurred by the Company so far (September 1996).

In its written reply the Department/Corporation stated as under

'To provide water and PH amenities to the Govt installation is the onus of the PWD Public Health. The Tubewell at Damdama was installed on the advice of the PWD Public Health Department. There was an understanding with the Fisheries Department for installation of tubewell for utilisation by HTC of Damdama Tourist Complex.

However the matter regarding sharing of water and energisation cost remained disputed. Now decision has been taken at Govt level that the tubewell installed by the HTC in the land of Fishery Department at Damdama may be made operational by HTC and requirement of water of the Fishery Department may be met by charging suitable amount on prevailing rate.

During the course of oral examination the departmental representative informed the Committee that the Company did not take the permission from the Fisheries Department before installation of Tubewell. It was further informed that matter has now been decided by the Government and Tourism Corporation has been allowed to operate the tubewell. **The Committee feels that the Corporation should have obtained the permission of the Fisheries Department before**

installation of tubewell and recommends that officers/officials responsible for this lapse should be identified and suitable action taken against them because the tubewell could not be energised after its completion. The period for which tubewell remained unenergised should also be intimated to the Committee.

2B 16 2 Extra expenditure due to non invitation of tenders

9 The work of construction of tourist complex Hisar at ground floor level (viz Bar, Conference Hall, Porch & Kitchen court yard) was awarded (November 1992) to the lowest tenderer (M/s M K Jain, Jind) at an estimated cost of Rs 40 lakhs at 21.9 per cent above prevailing (November 1991) Haryana Schedule of Rates (HSR). The work was to be completed within 15 months i.e. by January 1994.

The Company decided (May-October 1993) to construct restaurant and lobby etc. (estimated cost Rs 23 lakhs) from the same contractor at the rates of the contract awarded in November 1992 without calling for fresh tenders and enhanced the amount of work to Rs 63 lakhs. Thereafter, the Company invited (November 1993) tenders for construction of six rooms at first floor and allotted (April 1994) the work to the lowest tenderer (M/s Abey Kumar Jain, Hisar) at an estimated cost of Rs 14 lakhs at the rate of 5.5 per cent above revised (February 1993) HSR. An audit analysis revealed that the new rates of M/s Abhey Kumar Jain were lower by 7.16 per cent than the rates at which the work was allotted to the first contractor.

The Government stated (August 1996) that lower rates were obtained in the tenders of six rooms due to slump in the rates in the market. The reply is not tenable as the Company could have obtained the benefit of lower rates through tenders for the construction of lobby and restaurant as well. Failure of the Company to invite tenders for construction of lobby and restaurant resulted in extra expenditure of Rs 1.65 lakhs.

In its written reply the Department/Corporation stated as under —

In this context it is submitted that the construction of ground floor of Tourist Complex Hisar was initially taken up in hand against administrative approvals of Rs 10.23 lacs (G.O.I.) and Rs 5.70 lakhs (State Govt.). A revised estimate of Rs 52.78.10.23=42.55 lacs was submitted to the Govt. for arranging administrative approval. Tenders for Rs 40.00 lacs against the above estimates were invited and work was allotted to M/s M K Jain (Nov. 92) at an overall premium of 21.9% over the prevailing HSR+ceiling premium. The original scope of the agreement was (i) one No. Restaurant, (ii) one No. Bar, (iii) Kitchen portion and (iv) one No. tube well. At a later decision the restaurant portion was omitted and instead conference hall in the front portion was taken up. Thereafter on 20.5.93 it was decided that the restaurant portion (previously left out) on Ground floor and Central lobby upto full height may be got executed. As the work of Ground floor had already been allotted to M/s M K Jain, the above works were also got executed.

from the same agency after getting the enhancement of agreement amount as it was not practical to call the tenders for the above work separately

The tenders for 6 rooms were called and allotted during April 1994 at a premium of 5.5% at that time against the updated premium of 12.66% above HSR at which the work was allotted to M/s M K Jain. The reason for receipt of lower premium on a subsequent date is that the work of Ground Floor consisted of larger area of marble floors excavation of trenches for foundations etc whereas in case of first floor (construction of 6 rooms) in the area for marble flooring was less and also there was no excavation work in foundations etc. It is for information that at the initial stage the rates of 6 rooms were received from M/s Abhey Kumar Jain and Associates @ 21% above HSR+ceiling premium and the same were got reduced after the quantum and nature of work. The difference in rate was due to different nature of work.

During the course of oral examination the departmental representative apprised the Committee about the premium rates at which various works were got done by the PWD during 1992-94. It was informed that the premium rates were fluctuating depending upon the market condition.

The Committee feels that allotment at work of restaurant and lobby etc to an existing contractor without calling for tenders was not a right decision. The justification given for allotment of work without calling for tenders should be placed before the Committee for judging the justifications of the decision. The Committee, therefore, recommend that in future allotment of works should invariably be made after inviting tenders so as to avail the benefit of competitive rates.

2B 17.1 Purchase of rafts

10. The Company without assessing the commercial viability submitted a proposal (February 1992) to Government of India for purchase of eight rafts costing Rs. 10 lakhs for rafting at Yamuna river. However, the Company without approval from the Government imported (December 1992) two 14 feet self bailing white water river rafts from U.K. at a cost of Rs. 5 lakhs.

The rafts were not put to operation till April 1993 when the company decided to organise river camps at Pirdi (Kullu Himachal Pradesh) in Beas river and appointed (May 1993) two river rafting guides on contract basis. The rafting camp remained in operation from 3rd May 1993 to 7th July 1993. No further camps were organised and the rafts were lying idle since 8th July 1993. However, the services of the two guides were continued up to March 1995 and February 1996.

The Government stated (August 1996) that these rafts were being used on Yamuna river. The reply is not tenable as there was a negligible income of

Rs 0 15 lakh from these rafts during the two years up to 1995 96 and effective steps to popularise the rafting activity was not taken

In its written reply the Department/Corporation stated as under

Two nos rafts were imported through State Trading Corporation of India for Rs 5 00 lacs Simultaneously a proposal was also sent to Govt of India Ministry of Tourism for sanction of the funds to the extent of Rs 10 00 lacs but ultimately the Govt decided not to finance the proposal

River rafting camps were organised in 1993 on commercial basis for the first time by any State Tourism Corporation at Kullu in Himachal An income of Rs 5 23 lacs was achieved from the camps and it was a grand success as this camp had earned the profit of Rs 0 96 lacs since Beas river is highly technical river and its water current is very fast it was essential to recruit two River Rafting Guides on consolidated salary of Rs 2 500/ Rs 2 000/ p m respectively After the conclusion of the camps at Kullu the rafts were used on Hathni Kund Complex in Distt Yamuna Nagar and the rafts are being used on Yamuna River since then for rafting

In addition to what has been stated above it is submitted that these rafts are making valuable contribution towards promotion of tourism in the State On account of these Haryana Tourism would claim in having become pioneer in the area of promotion of adventure tourism in this part of the Country The example set by Haryana Tourism is being followed by many private concern Thus Haryana Tourism has achieved the objective of promotion of Adventure Tourism

During the course of oral examination the departmental representatives appraised the Committee that the Company earned income of Rs 5 23 lakh and profit of Rs 0 96 lakh from the rafting camps organised by the Company in the year 1993 in Kullu of Beas River Thereafter the Company could not get adequate land for organising rafting camps in Himachal Pradesh due to lack of co operation from Himachal Tourism Resultantly the Company started rafting at Yamuna river and its income from rafting started declining and it came down to Rs 250 in the year 1998 99 As such the Company was making efforts to let out these rafts at fixed rent for use at Beas River and Ganga River

The Committee recommends that the Company may take effective steps to ensure utilisation of the rafts lying unused and apprise the Committee of the final out come of the action taken within three months

2B 18 1 Purchase of fibre glass speed boats

11 A purchase order for two fibre glass speed boats was placed on a Gujrat based firm through the Director Supplies and Disposal Haryana After inspection on 31 July 1989 at factory site boats were received on 4 September 1989 at Badkhal complex and payment of Rs 3 60 lakhs was released (September 1989) The boats however could only be operated intermittently due to certain

manufacturing defects. Operation of one boat was discontinued after one month and second boat remained in operation intermittently for about five months.

The engine of the second boat was got repaired (September 1992). The defects persisted even after incurring an expenditure of Rs 0.50 lakh on repairs. Both the boats were lying unutilised (September 1996).

Thus defective inspection of boats resulted in unfruitful expenditure of Rs 4.10 lakhs to the Company. No responsibility for the lapse had been fixed (November 1996).

The Government stated (August 1996) that for recovery of amount spent on repairs of defective engines Rs 0.39 lakh (balance payment Rs 0.19 lakh and security Rs 0.20 lakh) was lying pending.

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

"The points raised by CAG had been noted and further action is in progress."

The Government in its written reply did not give detailed explanation for the action being taken on the observations of the CAG of India. During oral examination the representative of the State Government intimated that an Assistant and the Superintendent who did not take action on the letter written by Shri Kailash Nath on the inspection of these boats were charge sheeted. The Committee was however not satisfied as regard to the release of payment of 95% ignoring the defects pointed out during inspection of these boats and failure of the Corporation to get these boats repaired within the warranty period of one year. The Committee as such asked for the following information:

- 1 Who prepared specifications? If prepared by HTC a copy of letter
- 2 A copy of agreement between DGS&D and M/s Narshindas Morari Wadia if any
- 3 What were the Guarantee/Warranty terms in the supply order?
- 4 Copy of supply order with terms
- 5 Copy of acceptance order.

A perusal of these documents by the Committee revealed that the Corporation did not make suitable provision for the spare parts for these boats which were imported by a private firm. This clearly shows that neither the Corporation nor DGS&D comprehended the need of spare parts needed for these imported boats.

The Committee, therefore, recommends that the Officers/officials who framed the specifications of these boats needs to be held responsible and Committee apprised accordingly within a period of 2 months.

The final action taken against the Superintendent and the Assistant may also be intimated without any further delay to the Committee.

The Committee also desired to know as to why these boats were not got repaired from the supplier within the warranty period. Responsibility in this regard must be fixed and results intimated to the Committee.

Recovery, if any made from the defaulting Officer/official should also be intimated to the Committee.

3 HARYANA STATE ELECTRICITY BOARD (REVIEW)

3 3 1 Transmission and Distribution losses

12 Central Electricity Authority (CEA) while issuing (May 1992) guidelines for energy audit fixed the accepted level of transmission and distribution losses according to which these losses should not be exceeded beyond 15.5 per cent (8.5 per cent transmission and sub transmission and 7 per cent distribution). As against level of 15.5 per cent fixed by CEA and actual losses of 18.16 to 18.87 per cent prevailing during 1991-92 to 1994-95 in adjoining State of Punjab and all India average losses of 22.83 and 21.80 per cent during 1991-92 and 1992-93 the T & D losses computed by the Board ranged between 25.38 and 31.41 per cent during the five years up to 1995-96 as detailed below

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96 (Provisional)
(a) Units available for sale (MUs)	10553	11558	11168	11472	12705
(b) Units sold (MUs)	7741	8625	8316	8202	8714
(c) Units loss (MUs)	2812	2933	2852	3270	3991
(d) Percentage of losses	28.64	25.38	25.54	28.50	31.41
(e) Loss beyond norm of 15.5% (MUs)	1176	1142	1121	1492	2022
(f) Value (Rupees in crores)	77.77	82.84	93.42	164.79	269.39

Reckoned with reference to the CEA norm of 15.5 per cent the excess T&D losses during 1991-92 to 1995-96 worked out to 6953 MUs (sale price Rs 688.21 crores)

The department/board in its written reply stated as under —

The actual line losses in a State or the other State/country Line losses are dependent on many factors like capacity of the transmission and distribution system overloading on the system length of distribution lines size of conductor used the quality of metering the extent of power theft etc. Moreover with large number of un metered connections there is always a scope for manipulation of energy consumption by the un metered connections there is always a scope for manipulation of energy consumption by the un metered group of consumers which has a large bearing on the ultimate line losses. In Haryana the Board has been very emphatic on declaration of true picture of line losses rather than to allow large scale manipulations

resulting in suppressed line losses. This is also a fact that adequate investment was not made in the past decade or so which resulted in successive decay of the distribution system and resultant excessive line losses.

It is an admitted fact that the line losses in Haryana have been steadily increasing since 1987-88 and prior to that these were almost equal to the all India pattern. The main reason was the inadequate investment in the T & D system because of tight cash flow position of the State Electricity Board. Although efforts have been made to arrest these losses by taking necessary steps which did not involve much of investment. For example the checking of consumer premises was intensified and large numbers of energy meters were purchased under PFC financed Emergency Operation and Functional Action Plan (E OFAP). Under this programme 2 lakhs single phase meters, 25,000 three phase meters, 2325 No. Electronic Tri vector meters and 200 No. Electronic Load Survey Meters were purchased against international Competitive Bidding process. With the installation of these meters there has been a positive impact and it has been possible to increase the revenue realization. Simultaneously a special drive was launched to check power thefts. The State Government took special pains when special checking squads were formulated headed by senior Cabinet Ministers (including the Chief Minister) and Secretaries to the State Government (including the Chief Secretary). The outcome of the special campaigns has already been depicted in the forgoing paragraphs. At the Sub Division level special emphasis has been laid on checking of consumer premises where high power consumption equipment like air conditioners, geyser etc. are installed, likewise special checking of Ice Factories, Hotels, Rice Shellers and other seasonal industries for which electricity is one of the major inputs have been targeted. This exercise has yielded very favourable results. Even the Board has modified the instructions to deal with power theft cases and now all the unscrupulous consumers who are found stealing energy are booked and FIRs are lodged with the police instead of computation of the energy consumed. This has shown a Salutory effect on public relating to power thefts.

Under the reform programme also a massive investment has been proposed on various measures to reduce technical and non technical line losses. While on the one hand system augmentation is being taken up in a big way, simultaneously large number of energy meters (Electronic with high accuracy) are being installed. It is planned to achieve a level of 17-18% line losses by the year 2007 in a phased manner.

During oral examination the representative of the Board stated that complete study of the increased Transmission losses had been made and this transmission

and distribution system would be strengthened with Rs 240 crore received from World Bank by adding one additional line with 220 K V Sub Station at Faridabad besides setting up one new sub station of 220 K V at Yamuna Nagar Capacity of 24 Sub Stations would be augmented By improving this system the losses would come down to 16 percent

The Committee vigorously recommend that the transmission and the distribution losses be curtailed and kept within the norms fixed by the Central Electricity Authority Further, all the equipments required to be changed to bring down these losses be changed, in phases, depending upon the availability of funds

3 4 2 Short accountal of energy due to non installation of metering system on transmission lines

13 During test check it was observed that energy supplied from 132/66KV sub station at Pinjore included sale of energy to Union Territory (UT) Chandigarh through two circuits (I & II) of 66 KV line from Pinjore to Chandigarh Though the energy was being sold since January 1972/March 1978 metering equipment was installed on the two circuits of the line only in November 1988 (Circuit II) and march 1989 (Circuit I) which were not got tested/calibrated in the Board's laboratory till March 1990 (Circuit I) and till June 1990 (Circuit II) Further proper sealing arrangement on the meters were not made till June 1990

In the absence of proper metering equipment up to June 1990 the Board had been lodging claims for energy received by the sub station at Chandigarh The vigilance wing of the Board reported (November 1990) that UT Chandigarh had short accounted for energy to extent of 157 60 MUs valued at Rs 18 06 crores (including interest 6 98 crores) on the basis of net energy received and sold to other consumers where the meters had been installed and recommended for filing an additional claim of Rs 18 06 crores Final decision of the Board regarding lodging of the claim was not available on record (September 1996)

The Department/Board in its written reply stated as under —

The claim was lodged by the Secretary HSEB with the BBMB vide his memo no ch 4/Conf 2064 dt 26 3 98 Despite issue of repeated reminders and legal notice under section 80 CPC through Board's counsel on 22 11 96 to BBMB U T Chandigarh The above claim has not been honoured by the BBMB/U T Chandigarh so far As such in the absence of any favourable response from BBMB and U T Chandigarh the L R HSEB Panchkula vide his endst no 181/LB 2(41) dated 17 6 98 intimated that it has been decided to file a complaint regarding recovery claim of Rs 19 33 95 937 82 from the BBMB/U T Chandigarh in the Court of National Commission New Delhi through Counsel engaged by the Board The outcome of the court is still awaited which will be intimated later on

In response to Committee's observation that what action had been taken by the Board against officers responsible for lapse the representative of the Board stated that it had suspended all the concerned responsible officers on the recommendation of the CBI. The Board further stated that the case had also been filed in the High Court. **The Committee desired to know the name of the officer who conducted enquiry in respect of retired 5 involved officers and basis on which these officers were not found guilty. It would also like to know the date of retirement of officers, date of consideration of the case and on which level the enquiry was held against the officers/officials. It recommends that strict action be taken against the erring officers/officials and such lapse should not occur in future and the Committee may be apprised of the action taken.**

3.4.4 (ii) Delay in energisation of Sub-stations

14. 11 KV feeders are required to be planned and erected in advance before commissioning of the sub station. It was seen in audit that the Board had energised 266 transformers of various capacities during 1990-91 to 1994-95 without erection of 11 KV feeders. A study of the load on these transformers revealed that 39 transformers remained energised on 'no load' for a period ranging from 1 to 3 months (19 Nos), 3 to 6 months (14 Nos) and 6 to 12 months (6 Nos) which increased the transmission loss by 0.84 MUs (value Rs. 6.67 lakhs).

It was observed in audit that the transformers remained on "no load" as 11 KV feeders erected which were required to be planned in advance and erected in position before commissioning of the transformers had not been erected.

In its written reply the department/board stated as under —

The observation of Audit that 11 KV feeders are required to be planned and erected in advance before commissioning of the substation is agreed.

In general existing 11 KV feeder passing near to the site of new higher level substation are planned to be diverted to the site of new EHV substation. In addition new 11 KV feeders are constructed matching with the growth in load requirement. The observation of audit that some of the transformers remained on no load for varying periods is attributed to the following facts —

1. Though some of the 11 KV feeders are diverted to the new sub station. However due to fewer loads in the initial stages feeder meters do not show adequate reading which is not recorded by the sub station staff.
2. Mostly the delay in diversion of load is caused due to non availability of material for erection of 11 KV link lines or the diversion lines and the existing system has to be used.

- 3 The diversion of feeders requires interruption in supply. However in paddy season supply from old site cannot be abruptly interrupted. Thus diversions of 11 KV feeders to the new site is thus planned with minimum interruption in power supply and hence delay in diversion of feeders to new sites in some cases.
- 4 In case of inordinate delays in commissioning of few sub stations the reasons can be due to pending court cases.

However Board is taking adequate steps to monitor that 11KV feeders are connected to the new sub station matching with the commissioning of new sub station.

The Committee desires to know the specific reasons for delay in the energisation of sub stations besides the latest position of transformers remained energised on 'no load'

3.4.6 Shortfall in installation of capacitor banks

15 During paddy season and peak hours voltage of 220 KV system in certain areas dips down to as low as 142 KV and the voltage on 11 KV system to as low as 9 KV. Due to low voltage conditions the actual current flow from the generating stations was much more than the required flow. The excessive flow of current over transmission lines and power transformer results in

excessive transmission and distribution losses

low voltage conditions and

lower power factor of the power system

To overcome the problems capacitor banks of various ratings are installed at sub stations. The table below indicates details of capacitor banks planned as advised by Northern Regional Electricity Board (NREB) actually installed lying defective and shortfall at the end of each of the 5 years up to 1995-96.

Sr No	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
(Capacity in MVAR)						
1	Required capacity of Capacitor banks	970	1120	1135	1250	1275
2	Installed capacity	839	908	937	980	1018
3	Defective capacity	53	62	79	103	103
4	Functional capacity	786	846	858	877	915
5	Short fall	184	274	277	373	360

The shortfall in the achievement of planned capacitor banks resulted in non reduction of transmission losses to the extent of 213.55 MU's (based on 0.21462

MU per MVAR per annum as provided in project report for 1994 95) valued at Rs 20 85 crores during the 5 years ending March 1996 The Board had not analysed the reasons for shortfall in the installation of capacitor banks

It was observed in audit that delay in the execution of the related schemes for installation of capacitor banks and non replacement of defective capacitor banks were the main reasons for shortfall in installation of capacitor bank as discussed below

- (i) During the period 1988 89 to 1990 91 the Board formulated 3 schemes (estimated cost Rs 15 03 crores) for installation 510 MVAR capacitors for targeted reduction in transmission losses of 94 92 MUs (value Rs 7 90 crores) per annum on their completion during 1989 90 to 1991 92 Out of the capacitors of 510 MVAR against the 3 schemes completed up to 1993 94, installation of 237 MVAR capacitors were delayed for a period ranging between 1 and 22 months which resulted in non reduction of transmission losses by 22 23 MUs (value Rs 1 53 crores)
- (ii) The Board had not taken any effective steps to repair/replace the defective capacitors which had registered upward increase from 53 MVAR in 1991 92 to 103 MVAR in 1995 96 and contributed the transmission losses of 59 70 MUs (value Rs 6 32 crores) during 1992 93 to 1995 96

The savings in energy losses through installation of capacitor banks at sub stations were not evaluated so far (November 1996)

The Department/Board in its written reply stated as under —

It is correct that the installation of H T capacitors is a reliable system improvement measure for reduction in transmission losses REB works out the requirement of C/Banks in the system on the basis of installed capacity and the planned addition in capacity by installation of New Sub Stations and Augmentation of Existing Sub stations of a particular Board Due to severe financial crunch in HSEB from last 6 7 years the target of proposed new S/Stns and augmentation of existing Sub stations as per planning list could not be achieved and there was shortfall in the area of new transmission system Since the capacitor Banks are installed at each new Sub stations and new Power Transformer installed so the actual requirement of capacitor banks was lesser than the calculations made by NREB and the shortfall was also much lesser than that projected in NREB Study Report

To monitor the timely procurement and installation of capacitor Banks Study of actual working of the Capacitors in the field a separate system study cell is working in the planning Directorate HSEB Panchkula This cell is maintaining complete data of the actual installation and working of the capacitor banks As and when the requirement of installation of Capacitor Banks is felt they immediately formulate a

scheme for procurement and installation of Capacitor Banks get the same sanctioned from the Board & the Capacitor Banks are procured and installed in the system accordingly

As per the requirement worked out by HSEB in the year 1989 90 There was total requirement of 300 MVAR C/Banks & accordingly 300 MVAR Capacitor Banks were procured & installed during the years 1990 91 and 1991 92 Then another study was carried out 165 MVAR additional capacitors banks were required upto 3/92 Accordingly 165 MVAR Capacitor Banks were procured & installed during 1992 93 As per study carried out in 1992 93 the total balance requirement of capacitors was 45 MVAR only and accordingly 45 MVAR C/Banks were purchased & installed during 1993 94 As per study carried out in 1993 94 the Board purchased and installed 65 MVAR Capacitor Banks against PO No HDH 75 HDH 76 HDH 82 and HDH 83 During 1994 95 again total requirement of C/Banks was worked out and it was found that 320 MVAR C/Banks will be required during next two years Accordingly 320 MVAR C/Banks were purchased & installed during the year 1995 95/A 96 97 & 1997 98 with PFC World Bank Loan Assistance For the C/Banks requirement of 1997 98 and 1998 99 HSEB is negotiating a deal with PGCIL according to which PGCIL will purchase and install C/Banks in Haryana State and will recover the amount in instalments

To ensure that the damaged C/Banks are replaced promptly HSEB decided that 10 percent spare Capacitor units be purchased along with each purchase order and accordingly sufficient spare capacitor units were purchased during last 7 years & made available in the field for replacement of damaged capacitors timely During the year 1993 94 the Board collected data of damaged capacitors units requiring replacement in the field & accordingly 55 MVAR Capacitor units were purchased against PO No HDH 153 from M/s BHEL and replaced entire quantity of damaged capacitor units The details of damaged Capacitor units requiring replacement was again collected during 1995 96 and three purchase orders of HT capacitor units PO No HDH 377 HDH 378 and HDH 379 were placed for about 300 Nos units Most of the material stands already received against these three orders and damaged capacitor units are being replaced Requirement of Capacitor units had again been worked out in 1997 and a provision of procurement of 25 Capacitor Banks has been made in material budget of 1997 98 for replacement of units in the field likely to be damaged upto 1997 98 At present almost all S/Stns in HSEB have been provided with C/Banks and most of the damaged Capacitor units have been replaced & shortfall in this regard is nearly negligible Sufficient capacitor units are available in stores for timely replacement of damaged capacitor units

- (i) The schemes formulated during the period 1988 89 and 90 91 for installation of 510 MVAR C/Banks were for installation of C/Banks at existing S/Stns and for S/Stns scheduled to be commissioned during 1990 91 and 1991 92. Due to financial crisis in the Board many new S/Stns scheduled to be commissioned during this period were delayed by one to two years. As the C/Banks could be installed only after commissioning of new S/Stns and new T/Fs at existing S/Stns, so installation of C/Banks was also delayed at these S/Stns. However the C/Banks were installed timely at most of the existing S/Stns and Board suffered no loss on this account.
- (ii) The Board had taken all precautions to ensure that the damaged Capacitor units are replaced in the field timely. To ensure this 10% of the Capacitor units are purchased spare against each P.O. During 1993 94 55 MVAR spare capacitor units were purchased again in 1996 97 300 spare HT Capacitor Units of different ratings have been purchased against three separate P.Os. However some times the C/Banks remain defective due to occasional breakdown of circuit Breakers, Isolators, Control Panels, RVT, NCT etc. which are repaired either in Board's Workshops or are got repaired at the firms premises. This is normal practice and is unavoidable. About 90% of the installed capacity of C/Banks in HSEB generally remain in working which is a satisfactory ratio. To further improve the percentage availability of C/Banks in working order spare Capacitor Units are being purchased in advance for which the provision has already been made in the material budget of 1997 98 and as such all out efforts have been made to ensure proper running of Capacitor Banks in the system.
- (iii) System Study Cell in the Planning Directorate at Panchkula and Grid Design Cell of Engineer in Chief (D&P) Hisar makes all out efforts to ensure that maximum gains are made out of installed C/Banks. However there is no simple arithmetical formula to calculate the savings made in energy losses due to running of capacitor Banks as such no instrument has been installed which can record such data.

Thus the Board has not suffered any loss on this account and maximum efforts are being made to install more capacitors & replaced defective capacitors in time.

In response to the Committee's observation that when the targets of the installation of the effective Capacitor banks would be achieved or when the shortfall would be completed, the representative of the Board stated that it will be done within a year provided adequate funds are there. **The Committee, therefore, desire to know the latest position on the progress of installation on quarterly basis. It recommends that earnest efforts be made to achieve the targets.**

4 1 HARYANA CONCAST LIMITED

4 1 1 Unfruitful expenditure on the conversion of an Arc Furnace into Ladle Refining Furnace (LRF)

16 Hitherto the Company had been using its two arc furnaces (A&B) of the conventional type wherein melting and refining processes took place in the same vessel for production of mild steel low carbon. With a view to produce quality high carbon and alloy steel the Company decided (February 1992) to convert one of the arc furnaces adopting the latest available technology of Ladle Refining Furnace (LRF) at a cost of Rs 13.41 lakhs. Under the new system two processes were to be carried in separate vessels. The new system was stated to have inter alia the following advantages over the conventional process

reduction in heat time from 4 hours 15 minutes to 3 hours 10 minutes leading to reduction in consumption of power electrodes and other consumables leading to direct savings

production of better quality steel which would fetch higher prices and increase in recovery of alloys from the existing 85 per cent to 95 per cent thereby reducing cost of ferro alloys

Accordingly arc furnace (B) was converted into LRF at a cost of Rs 32.40 lakhs (conversion cost Rs 13.41 lakhs civil works Rs 4.35 lakhs and allied machinery Rs 14.64 lakhs) which was commissioned in June 1993. The Company however, did not prepare the estimates for civil works and allied machinery required for conversion of arc furnace into LRF and the expenditure incurred on these items was also not brought to the notice of the Board at the time of placing the initial proposal to the Board.

The Company could use the LRF only for eight months (from June 1993 to 7 March 1994) to refine 1526.140 MTs of liquid metal of different grades which was only 8.34 per cent of the total production of billets of 18290 MTs (finished product) from furnace (A) for the year 1993-94. The Company however suspended (7 March 1994) the process due to following reasons

the LRF is normally intalled in combination with ultra high power arc furnace whereas the existing furnance (A) is nominally powered arc furnace requiring modification and thus could not deliver the anticipated results in combination with LRF and

the returns on the finished products processed through LRF could not cover extra cost incurred in LRF

Thus the Company failed to envisage that in the absence of ultra high power arc furnace the LRF would not deliver the anticipated results and its operations would be uneconomical. The conversion of the arc furnace (B) into LRF without considering the required modification of furnace (A) resulted in unfruitful expenditure of Rs 32.40 lakhs.

The Management stated (April 1996) that the conversion of ultra high power arc furnace is being considered in their rehabilitation scheme which is being made by the Board for Industrial and Financial Reconstruction (BIFR). The reply of the Company was not tenable as this aspect should have been envisaged prior to the conversion of arc furnace (B) into LRF. The LRF is still lying idle (July 1996).

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

In its written reply the Department/Company stated as under —

Deptt feels that expenditure was not unfruitful. The reasons for the same are as follows —

The Company converted one Electric Arc Furnace into Ladle Refining Furnace at a cost of Rs 32.40 lakhs. The benefits of this were improvement in quality of the alloy and special steel produced. At the time when this project was made, there was a niche market for the LRF processed alloy and special steels in the sectors of original equipments manufacturers like automobile industry, forging units and the railways. In fact the Research Designs & Standards Organization (RDSO), Ministry of Railways had laid down conditions for processing material through LRF route as a precondition for supplies to Railways which would have given us a valuable market.

The LRF was commissioned and commenced production in June 1993. We produced 1526 MTs of steel through the LRF at a higher rate as the market realization was much better than the steel produced through the arc furnace and we were able to cover the extra cost. On an average the market realization for this production was higher by Rs 500 per tonne whereas the average extra cost involved in producing the material through LRF was Rs 300–400 per MT. However, by this time the recessionary trend had set in in the steel industry and market for special and alloy steels processed through LRF also fallen. Secondly to achieve effective cost reduction and economy of scale in the running of the LRF it required continuous operations which were not possible because of fall in production and lower capacity utilization by us. Cost reduction also required modification of our electric arc furnace to an Ultra High Power Furnace. Market for the LRF processed steel also required modification in our Billet Casting Machine in view of the demand for larger sections and sizes of steel which we were not able to produce in our existing Billet Casting Machine. These modifications would have required substantial capital which our Company was not able to incur. In fact recessionary conditions and growing cost of production during 1992–94 meant lower profit eroding our net worth. As market conditions are again favourable for LRF processed alloy and special steels and therefore the investment already done in converting the electric arc furnace to LRF can now be utilised to produce steel for the requirement.

of original equipment manufacturers like forgoing units automobile industries etc. At present the extra average market realization per MT of steel processed through LRF will be about Rs 1000 1500 higher than the steel produced through conventional route while the additional cost of production through LRF will be Rs 500 600 per MT

Further modification of our BCM and conversion of Ultra High Power Furnace is also being considered in our Rehabilitation Scheme which is being made by the BIFR. At present the cost of installing a new LRF will be about Rs 1 50 crore therefore the expenditure of Rs 32 40 lakhs was fruitful

Due to uncertainty created by the privatisation move bankers have frozen our account which resulted into shortage of Working Capital

4 1 2 Unfruitful Expenditure

17 The scrap department of the Company located (July 1992) six sets of stands of 8 Rolling Mill in the scrap received at its premises. The Company envisaged that with little extra investment of Rs 1 lakhs on a smaller 25 feet reheating furnace for rerollable scrap and shed the mill could be used for making Cold Twisted Deformed (CTD) bars pressed patra 6 mm plain round and grill material for which there was a good demand. The Company in its proposal stated that sufficient rerollable scrap was available from Haryana State Electricity Board Sugar Mills and self generated misrolls for producing the above products. It was also stated that alongwith the existing 16 mill there would be a bonus 8 mill which would improve the returns of a rerollable scrap and boost its profitability

The Company without ensuring the availability of rerollable material and market viability of products installed the 8 Rolling Mill (April 1993) at a cost of Rs 20 48 lakhs (Rs 7 16 lakhs on civil works and Rs 13 32 lakhs on furnace and machinery) against the estimated cost of Rs 1 lakh. The Company also did not prepare any detailed techno economic feasibility report estimates for civil works plant and machinery and furnace etc required for the commissioning of the mill. Besides approval of the Board was also not obtained

The mill remained in operation inermittently from 15 April 1993 to 16 September 1994 and rerolled 440 789 MTs material by operating the mill for 48 days only. The operation of the mill remained closed till date from September 1994 onwards the reasons for which were attributed (April 1996) to

shortage of rerollable material in the local market

increase in the prices of rerollable material available from shipyards at Gujrat and Maharashtra and

increase in cost of production due to rise in rates of consumables and sluggish market without matching increase in prices of finished products

Thus due to the failure of the Company in not assessing the availability of rerollable material at affordable prices and market trends through proper feasibility

and techno economical report the expenditure of Rs 20 48 lakhs on installation of 8' mill had proved to be unfruitful

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

The Department/Company in its written reply stated as under —

Deptt feels that expenditure was not unfruitful The reasons for the same are as follows —

The 8' Rolling Mill Machinery was purchased by the Company at scrap value and Company considered it a worthwhile project to install this mill for salvaging mis rolled and semis for rolling into lighter sections During that period the margin in rolling 6mm and 8mm Tor and Grill Patti from re rollable scrap available from ship breaking yards of Gujrat and Maharashtra was very attractive Since the Company also had sufficient stock of various sizes of structurals received in scrap from various State Govt Departments it was envisaged that very little additional expenditure would be involved in completing the structure of the mill and building of sheds etc

Out of the total expenditure of Rs 20 48 lacs incurred by the Company very little steel and building materials including refractory for reheating furnace were purchased from the market In rebuilding from second hand machinery exact estimation is difficult

The cost incurred was Rs 20 48 lacs including the cost of steel and other stores available in the Company during that period The cost of installing a complete new 8' Rolling Mill would have been around Rs 1 00 crore

The mill was completed and put into operations quite successfully But changes in policies of the Govt like Modvat rules and sharp increase in the cost of re rollable scrap more than 100 150 mills of this size throughout India were forced to suspend their operations in view of falling margins of their profits It should also be pointed out that during this period (1992 94) market was exceptionally bad for steel industry in general and mini steel plants in particular and more than 100 electric arc furnaces closed down because of fall in profit and recessionary condition We were also struggling to add to our margins in the shortest time without involving too much extra capital investment That was the reason for us to go in for this second hand 8' Rolling Mill

Keeping these facts in view the expenditure cannot be treated as waste or unfruitful because the mill is in good shape and can be started as and when the raw material such as re rollable scrap is available at viable cost

4 1 3 Unfruitful Expenditure on steel foundry

18 The Company decided (May 1993) to start a foundry with an investment of Rs 4 86 lakhs since it had the requisite technical knowledge technical infrastructure and liquid metal It was estimated that production of 2400 MTs of steel/alloy castings could be achieved per annum at an estimated return of Rs 10 to 12 lakhs per month At the time of the proposal the Board was informed that there was a ready market for steel casting in the thermal plants cement plants sugar mills and railways etc for which marketing tie up with the railways and other public sector undertakings was considered possible and viable The Company however did not conduct a detailed market cum economic viability survey before putting up the proposal

The Company commissioned (December 1993) the foundry at a cost of Rs 9 21 lakhs During the period from December 1993 and April 1995 (17 months) only 36 292 MTs of castings were produced against the targeted production of 3400 MTs out of which only 1 105 MTs were sold and balance shown as self consumed Thereafter no castings were made by the Company

The Management stated (October 1995/April 1996) that the castings require huge investment due to long production process and long credits which the Company was unable to afford The Board was however not apprised of such position at the time of approval of the project The foundry is not in operation since April 1995

Thus the commissioning of steel foundry without assessing the market cum economic viability had resulted in unfruitful expenditure of Rs 9 21 lakhs

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

The Department/Company in its written reply stated as under

Department feels that expenditure was not unfruitful The reasons for the same are as follows

The plan of starting a Steel Foundry at Haryana Concast Ltd Hisar in the year 1993 was a positive step towards diversification since during that period steel industry in general was passing through very lean and recessionary trends However this trend was not marked in the steel foundry casting sector The per MT contribution on finished products like rolled and semis had come down to an exceptionally low point resulting in closure of number of mini steel plants and threatened us also

The demands of various grades of Casting and foundry products in the various plants such as Cement Fertilizers Thermal Chemical Sugar Mills and Railways were found to be in bulk and regular with attractive margins

It is pointed out that for the production of 200 MT of steel castings of

various grades and specifications per month an estimated extra investment of about Rs 2 crores was necessary This was over and above the facilities possessed by us like steel melting shop and the technical manpower The details of the additional investments required were as follows

Sr No	Particulars	Value
		(Rs in lac)
1	Shed for Foundry Shop Size 22m x 100 meter	60 00
2	Moulding Boxes of various sizes 200 Nos	20 00
3	Sand preparation machinery	30 00
4	Sand Testing Instruments	10 00
5	Heat Treatment Furnace (Capacity 25 MTs)	25 00
6	Sand Blasting M/Cand Grinders Cleaning of Castings	30 00
7	Pattern Making Shop	5 00
8	EOT Crane 15 MT/5 MT capacity	15 00
9	Misc Machinery & Electricals	5 00
		200 00

In view of the high cost of the project and inability of HCL to invest the amount due to financial constraints the project could not start on above lines Meanwhile a Second Hand Foundry at BECO Engineering Batala (Punjab) was put for sale and HCL decided to purchase the same in the month of October 1993 to start the Foundry Section with very little investment and balance machinery was planned to be purchased subsequently after gaining some experience The Company purchased this old plant at a nominal price of Rs 9.21 lakhs The total weight of the purchased items was around 145 MT and the cost per tonne worked out to be only Rs 6352 per MT equivalent to the cost of scrap prevailing at that time Therefore there was a built in insurance on this capital investment since it could always be used as scrap

An experimental production was started and it was envisaged that gradually the quantum of production shall be increased depending upon the response from the market to our products It was hoped that HCL in the near future will be able to improve financially and with further investment in the foundry section better quality of castings will be established for catering to the requirements of various plants But due to continued financial constraints the total scheme could not be

implemented as per schedule and with the requirement of high quality castings in the market our foundry section could not work on sound footings

The small investment of Rs 9 21 lakhs gave us an opportunity to experiment with the production of steel castings through the Foundry equipment purchased by us. Moreover the Company gained commercially since some of the production were used by us for our internal requirements. It was realized by the Company that a full fledged capital requirement programme was necessary for going in for a foundry production. There was no loss to the Company as the material was purchased at the scrap rate and a part of it was used by us for our raw material.

Due to uncertainty created by the Privatisation move bankers have frozen our account which resulted into intermittent sub optimal operation. No further investment was possible.

During the course of oral examination the Commissioner and Secretary to Government Haryana Industries Department informed the Committee that the Company had gone into liquidation. All the employees except 8 employees retained for attending to winding up proceedings had since been retrenched. He further informed that on the basis of complaints from workers of the factory Government had appointed an inquiry officer to investigate the matters pointed out in these paras. The inquiry was likely to be completed very soon and final action will be taken on receipt of the inquiry report.

The Committee, therefore, recommend that the Government may impress upon the inquiry officer for early completion of the inquiry, and apprise the committee of action taken on the inquiry report within three months of its receipt.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL FOR THE YEAR 1996-97

3B HARYANA STATE ELECTRICITY BOARD (REVIEW)

3B 4 6 Short recovery of brass scrap

19 In each distribution transformer there are three high voltage (HV) and four low voltage (LV) rods made of brass which are replaced with new ones during repair of transformers. No norms for loss in the weight of such scrapped rods had been fixed by the Board.

Scrutiny of records of six transformer repair workshops (Narnaul, Dhulkote, Karnal, Mathana, Sonapat and Bhiwani) for the period 1992-93 to 1996-97 revealed that against 97913 kgs of new brass rods issued to the workshops, 40076 kgs of scrap on account of rods removed from the damaged transformers was accounted for by the workshops, resulting in shortage of brass scrap to the extent of 57837 kgs valued at Rs. 47.43 lakhs. The reasons for shortage of brass scrap though called for (December 1996) has not been intimated.

In its written reply, the Department/Board stated as under:

In this regard, it is mentioned that some of the brass parts of the distribution transformers are found missing at the time of receipt or the transformer from the Store. Such shortages are pointed out by the Store to the Operation staff and the same is also accounted for at that stage. The workshop organisation is only responsible to account for the material actually found inside the transformer at the time of receipt. Besides the shortages at the initial stage, some of the parts/HV/LV rods are found partially burnt/damaged. As such, account of the scrap is normally less than the weight of the new parts/HV/LV rods. It is, however, confirmed that the scrap of HV/LV rods is taken on books after actual weighment and no pilferage/misappropriation in the workshops is possible. The shortage of scrap as assessed in the audit para has not been supported with facts.

The Committee was not satisfied with the reply as while marking out short recovery of brass scraps, loss of HV/LV coils is fixed and in transit were not taken into consideration. In other words, loss of weight of HV/LV coils which were taken only in the dismantling register were commented upon. During oral examination, representative from the Government tried to justify the loss in weight of HV/LV coils due to prolonged usage and burning of the rods. Since neither prolonged usage nor burning of rods reduces the weight of coils and there being no norm for such loss in weight, **the Committee desired matter be examined in detail and report submitted to the Committee. The Committee further desired that norms in this regard be fixed so as to avoid such losses in future and intimated to the Committee.**

3B 5 4 Non recovery of interest on delay in repair of distribution transformers

20 As per clause 16 of the agreement for repair of damaged distribution transformers of different capacity entered into with the firms the firms were responsible to repair free of cost all defects noticed within twelve months from the date of commissioning of the repaired transformer. In case the defects are not attended to within two months of intimation of defects the supplier was under contractual obligation to pay interest at the rate of 12 per cent per annum of the value of each complete operational unit beginning from the date of its becoming defective up to the date of its re commissioning after repair.

A test check of records of 788 distribution transformers damaged within warranty period under the central store Dhulkote and Hisar revealed that 279 transformers were got repaired during July 1993 to June 1996 after a delay ranging from 2 to 43 months (after giving allowance of 2 months for notice to repair) while 509 transformers were still lying unrepaired (October 1996). Interest amounting to Rs 25 14 lakh up to October 1996 as per terms of agreement for delay/non repairing of 788 transformers had neither been recovered nor claimed from the private firms.

In its written reply the Department/Board stated as under

'Regarding recovery of interest charges from the repairing firms the matter is being processed at higher level to get the relevant information from Controller of Stores so as to calculate the actual interest recoverable from the firms. In the mean time the firms have also started demanding interest on the late payment of their bills beyond 90 days as most of the payments are being made by this office after 4 to 5 months. Since the interest is to be calculated after receipt in the designated store we cannot recover the interest calculated by audit without valid grounds as per terms & conditions of the contract agreement which may create legal complications for the Board (now company). Since the interest calculated by audit is on very high side in terms and conditions of the work order the interest charge are being re calculated after getting the relevant information from Controller of Stores.

Regarding recovery of interest charges it is informed that a sum of Rs 12 20 922/- has been recovered from the contractors upto 2/98 and Rs 3 95 821/- has been recovered in the month of 3/98. In nutshell this office has recovered Rs 16 16 743/- as interest charges and Rs 70 lakh have been withheld from the passed bills of the contractors.

During oral examination the representative of the Board stated that out of Rs 25 14 lakh (as pointed out by audit) recoverable from firms on account of delay in repair of transformers Rs 19 02 lakh had been recovered. Court had given stay against recovery of Rs 1 56 lakh and the remaining Rs 4 56 lakh remained unrecovered. It was further stated that on receipt of this audit para internal audit

was got conducted and during that Rs 123 15 lakh was found recoverable on account of interest for delayed repair. The Board had already either recovered this amount from firms or got withheld the amount from the pending bills of contractors. Rs 11 73 lakh however remained unrecovered for want of covers.

The Committee desire that complete details of the firms, whose bank guarantee lapsed due to the fault of the Board's Officers/officials may be given and stringent action be taken against the defaulting Officer/officials. The names of the Officers/official responsible for the lapse be also intimated to the Committee.

4 1 HARYANA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

4 1 2 Avoidable loss due to ignoring reports of Banks

21 The Company sanctioned (November 1986) a term loan of Rs 90 lakh to Haryana Equipments Limited for setting up a project for the manufacture of ceiling fans. Of this Rs 74.78 lakh were disbursed between February 1988 and August 1988 and the balance loan was cancelled as the unit did not purchase the required imported machinery. The loan carrying interest of 15.5 per cent was recoverable in 16 half yearly instalments starting from November 1989. The unit came into production in November 1988 but did not make payment of any instalment (August 1992). Besides the Company had also contributed Rs 20 lakh towards equity capital (March 1987 and March 1988) in the unit. As per financial agreement the collaborator was to buy back the shares held by the Company within a period of five years from start of commercial production failing which the Company was entitled to sell them at the risk and cost of the promoters.

Due to some differences between the promoters the unit was taken over by other promoters with the approval (December 1989) of the Company. As the unit continued to be in default its assets were finally taken over by the Company in September 1993. Sensing that full recovery would not be possible the Company wrote off (March 1995) Rs 33.84 lakh out of principal and expenses of Rs 78.54 lakh. Besides this Rs 163.37 lakh being interest including expenses of Rs 3.70 lakh were also recoverable (August 1996) making the total recoverable amount to Rs 241.91 lakh. After many advertisements the unit was sold (January 1997) for Rs 93.50 lakh (to be shared along with other creditors) and the Company's share worked out to Rs 58.50 lakh resulting in loss of Rs 183.41 lakh.

The Company had also not disposed of the shares which the promoter had failed to buy back but issued a recovery certificate through Collector Chandigarh. As such recovery of Rs 26.59 lakh including interest of Rs 15.09 lakh up to March 1995 on account of equity had also become doubtful.

It was noticed in audit that United Bank of India (UBI) and Industrial Reconstruction Bank of India (IRBI) had informed (March 1986 and June 1986 respectively) the Company that (i) one of the promoters was a man of moderate means and earned low income and (ii) the promoters should concentrate on the revival of a sick unit at Calcutta rather than embarking upon another project for manufacture of ceiling fans. The Company however overlooked these factors while recommending (November 1986) for sanction of the loan. Had these facts been kept in view the loss of Rs 183.41 lakh could have been avoided.

The Management stated (September 1995) that Adhoc Advisory Committee of the Company had recommended sanction of the loan keeping in view the report of UBI and IRBI and the discussions with the bankers at Calcutta. It was however noticed in audit that even during the discussions two bankers had emphasised

(June 1986) that presence of one of the promoters was more required in the Calcutta Unit Therefore extending of loan without safeguarding the interest of the Company was not justified

The matter was reported to the Company and Government in March 1997 their replies had not been received (November 1997)

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

The Corporation seeks the banker's report on credit worthiness of the promoter directors Accordingly report was sought from UBI and IRBI The bankers did not have any adverse remarks about credit worthiness of the promoters However it made a passing observation that Sh B P Kedia promoter director was a man of moderate means and earned low income and that Sh B P Kedia should concentrate on revival of the sick unit at Calcutta rather than implementing another project for manufacture of ceiling fans The Corporation sent a team of its officers to the bankers and their report is annexed at *Annexure A* Sh B P Kedia may be a man of moderate means However his contribution in the project being set up in Haryana was to the extent of only 8.5% of the total contribution Hence investment was made by the other promoter director who had the majority stake in the company

The manufacture of ceiling fans is not such a technical project that other technical persons cannot manage such plants Hence the presence of Sh B P Kedia all the time at the project in Haryana was not essential and he could devote the requisite time to the revival of sick unit at Calcutta

Keeping these factors in view the ad hoc Advisory Committee recommended the case to the sanctioning authority

During the course of oral examination Commissioner and Secretary to Government Haryana informed the committee that recovery certificates have been issued through Collector Chandigarh and they would definitely have good results

The Committee recommends that the case for recovery should be pursued vigorously with the collector and latest position of recovery intimated to the committee

4 3 HARYANA LAND RECLAMATION AND DEVELOPMENT CORPORATION LIMITED

4 3 1 Excess payment to the contractor

22 The Company procures gypsum from Rajasthan for supply in all parts of the State through road and rail transport. For transporting the gypsum for the period from 1 February 1994 to 31 January 1995 the Company executed agreements with M/s Yadav Transport Company Hisar and M/s S K and Company Hanumangarh on 1 February 1994. The agreements inter alia provided that escalation would be allowed in case there was any increase in the rates of diesel/statutory levies or taxes. The extent of escalation in such cases was solely at the discretion of the Managing Director of the Company.

Due to hike in the rates of diesel by 12.3 per cent (Rs. 6.10 per litre to Rs. 6.88 per litre) with effect from 2 February 1994 the Hissar based transporter requested (April 1994) the Company to increase the rates by 12.8 per cent retrospectively. The Company however allowed (May 1994) increase of 12.8 per cent with effect from 2 February 1994 to both the transporters on their quoted transportation rates (which include other elements such as diesel consumption, interest on investment, depreciation, hire charges, repairs, maintenance and profit etc.) instead of allowing increase on the diesel component only. It was observed in audit that the Company was giving only proportionate increase in transportation charges due to hike in the price of diesel.

Therefore the decision of the Company to allow 12.8 per cent zone wise increase in transportation cost on the quoted rates instead of allowing proportionate increase with the increase of rates of diesel component only resulted in avoidable loss of Rs. 3.81 lakh for which neither any responsibility on the concerned officer had been fixed nor the amount paid in excess to the contractor recovered from him.

The Government stated (May 1997) that increase in transportation cost was given by the competent authority in accordance with the agreement and to ensure uninterrupted supply of gypsum to the farmers. The reply is not tenable as the hike in freight rate should have been given for the increase in the rates of diesel component only and not on the quoted rates.

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

In pursuance to the observations of the audit it is submitted that the weighted average rate works out on the basis of zonewise rates/quantity to be transported as per the Agreement for the period from 1.2.1994 to

31 1 1995 is Rs 113 89 per M T as per detail given below —

Zone No	Rate P M T	Qty in MT	Total Cost
I	148	1750	2 59 000/
II	120	5000	6 00 000/
III	117	3750	4 38 750/
IV	83	6000	4 98 000/
V	115	7500	8 62 500/
VI	118	8500	10 03 000/
VII	130	2500	3 25 000/
		35 000	39 86 250/

Weighted average Rs 113 89 P M T Mean to say the Corporation had been paying Rs 1138 90 as freight for the one truck load of Gypsum of 10MT on an average

The average distance from loading station Hanumangarh to HLRDC destination is approximately 326 K M for one side and the average consumption of diesel of a loaded truck is 3 km per litre In this way the total diesel consumed by a truck carrying Gypsum to and fro comes to $326 \times 2/3 = 217.33$ litres and the cost of diesel consumed @ Rs 6 10 per litre comes to Rs 1325 70

From the position explained above it can thus be seen that what the Corporation had been paying to the Transporters is merely the cost of diesel alone

If all the components involved in the business of transportation i e interest on investment depreciation repair and maintenance driver/ conductor salaries etc are taken into account It is not quite possible to get the gypsum transported @ Rs 113 90 per M T for a distance of 326 Km one side It is pertinent to point out here that actually the transporter with a view to compensate the cost of diesel engage and deploy those trucks for transportation of gypsum which have to come back empty from Hanumangarh to Haryana side

Since what the Corporation had been paying to the transporter is even less than the cost of diesel alone as explained above the management of the Corporation while considering the request of the transporter to allow him escalation on the basis of increase in diesel rates found it wholly justified to allow him escalation on prorata basis with the increase in the prices of diesel to the extent of 12 8% as per the terms of the Agreement

During oral examination the departmental representatives while admitting the lapse informed the committee that on receipt of audit observation they had made specific provision in subsequent carriage contracts for allowing specific variation in carriage rates on variation in the diesel prices As such they were hopeful that there was no scope for such lapses to occur in future

The Committee observed that diesel cost was only a part of the carriage cost and other elements of cost such as interest on investment depreciation repair and maintenance etc were also included in it Increase in diesel price does not imply increase in other elements of cost also Thus 12.8 per cent increase in carriage rate for 12.8 per cent increase in diesel price alone was not warranted The Committee, therefore, recommend that the responsibility of the officer liable for this lapse be fixed under intimation to the committee The committee desired that other cases of similar nature be also brought to the notice of the Committee The Committee further recommend that such a policy may be made in this regard which do not require changes time and again and copy of the policy so framed be supplied to the Committee

4 4 HARYANA MINERALS LIMITED

4 4 1 Loss of revenue due to defective terms of agreement

23 The Company carried out the mining of road metal and masonry stone through labour contractors and exercised supervisory control including control on sale of material through check posts fixed at various places of mines

The Company entered into an agreement (January 1993) with M/s Indian Railway Construction Company Limited (IRCON) for extraction of stone from plot number 34 to 39 in Pali mines (district Faridabad) which was leased to the company in March 1989 for the period from April 1989 to March 1994. The terms of agreement *inter alia* provided that the contractor was required to extract minimum of 6000 trucks of stone per month after three months of the agreement failing which appropriate action would be taken. However, the exact action like punitive clause was not made clear. The contractor deposited (December 1992) Rs 0 80 lakh (Rs 0 20 lakh as registration fee and Rs 0 60 lakh as refundable security) as per terms of agreement. The Company was to earn Rs 63 per truck of stone (rate per truck Rs 95 minus royalty per truck Rs 32).

It was noticed (September 1996) in audit that the contractor did not extract even a single truck of stone during the currency of contract though it was required to extract minimum of 19400 trucks of stone during the period from 17 June 1993 to 23 September 1993. The mine was subsequently leased (September 1993) to other private party by the State Government on the principle of one area one lessee. In the absence of clear and specific clause of penalty for non extraction of minerals by the contractor apart from forfeiture of security, the Company could not take any action against contractor to recover the loss of revenue of Rs 12 22 lakh to the Company except forfeiting the security amounting to Rs 0 60 lakh. Thus, non inclusion of any specific punitive clause in the agreement with the contractor, the Company had to suffer a loss of revenue of Rs 11 62 lakh.

The matter was reported to the Company and the Government in May 1997, their replies had not been received (November 1997).

In their written reply the Government/Company stated as under

Haryana Minerals Limited entered into an agreement with M/s IRCON in January 1993 vide letter No HML/DLI/92/5741 dated 15 1 1993 for extraction of road metal & masonry stone from plot Nos 34 to 39 in Pali Mines Distt Faridabad which was leased out to the Company from March 1989 to March 1994. The clause No 7 of the work order states that the 2nd party will produce the minimum of 6000 trucks per month after three months of this allotment failing which appropriate action should be taken against the 2nd party.

After checking the records in respect of Pali Stone Mine, it was revealed that M/s IRCON could not commence its mining operation in the allotted area due to interference of local villagers because the area which was

allotted to M/s IRCON was already being worked out by the local villagers/contractors in Pali Stone Mine Letter No IRCON/NH 11/HY/457/2 42/39 dated 15 2 1993 of Chief Project Manager of IRCON reveals that on 3 2 1993 local villagers threatened the representatives of M/s IRCON for dire consequences in case M/s IRCON resort to quarrying operation and further states that inspite of various discussions and vigorous persuasion local villagers refused to allow M/s IRCON to work in the area and therefore M/s IRCON was compelled to withdraw their plant and equipments to a safer location They mobilised labourers whose hutments were completely damaged by the local villagers and also fled from the site Thus the complete quarrying operations came to stand still thereafter The copy of this letter was marked to Dy Commissioner Faridabad Project Director PWD Faridabad Chief Administrator Faridabad General Manager Roads IRCON Faridabad The above letter indicates that although M/s IRCON issued with a work order for extraction of mineral from the Pali Mine but M/s IRCON could not take the possession and start the mining operation due to the practical problems as explained above and it is also clear that the area which was allotted to M/s IRCON was already being worked by the local villagers/contractors therefore the loss calculated of Rs 13 10 lacs due to the defective terms of agreement is calculated on the hypothetical ground as the working was not started by the M/s IRCON in that particular area and the area was being worked by the local contractors

The following table indicates the production record of road metal and masonry stone from Pali stone mines

April 1993	57192 MT
May 1993	51192 MT
June 1993	32136 MT
July 1993	46592 MT
August 1993	58696 MT
September 1993	48936 MT
October, 1993	17760 MT

This is however to inform that Pali lease hold area was transferred to M/s Omprakash Sethi in October 1993

Thus the loss calculated is based on the hypothetical grounds"

The Committee was not satisfied with the reply of the Department and asked the Department to enquire into the whole matter and come with all facts before the Committee It was informed that during the period of mining lease of Pali Mines with Haryana Minerals Limited the Company carried out mining operations through petty labour contractors The entire lease area was divided into 39 plots which includes working and non working area There were 25 petty labour Contractors of the local

village of Pali working in the said lease hold area prior to the grant of lease to Haryana Minerals Limited and they continued working in their pits however they were not registered under the Contract Labour (Regulation and Abolition) Act 1970 as the number of workers employed by individual Contractors was less than 20 M/s IRCON (Indian Railway Construction Company Limited) could not start mining activities in the area allotted to them i.e. on plot No 34 to 39 due to the strong resistance of the local villagers/petty labour Contractors and threatened the officials of M/s IRCON for dire consequences and damaged the hutment of M/s IRCON and labour fled from the site. The Committee pained to note that when the lease was with the Company how the petty labour Contractors were allowed to remain in the area under lease. Though M/s IRCON made efforts to resume work of extraction but the Haryana Minerals Limited did not make any effort to get the site vacated from petty labour Contractors and handed over to M/s IRCON. When asked how the necessity arose to enter into agreement with M/s IRCON when the petty labour Contractors were already occupying the site. The Department informed that contract was given to M/s IRCON with a view that it was a big Company and had huge machinery and will do better mining to the benefit of the Company. The Department further informed that there was no loss to the Company because the mining work was being done by the petty labour Contractors and the royalty was being paid to the Company. The Committee felt sorry to know about the working of the Company and observed that when the entire area of lease as stated by the department was under their possession it was the responsibility of the Company who entered into agreement with M/s IRCON to get the possession of pits No 34 to 39 handed over to M/s IRCON. The Company failed to hand over the possession to M/s IRCON. The Committee could not understand as to why the Company allowed mining during the period when the contract of mining was with M/s IRCON. It clearly shows that all this was done with the connivance of Officers/officials of the Company because on one hand the Company entered into agreement with M/s IRCON and on the other hand allowed mining to the local petty labour Contractors. The Company while entering into agreement with M/s IRCON also failed to include penalty clause in the agreement.

The Committee took the whole matter very seriously and desired that an enquiry in the matter may be conducted and responsibility of the defaulting Officers/officials for non inclusion of penalty clause and non handing over the possession to M/s IRCON may be fixed. The Committee be apprised of the action taken in the matter.

4.4.2 Loss due to undue favour to a contractor

24. The Company extracts slate stones from the mines taken on lease from the State Government. The extraction and cutting work of slate stones into saleable sizes are done departmentally and also through the contractors.

In December 1994 the Company decided to dispose of slate stone raw material (including rejected and breakages etc.) lying with a contractor of the Company on as is where is basis due to space problem. A total quantity of 37030.49 m² (raw

material 28531.07 m² and machine cut rejected 8499.42 m²) was identified for disposal. The Management decided to dispose of the whole material good and rejected at Rs 40 per square metre as against the realisable average rate of Rs 50.73 per square metre for the good material after carrying out cutting process. The contractor offered to accept the whole quantity including rejected and breakages on as is where is basis at Rs 40 per m² which was accepted by the Company.

The Company however billed for 27772.86 m² against the quantity of 37030.49 m² giving 25 per cent allowance on account of quantity loss due to breakages which was neither claimed by the contractor and also was not according to management decision. This was unjustified (as lower selling rate was accepted in view of the breakages and rejection in material) and in contravention of the principle of as is where is basis which forbids any afterward concessions.

Thus allowing 25 per cent allowance in the disposal of stock on as is where is basis resulted in a loss of Rs 3.70 lakh to the Company for which no responsibility had been fixed.

The matter was reported to the Company and the Government in March 1997. Their replies had not been received (November 1997).

In their written reply the Department/Company stated as under:

The extraction and cutting of slate stone into saleable size are being done through contractors in Slate Mines Mahun. The Slate Stone is a sedimentary rock and hence it is brittle and fractureous in nature due to temperature and pressure variations during formation of such rock resulting in variations in its strength from band to band and face to face. Due to its peculiar character with the passage of time the slate is damaged due to weather effect and handling of material from one place to another. On 16.12.1994 one HML contractor Shri O. P. Mehta submitted an offer to buy entire quantity of slate material supplied by HML and lying in his godown @ Rs 35/ per M². Later on he agreed to lift the material to Rs 40/ per M² subject to the condition that billing will be done in the name of a third party namely M/s Apollo Stone Limited. Considering practical problems in storing non exportable material the Management decided to dispose of the total quantity of slate material lying in Mr O. P. Mehta's godown @ Rs 40/M² on the basis on as is where is & the total quantity of such slate material lying in the godown of the Contractor was ascertained 37030.49 M² as on 27.1.1995 including raw material and rejected edge cut material. However a Committee of senior officers considering various factors i.e. rejection and undersizing of material etc. recommended quantity reduction of 25% from the total quantity. Accordingly bills were raised after allowing quantity reduction @ 25%.

The matter was reported to the Board. A Committee of senior officers constituted by the Board detected irregularities in the deal. Accordingly disciplinary action is underway.

During the oral examination the departmental representatives informed the Committee that four Officers Sarvshri Anil Kumar Chawla, Chief Marketing Manager, Sunil Karwashra, Mining Engineer, Dr R C Parikh, Accounts Officer and P K Srivastava, Geologist who were members of the Committee were responsible for the loss and action for recovery of loss from these Officers was being taken. It was further informed that enquiry in this case has been entrusted to a Retired Judge of the High Court. **The Committee observed that enquiry in this case be got conducted from any other Officer of the Department within the six months and Committee be informed of the action taken accordingly.**

4 5 HARYANA STATE MINOR IRRIGATION AND TUBEWELLS CORPORATION LIMITED

4 5 1 Extra expenditure on purchase of PVC winding wire at higher rates contrary to the instructions of the Board

25 The Company had installed tubewells for direct irrigation and augmentation of water supplies in the canals in the State. There was regular demand of PVC wires of various sizes for repair of motors of tubewells. The Company had been procuring PVC winding wires from Finclex cables limited, Pune whose quality was considered one of the best in the country. The annual requirement of PVC winding wires of the Company was about Rs. 24 lakh per annum. To ensure continuity in supplies of PVC wires and to cut short the procedural delays, the Company decided to enter into a rate contract for a period of one year with the above firm. As per clause 2.3 of the purchase manual of the Company, for purchases of items not available on rate contracts and costing more than Rs. 25,000, open tenders were required to be invited. However, the Company called for (January 1993) rates from only one firm, i.e., Finclex cables limited (Firm A) and accepted (30 April 1993) its rates for a period of six months up to October 1993.

While the rate contract with Firm A was in process, the Company invited (February 1993) another tenders for the purchase of PVC winding wires of various sizes for open market purchase against which it received three tenders which were opened in February 1993. The lowest rate received (February 1993) against the above tender inquiry from Ordinance Cable Factory, Chandigarh, a Government of India Undertaking (Firm B) were lower than those of firm A.

Moreover, it was noticed in audit that while approving the proposal to enter into a rate contract with firm A, the Board of Directors (Board) decided (March 1993) that the Managing Director of the Company would certify that

the prices quoted by the firm were reasonable

efforts should be made to call the tenders from other firms engaged in the manufacture of similar nature of winding wires to decide about the fairness of the rates and quality of material supplied by firm A and

the rate contract should specify that the contract can be terminated by the Company if the quality and rates were not found suitable

Despite higher rates of firm A and above instructions of the Board, the Company placed three purchase orders valued at Rs. 13.61 lakh on firm A (in April, June and October 1993 for Rs. 4.54 lakh, Rs. 4.54 lakh and Rs. 4.53 lakh respectively) and placed only two supply orders on firm 'B' for Rs. 1.04 lakh (March and May 1993), the lowest tenderer which were duly executed to the entire satisfaction of the Company. The Company did not consider either to cancel the proposal to enter into a rate contract with firm A or terminate issuing future orders on this firm as per decision (March 1993) of the Board.

It was observed in audit that rates of PVC winding wires (various sizes) of firm B were lower by Rs 138 39 (1 5 mm) Rs 190 47 (1 8 mm) Rs 231 93 (2 mm) Rs 238 73 (2 12 mm) Rs 349 73 (2 24 mm) and Rs 393 32 (2 50 mm) per hundred meters as compared to the rates of firm A despite the fact that the Company was well aware (February 1993) before entering into rate contract and placing the orders on firm A that the rates of firm B were lower

Thus by procuring the material from firm A at higher rates from April 1993 to October 1993 in contravention of the directions of the Board the Company had incurred extra expenditure of Rs 4 35 lakh

The Management stated (May 1997) that quality of cables supplied by firm A is one of the best in India and ISI marked whereas cables of firm B were as per same specification ISS 8783 but not ISI marked The contention of the Company is not tenable as the material of firm B was of same ISI specification and the Company procured material worth Rs 1 04 lakh from it without any complaints etc therefore placement of orders on firm A without review lacked justification

The matter was reported to the Government in March 1997 the reply had not been received (November 1997)

In their written reply the Government/Corporation stated as under

In this context it is submitted that there is no contravention of the directions of the B O D of the Corporation Kindly refer to condition No 1 & 2 laid down by the Board of Directors of Company that

- (i) the prices quoted by the firm were reasonable
- (ii) Efforts should be made to call the tenders from other firms engaged in the manufacture of similar nature of winding wires to decide about the fairness of the rates and quality of material supplied by the firm A

It is submitted that the reasonability of the prices is always compared for the same product with the same specifications and quality In the agenda the Board of Directors was informed that HSMITC had been arranging through press tenders PVC winding wires which are required for repair of motors During the last 1 2 years HSMITC is procuring these items from M/s Finolex Cables Ltd Pune whose quality is one of the best in India The firm has claimed that it is manufacturing PVC winding wire in collaboration with NSW of Germany From the scrutiny of the tenders it reveals that M/s Finolex Cables Ltd was manufacturing PVC winding wires duly ISI marked having ISI Licence No CM/L 2168452 whereas M/s Ordinance Cable Factory was manufacturing winding wire as per IS 8783 i e NOT ISI MARKED However keeping in view the directions of the Board of the Company the then MD had got compared the rates of M/s Finolex Cable Ltd Pune (Firm A) with

the rates of M/s Ordinance Cable Factory (Firm B) lowest on the basis of press tenders opened on 25.2.1993. After considering the specification, quality and rates, the then M.D. approved the procurement of PVC winding wire as under:

- (a) Enter in R.C. for (Six) 6 months. Excise duty was Nil as per CP 18.
- (b) Purchase for 4.99.282/- approved.

The condition No. 3 of the Board of Directors as mentioned in the Draft para was

The rate contract should specify that the contract can be terminated by the Company if the quality and rates were not found suitable.

As per rate contract dated 30.4.1993 with firm A, it is evident that the rate contract is only for rates of PVC winding wire of various sizes but there is no binding for quantity to be procured. However, clause of the rate contract is reproduced as under:

Rate: Rates quoted will remain firm till the expiry of rate contract. However, the rates charged will not be more than the rates charged by the firm from other Government and semi Government Deptts./Organisations and the firm shall supply requisite certificate to this effect for every purchase along with the despatch documents.

It is clear from above that HSMITC was at liberty to discontinue the purchases as and when the company finds deficiency in service including quality as well as rates.

In view of above, there is no violation of the directions of the Board while entering into the rate contract with firm A.

Since the quality of the product manufactured by firm A i.e. M/s Finolex Cables Ltd., Pune and firm B M/s Ordinance Cable Factory, Chandigarh is not comparable, so there is no question of incurring extra expenditure of Rs. 4.35 lacs as pointed out by the audit.

It is further stated that MITC intended to procure material either ISI marked or even superior to that for taking care of the quality of material. Finolex Cables are even being used by the manufacturer of reputed firms like Kirloskar Electric Co., GEC, C.L.M.A., S.U. etc. (as original equipments) who are manufacturing electric motors and submersible motors. ISI Marked can be quoted only by those firms whose material has been approved by the ISI. Whereas, as per ISI marked, can be quoted by any firm including those firms manufacturing material even below the standards set by BIS.

In view of the position explained above issue of purchase order to firm A is quite justified

During the course of oral examination the Committee on Public Undertakings observed that award of rate contract to Firm 'A' without calling for tenders was not a right decision and the rate contract should have been finalised only after inviting tenders. Subsequently after receipt of lower rates in a tender the Company should have asked the firm A to reduce the rates. Evidently the Company's action lacked financial prudence. **The Committee, therefore, recommend that the issue should be investigated and suitable action taken against the officers/officials, responsible for the lapse. Such lapse should also be avoided in future.**

4 8 HARYANA STATE ELECTRICITY BOARD

4 8 5 Infuctuous expenditure on installation of tubewell without conducting field test

26 With a view to provide water for washing bathing cleaning and sewerage disposal for the Board's employees residing in the colony of 33 KV Sub station Kalanwali a proposal for installation of deep boring tubewell at a total estimated cost of Rs 2 22 lakh was sanctioned during 1993 94 by the Superintending Engineer Operation Circle Sirsa without obtaining approval from the Design wing of the Board The work of boring and installation of 419 ft deep tubewell undertaken (December 1993) by the Executive Engineer Civil works (T) Division Hisar was completed (February 1994) at a total cost of Rs 3 23 lakh The water of the tubewell was got tested (August and September 1994) and found neither fit for human consumption nor for agriculture and sanitation purposes Field test carried out (January/March 1996) by the Sub Divisional Officer Operation Sub division Kalanwali indicated water from this tubewell had considerable corrosion effect on CI pipes used for water supply and sewerage system

The Engineer in Chief OP Hisar observed (April 1996) that the tubewell was installed haphazardly without any approval of the Design wing of the Board and without ascertaining the local conditions and suitability of ground water in the area and as such the concerned officers were directed not to takeover this tubewell as the water from this tubewell could not be used for any purpose He further observed that as per the field report the underground water up to 40 60 feet depth if tapped could be used for horticulture as well as flushing system without effecting adversely water supply fittings and fixtures and the cost of installing the tubewell would have not exceeded Rs 0 40 lakh

The tubewell installed at a cost of Rs 3 23 lakh has not been takeover (February 1997) by the Operation Sub division Kalanwali because the water was not usable for any purpose and was lying idle since its installation (February 1994) rendering the whole expenditure as infuctuous

Although the enquiry against the Executive Engineer was initiated in June 1995 the same was yet to be finalised (February 1997)

Thus execution of work of installation of tubewell to cater the requirement of non drinking water of the colony without conducting field tests of water ascertaining its suitability for the residents and without approval of the Design wing of the Board had resulted into an infuctuous expenditure of Rs 3 23 lakh

The matter was reported to the Board and the Government in March 1997 their replies had not been received (November 1997)

In their written reply the Government/Board stated as under

To meet with the essential and normal requirement of water for the residents of 33 KV residential colony Kalanwali an estimate for providing

a tubewell was framed by Xen OP Divn Dabwali in consultation with Xen Civil Works Divn Hisar and the estimate was sanctioned by S E (OP) Circle Sirsa at the cost of Rs 1 99 000/. Subsequently the revised estimate on the basis of actual rates was initiated by S D O Civil Works S/Divn Sirsa and the same was also sanctioned by S E OP Sirsa for Rs 2 22 377/. The work of providing the tubewell was taken in hand and completed by Xen Civil Works Divn Hisar. A deep tubewell upto depth of about 429 ft against the sanctioned estimated provision of 250 ft depth was got bored by Xen Civil Works Divn Hisar. The water at this depth was declared unfit for drinking sanitation sewerage Arboriculture and Agricluture etc. In this way the expenditure incurred on this work to the extent of Rs 3 23 lacs became infructuous. In this case Sh M P Gupta the then Xen Civil Works Divn Hisar has been held responsible mainly on account of the following

- (i) He failed to get tested the water before starting the actual construction work at site trial bore etc. The suitability of water available at different depths was also not ascertained.
- (ii) The deep tubewell upto a depth of 429 ft was got bored although provision in the sanctioned estimate was only for 250 ft depth. The tubewell was installed haphazardly without taking approval from CE/D&P and without ascertaining the local condition i.e. type and depth of existing tubewell installed in the nearby area. As per field report the underground water upto 40-60 ft depth was usable for horticulture as well as for flushing system etc.

Sh M P Gupta the then Xen Civil Divn Hisar has already been charge sheeted vide Secy Memorandum No 96/Conf 4072 dated 22 7 97. The reply submitted by the officer is under consideration with the authorities.

During oral examination of the Financial Commissioner and Secretary Power Department in the meeting held on 10 5 2000 it was admitted that the Executive Engineer Civil Works (T) Division Hisar was responsible for desinging out deep Tubewell up to the depth of about 429 feet against the sanctioned estimate of 250 feet only. It was also admitted by the Financial Commissioner and Secretary Power Department that necessary approval from the design wing of the board was not obtained before commencement of the work. The Committee was given assurance that the enquiry against Shri M P Gupta Xen who stood suspended from 1996 will be completed within three month.

The Committee was not satisfied with slow pace of action taken against the defaulting officers and following replies were submitted to the additional information asked for by the Committee

Shri R D Adhlakha was the then S E (OP) Circle Sirsa who has sanctioned the estimate for installation of tubewell at 33 KV Sub Station Kalanwali during 1993-94 without obtaining the approval of Design Wing of the erstwhile Board. It is also mentioned that Shri Adhlakha has since been retired from the Nigam's services. Disciplinary action will be taken by the Chief Engineer/Admn HVPNL Panchkula separately.

Shri B K Goel, Chief Engineer/Commercial HVPNL Panchkula has been appointed as Enquiry Officer vide S E /Admn HVPNL Panchkula office Order No. 456/Conf. 4072 dated 2.5.2000 who will finalise the enquiry against Shri M P Gupta within stipulated period of three months. The matter is being pursued vigorously with him.

The installation of the tubewell at 33 KV Sub Station Kalanwali had already been completed but not taken over by the Operation Organisation of erstwhile HSEB now Nigam. It has further been intimated by the CE/PD&C DHBVNL Hisar vide Memo No. Ch 4/IR 5 dt. 18.5.2000 that pipes and other material used on installation of the tubewell had not been dismantled/removed so far. The CE/PD&C DHBVNL Hisar has intimated that the dismantling charges of tubewell bore at 33 KV S/Stn Kalanwali would be Rs. 41000/- approx. and expected salvage value of the pipes if found in perfect condition after dismantling shall be around Rs. 53000/-. The dismantlement of tubewell already installed has not been considered economical as such the work has not been taken in hand.

There are 2 no. unsuccessful tubewells installed at 33 KV Sub Station Naki Pur (Bhiwani) and other at 33 KV Sub Station Dwarka which had not been taken over by the Operation Organisation and were lying idle. In respect of tubewell installed at 33 KV Sub Station Naki Pur, the wife of the contractor had filed a civil suit in the court of Ld. Judge Sh. Sanjeev Kumar at Hisar for liquidation of claim for the execution of tubewell. The case has been dismissed by the court on default on 1.10.1999. No payment to contractor for this work has been made so far. In respect of another tubewell i.e. at 33 KV Sub Station Dwarka, no payment has been made.

The movement chart of activities/delay caused for framing the charge sheet/offering comments on the reply to the charge sheet submitted by Sh. M P Gupta, the then Xen, Civil Works Division Hisar is annexed as *Annexure B*. No officer/official has been held responsible for the delay so far.

After examination of the above additional information, the Committee observed that Sh. R D Adhlakha, the then SE (OP) circle Sirsa who sanctioned the estimate without obtaining approval from the Design Wing of erstwhile Board had since retired. The Committee wanted to know how and what action

could be taken against the SE who had already retired from the service. As regards action against Sh. M. P. Gupta, Xen, the Board/Company could not finalise disciplinary proceedings till date (February, 2001) though action against him was initiated in June 1995. A study of movement chart of delay at each stage submitted by the Company revealed that there was delay at every stage right from accept of complaint (14.6.1996). Since the case against Sh. M. P. Gupta, Xen was also investigated by State Vigilance, the Committee desired that the result of the investigation by State Vigilance should be intimated to the Committee. The Committee further recommended that after finalisation of inquiry against Sh. M. P. Gupta, Xen, the loss suffered by the Board/Company should be made good from him.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL FOR THE YEAR 1997-98

2A HARYANA AGRO INDUSTRIES CORPORATION LIMITED

(REVIEW)

2A.8 Promotion of industrial units

27 The State Government declared (July 1989) the Company as a nodal agency for the development and promotion of agro based food processing industries in Haryana. With a view to utilize vast available agro residue resources in the State and to provide marketing facilities to the manufacturers of agro based industries the Company has undertaken promotion of agro based projects in the State.

As on 31 March 1998 the Company had invested Rs 643.78 lakh in equity capital of 18 units (all in assisted sector) of which 5 units (investment of Rs 137.50 lakh) were under construction. One unit Vishwa Flora Limited where the Company invested Rs 70.35 lakh had completely eroded its capital base. The case of this unit alongwith another unit Rahul Dairy and Allied Products Limited where the Company invested Rs 21.12 lakh had been referred to Board for Industrial and Financial Reconstruction (BIFR) being sick units. Two units where the Company had invested Rs 61.71 lakh had abandoned their projects. The four units which had earned profit involving Company's investment of Rs 173.27 lakh had also not declared dividend and utilised their surplus to meet their working capital/expansion requirements. Remaining five units involving investment of Rs 179.83 lakh were also in losses. Out of above 18 units against the investment of Rs 178.83 lakh in 6 units (2 profit making and 4 loss making units) where shares were quoted in the market their quoted market value as on 31 March 1997 was only Rs 68.57 lakh.

The management of the Corporation in its written reply stated as under:

The Corporation was declared as a Nodal Agency for the promotion of Agro Based & Food Processing Industries in the State of Haryana in the year 1992. The Corporation had invested equity share capital in 18 projects under its assisted sector scheme. Out of 18 projects 13 projects have already commenced production and the remaining projects are at the various stages of implementation. The performance of these units is mixed with some not doing well and others trying to stay in the business in the face of slow down in the economic activity in the country. The units which are earning profits can not be forced to declare dividend. As per the financial collaboration agreement signed with the promoters the Corpn. has to disinvest the shares after expiry of 7 years (now 5 years in some cases) or 5 years (now 3 years in some cases) from the date of incorporation or commercial production respectively whichever is earlier. The disinvestment fell due in all the cases however the promoters failed to buy back the share holding in time. The Corpn. has already filed arbitration cases against 15 promoters. In one case the arbitration award has been announced in

favour of the Corporation. The Corporation has recovered an amount of Rs 55 00 lacs from two promoters so far. The arbitration proceedings are in progress which are being conducted by Sh. R. S. Gujral. M. D. HAFED

The Committee was not satisfied with the written reply submitted by the Corporation and justification for sanctioning of loans to these units and their subsequent performance was not satisfactory. The fact remained that the Corporation had invested Rs 643 78 lakh in the equity capital of 18 units but the units are either incurring losses or declared sick and their shares are quoted below the market value. **The Committee therefore recommend that the screening Committee which identified these units without analysing their financial viability should be held responsible under intimation to Committee. It further recommend that current status of the units be intimated to the Committee.**

2A 9 1 Manufacturing plants

2A 9 1 1 Cattle fed plant, Jind

Production performance

28 The plant was set up in 1974-75 with an installed capacity of producing 36000 tonnes of feed per annum on three shifts basis. The Company had not fixed any annual targets for production.

During the last five years up to 1997-98 the actual capacity utilisation ranged between 14.60 and 22.28 per cent against break even point of 60 per cent with the result that the plant was incurring losses consistently. Besides low capacity utilisation the Management attributed following other factors responsible for losses:

purchase of raw material at higher rates

sale of finished products at lower rates to keep at par with rates of two State agencies viz. Hafed and Markfed in order to remain in the market and

heavy incidence of transportation cost and fixed overheads

The Haryana Bureau of Public Enterprises (HBPE) while considering (October 1997) the feasibility of disinvestment/privatisation/transfer proposal in PSUs recommended the Company to improve its sale and further advised that it might utilise the already popular brand name Vita owned by Haryana Dairy Development Corporation for marketing of its products in agreement with the latter company.

The Company had not initiated any action to improve the marketing of the product (August 1998).

The department/Corporation in their written reply stated as under:

The production and sale targets are fixed annually and are got approved from BOD.

The capacity utilization has been low due to tough competition in the market. The production was carried according to demand as there are marginal profits. The raw material inventory is maintained for 7 to 10 days. The purchase of raw materials are made on competitive rates.

The sale rates have to be maintained keeping in view competitors rates. The Corporation had tried to maintain different rates but this proposition was not found to be beneficial hence parity was maintained with Hafed/Markfed etc. In 1997-98 capacity utilisation was 19.73% yet Plant earned net profit of Rs. 2.81 lacs. Therefore low capacity utilisation is not the sole reason of losses. There are various factors which affect the profitability viz. effect of fluctuations in sale/purchase rates, powercuts, transport hike, weather conditions and competitors sale strategy from time to time which has to be matched even if there are losses.

The Corporation is using its own transport as well hired transport to minimise the cost of transportation. In 1997-98 the transportation was Rs. 19.50 per Qtl. In accordance with the decision of HBPE HAIC persuaded vide letter No. 6028 dt. 14.7.98 and DO No./PS/2070 dated 10.1.2000 the Haryana Dairy Corporation through Govt. for granting HAIC status of exclusive supplier but it could not succeed. However HAIC is supplying Cattle Feed to Haryana Dairy Corporation in their Vita Brand. In 1998-99 Plant earned net profit of Rs. 14.44 lacs. Therefore the contention that the company has not initiated any action to improve marketing of the product is not based on facts.

The Committee was not satisfied with the reply of the management as to how the plant of the Company earned profit of Rs. 2.81 lakhs in 1997-98 with capacity utilization of only 19.73 percent when the break even point was 60 percent. **The Committee desired to know the basis on which plant earned profit even at less capacity utilisation. The Company assured to give the basis to the Committee but the same are not received till the finalization of the report.**

2A.11.2 Excess consumption of gunny bags

29. The State Government had fixed (January 1987) the norm for excess consumption of gunny bags during storage of wheat in the open at the rate of 1.5 per cent of total bags utilised for delivery of wheat to FCI. A scrutiny of records for the last five years up to 1996-97 revealed that the Company consumed 2,13,240 bags valued at Rs. 41.74 lakh in excess of above norm and suffered loss to that extent.

The Management had neither analysed the reasons nor fixed any responsibility (except at Kaithal) for the excess consumption of bags (August 1998).

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

The year wise position is as under:

1. 1992-93

As per calculations checked by the wheat branch, the figures worked out to 10,011 bags as against 13,089 bags.

2. 1993-94

68,168 bags has been shown wherein a figure of 39,692 bags have been worked out at Kaithal Mandi and 25,157 bags at Sirsa Mandi.

The Audit Party while calculating the figure has not taken quantity of wheat damaged due to floods at these stations. A quantity of 28 976 bags were damaged at Kaithal and 15 220 bags were damaged at Sirsa. Besides this a quantity of 13 750 bags were replaced at Kaithal and 8000 bags at Sirsa on reconditioning of flood effected stocks. As per wheat account there is only 2 577 bags excess consumption during 1993-94

3 1994-95

As against 28 462 bags the actual quantity was 25 980 bags

4 1995-96

In the statement for 1995 96 54 016 bags has been shown. These bags include consumption of bardana of flood effected stocks i.e. 6 378 bags at Barwala and 658 bags at Kaithal. For excess consumption at Sirsa and Kaithal the concerned officials have been charge sheeted. 49 492 bags has been shown as excess consumption which includes 34 339 bags at Kaithal and 8 181 bags at Sirsa for which official concerned has been charge sheeted.

From the above statements it is clear that the figures calculated are due to non account of flood effected stocks and for the excess consumption at Kaithal and Sirsa for which the officials concerned has been charge-sheeted and the recovery shall be affected on receipt of enquiry report.

Here it is added that the norms of replacement of bardana has been adopted by the Corporation during 1997 98. Further as per State Govt's norms there is also a clause that DFS can sanction excessive replacement on merits. The FCI too give a replacement @1% during the procurement year and in case the stocks are delivered to FCI in the subsequent year then additional 1% replacement for each year is admissible. In the note the impact of stocks delivered in the subsequent years has not been calculated while giving additional replacement norms. Further on the basis of the inspection report and on the basis of the request made by the Mandi Inspector/District Manager concerned sanctions are issued for replacement of bags over and above the norms considering quality of the stocks.

The Committee was satisfied as regards to excess consumption of gunny bales during rainy season. It however expressed concern for delay in taking action against the officers/officials held responsible for shortage of gunny bags as intimated by the Company in its written reply. The Committee was further informed that due to the prolonged storage of wheat the consumption of gunny bags increases accordingly. **It however observed that the Company should insure in future that the stock of wheat be delivered to FCI on First In First Out basis. The Committee further asked for the details of the employees within 15 days, responsible for this**

case (shortage of gunny bags) alongwith the latest action taken against these employees The Committee also recommend that norms for consumption of gunny bags as fixed by the State Government be adhered to

2A 11 4 Undue favour to a contractor

30 The FSC Sirsa appointed (April 1996) a labour contractor (Shri Bhajan Lal) for handling and transportation of wheat during 1996 97 As per terms and conditions of tenders in case of default made by the contractor the company could get the remaining work carried out at his risk and cost

The contractor after doing work up to May 1996 refused (June 1996) to carry out further work After giving a show cause notice to the contractor the work for the remaining period was executed by two other contractors (M/s Sanjeet Kumar & Company and M/s Mahinder & Co) at an extra expenditure of Rs 5 16 lakh It was noticed in audit that District Manager of the centre had cleared all the payments of original contractor for the work done up to 31 May 1996 and also did not obtain two sureties of Rs 40 000 each as envisaged in the tender notice No legal action had been initiated to recover the amount of Rs 4 76 lakh from original contractor after adjusting (March 1998) security of Rs 0 40 lakh received from him

Thus failure to take legal action against the contractor resulted in loss of Rs 4 76 lakh to the Company

In their written reply the Department/Corporation stated as under

“As per the terms of the agreement the Corporation could launch arbitration proceedings against the contractor for recovery of amount The case was referred to the Arbitrator for decision The Arbitrator has given the award in favour of the Corporation The execution of the award is under action

The Committee expressed concern for non-obtaining of two securities and release of payments to the original Contractor for work done upto 31st May, 1996 after the abandoned the work The representative of the Govt promised to supply the details of release of payments within 15 days The report has not yet been received till the finalization of the report (February, 2001) The Committee also desired to submit the results of the execution of the award

2A 11 6 Shortage of wheat stock

31 The Company has not laid down any procedure for periodical physical verification of wheat stock except at the close of the financial year

The Company carried out (September 1996) a special physical verification of wheat stock lying at Delhi Pul plinth at Sirsa and found a shortage of 2104 bags of wheat The concerned mandi inspector was placed (November 1996) under suspension and an FIR was lodged (November 1996) against him On his failure to hand over the charge the lock of the main gate was opened (January 1997) in the

presence of district officials deputed by the Deputy Commissioner. On taking over of stock (January 1997) in the actual shortage was found to be 2719 bags of wheat worth Rs 14 22 lakh

Thus the failure of the Company to periodically verify stock and lack of supervision of field office resulted in shortage of wheat valued at Rs 14 22 lakh

The management of the Corporation in its written reply stated as under

The A G Audit Party has attributed loss due to shortage of wheat at Sirsa due to failure of the Company to have a system of periodical physical verification of stocks and proper supervision. In this regard it is stated that this is not true because instructions had been issued from time to time for checking of wheat stocks by the concerned District Managers and by the Inspecting Officers from the Head Office. In this case too the stocks had been checked from time to time. This shortage was detected on receipt of a complaint about bungling at Sirsa. Special verification of stocks was conducted immediately after receipt of the complaint and this shortage was found. An FIR was also lodged against the officers who indulged in theft/misappropriation of stocks. Thus it is clear that the shortage is due to the bungling and criminal acts by the officials.

It is further added that as per these instructions the wheat stock was to be checked by the supervisory staff including District manager and the Mandi Inspector from time to time and the shortages, if any, found were to be reported to the Head Office immediately. One officer from the Head Office was also deputed as Inspecting Officer to check the stock. In order to avoid such shortages in future, detailed instructions have been issued wherein the role of the supervisory staff and the Mandi Inspector has been clearly defined. As per these instructions the concerned Mandi Inspector shall be held responsible upto 70% of the shortages found and the District Manager shall be held responsible upto 25% of the shortages. The Inspecting Officer shall also be held responsible upto 5% of the loss in case the inspection is not carried out and the report is not submitted.

The Committee was satisfied with the procedure of physical verification adopted by the Corporation. It, however, expressed concern for non-finalization of the departmental enquiry against Sh. Raj Kumar, Store Keeper, who was found responsible for the misappropriation of stock valued at Rs 14 22 lakh. **It further desired that (6 February, 2001) the outcome of the departmental proceedings must be intimated within 15 days but the same had not been submitted by the Corporation till the finalization of this report.**

2A 11 7 Avoidable loss

32 As per instructions issued by the Company from time to time to its field officers, the mandi staff should obtain prior approval of head office to carry out

abnormal operations of temporary stacking, dora shifting and rebagging in mandi as well as at storage point. The company had a stock of 174873 wheat bags (March 1996) at Kaithal purchased during 1994-95 (42286 bags) and 1995-96 (132587 bags).

Noticing (June 1996) abnormal expenditure during September 1995 to April 1996 (without the specific required approval of the competent authority) on dora operation, replacement of bags and transfer of damaged wheat to Jind plant in respect of stock of 1994-95 and 1995-96, the company decided (June 1996) to investigate the matter by a committee of three officers. The committee in its report (June 1996) assessed total loss of Rs. 46.68 lakh on account of abnormal reconditioning (Rs. 13.24 lakh), damage (Rs. 21.84 lakh) and shortages (Rs. 11.60 lakh). The Managing Director, not being satisfied with the findings of the report of the committee, asked (January 1997) the Deputy Commissioner (DC), Kaithal to inquire and give factual report. The committee in its report (February 1997) assessed the loss at Rs. 95.64 lakh on account of damage, abnormal conditioning, shortage, excessive replacement of bags and less storage gain. Accordingly, the Company lodged FIR (March 1997) against the two officials for misappropriation, cheating and causing loss to the Company.

Thus, delay in delivery of wheat stocks to FCI and failure to maintain required sound health of wheat stock as well as failure to check the functioning of its officials resulted in estimated loss of Rs. 95.64 lakh to the Company.

In its written reply, the Department/Corporation stated as under:

The Audit Party of A.G. has attributed heavy damage of wheat at Kaithal due to failure of the Company in taking timely steps for delivery of stocks to FCI. Here it is added that there was slow movement of delivery from Kaithal during 1994-95 and 1995-96 due to which the stocks had to be carried forward. These stocks were stored in the open. The delivery of wheat to FCI is made as per allocation of specials made by them though HAIC has been requesting them for allocation of additional movement.

In view of the position explained above, the officials concerned have been charge-sheeted and criminal cases had been booked against them.

The Company in its written reply attributed the slow movement of stock from Kaithal during 1994-95 and 1995-96 to non-allocation of specials (trains) by FCI. Since the stock of wheat remained undischarged for longer period, it leveraged to the functionaries of the Company for excessive replacement of bags, abnormal conditioning, damage to the wheat and shortages. Since the Company was put to loss to the extent of Rs. 95.64 lakh, the action against the defaulting officers indulged in misappropriation was very slow. **The Committee, therefore, recommends that the departmental proceedings be pursued vigorously and outcome of the same be intimated to the Committee.**

2A.13 Other topics of interest

2A 13 1 Loss of interest due to injudicious transfer of funds

33 To undertake research and development activities for the benefit of the farmers the Company got registered (March 1993) an independent society in the name of Haryana Agro Research and Development Centre (Society). Any contribution made to the society was thus to be treated a deductible expenditure under the provisions of Income Tax Act 1961. The Company without having received any specific proposal from the society contributed (March 1994) Rs 325 lakh to the society and out of which it obtained (June/July 1994) a loan of Rs 320 lakh at the rate of 12 per cent from the society to meet its working capital requirements. Despite the fact that the society had no immediate necessity the Company again contributed (March 1995) Rs 400 lakh and took back (April 1995) Rs 415 lakh at 12 per cent interest as loan from the society.

Since the availment of loan was contrary to the provisions of the Companies Act 1956 the Company refunded (March 1996) the entire loan of Rs 735 lakh alongwith interest of Rs 115.50 lakh.

Thus the decision to contribute Rs 400 lakh as second instalment of contribution particularly when the society even failed to utilise the first instalment of contribution of Rs 325 lakh was injudicious and resulted in loss of Rs 239 lakh after adjusting income tax savings of Rs 161 lakh. Further had the Company not contributed this amount it could have avoided availment of cash credit/loans to the extent of Rs 239 lakh and saved interest payment of Rs 102.77 lakh (worked out at the cash credit rate) thereon for the period from April 1995 to March 1998.

In its written replies the department/corporation stated as under —

During the year 1993-94 the Corporation earned a profit (before tax and contribution to HAIC R&D) of Rs 5.98 crores. As on 31-3-94 cash credit limit of Rs 3.32 crores was availed by the Corporation. It was decided by the Corporation that the Society which was registered under the name & style of HAIC R&D Centre for carrying out Research & Development activities in the State of Haryana may be contributed a sum of Rs 3.25 crores for the purpose. Under the payment of Income Tax Act any contribution made to such Society is exempt from the payment of Income Tax. The Corporation contributed a sum of Rs 3.20 crores to the society and got exemption of Rs 1.60 crores approx from the payment of tax. It was decided by the Board of HAIC to avail loan of Rs 3.20 crores from the Society for a period of 2 years on demand. Accordingly the Corporation availed loan of Rs 3.20 crores from the Society on different dates (on 7-6-94 Rs 1.00 crore, 14-6-94 Rs 1.00 crore, 13-7-94 Rs 1.00 crore and 19-7-94 Rs 20 lacs). As per one of the terms the loan was availed under the Head Amount received in trust.

During the year 1994-95 the Corporation earned a profit of Rs 10.32

crores (before tax and contribution to HAIC R&D Society) It was again decided to contribute a sum of Rs 4 crores to the society for carrying out the Research & Development activities in the State of Haryana The Corporation was exempted from the payment of tax of Rs 2.11 crores on this contribution made to the society On 7.4.95 it was decided to avail a loan from the society The Board approved availing of a loan of Rs 4.15 crores from the society in the meeting held on 19.5.95 Thus a total amount of Rs 7.35 crores was availed from the society under the head Amount received in trust Under the provisions of Companies Act 1956 (Acceptance of deposits Rules 1975) any amount received in trust is out of the purview of definition of deposit under Section 58 A of the Companies Act 1956 and thus there is no violation of the provisions of Company's Act

It is not correct to say that the Corporation refunded an amount of Rs 7.35 crores to the Society because it was contrary to the provisions of Companies Act 1956 The amount was received from the Society on certain terms and the same was refunded to the society after taking approval from the BODs as a follow up action in its meeting held on 21.8.96 after the expiry of two years from the date of initial contribution as per the terms and as demanded by HAIC R&D Centre During the year 1993-94 & 1994-95 the average interest rate on the working capital limit was approx 17% p a The Corporation availed the said loan from the society @ 12% p a and thus there was saving of interest of 5% p a This way the Corporation saved the following amount —

- 1 Exemption from payment of tax of Rs 3.80 crores on the contribution made to the Society
- 2 Interest saving @ 5% i.e. Rs 36 lacs approx for one year In addition availing this loan helped in tiding over the liquidity crises the Corporation faced in view of large scale expansion of activities in 1995-96
- 3 Had the Corporation not availed the loan from the Society the Corporation would have availed the limit from the Bank at a higher rate of interest i.e. 17%

The Committee considered the reply submitted by the State Government and felt that the reply was not convincing as availing of loan was contrary to the provisions of the Companies Act 1956 Since the company and HAIC Agro Research and Development Centre had solicited legal advice from M/s Mehtani & Company the Committee decided to study the advice of the consultant and recommend the action accordingly

The advice of the consultant (M/s Mehtani & Company chartered Accountant) dated 28 September 1995 and November 18 1995 recommend the company to review its decision to have received the money at 12 percent interest rate so that the money already received by it continues to be parked with the corporation as

money in trust till demanded by the society. In case it was decided by the society to retain the funds with the Corporation, no interest should be payable by the Corporation so as to ensure compliance of the provisions of Section 58A by the Corporation. As such, in case the Corporation intends to retain money, the same should be treated as funds in trust so as to fall within the exception to Section 58A. In other words, money in trust should be a non-interest bearing arrangement and any precondition attached to parking of funds in a manner so as to earn any income therefrom shall change the colour of the transaction and the transaction shall be deemed to be commercial in nature. Taking into view the above background, the Corporation refunded (March 1996) the entire loan of Rs 735 lakhs along with interest of Rs 115.50 lakh.

After studying the advice of the consultant, the Committee was convinced that the Corporation while accepting deposits from the society acted in violation of the provisions of the Companies Act 1956. The Corporation subsequently vide its supplementary Agenda item No. 6 of 151 meeting of its Board of Directors modified its earlier mistake of acceptance of deposit in violation of Section 58A of the Companies Act 1956. **The Committee, therefore, recommends that the responsibility of the officer at fault needs to be fixed under intimation to the Committee.**

The Committee further recommends that the contribution of Rs 735 lakh remained un-utilized with the society for pretty long time while the Corporation availed cash credit during the same period. The Committee, therefore, recommends that the Corporation contributed substantial amount to the society without ascertaining the utilisation of funds. Responsibility of the officers/officials for not working in the interest of the Corporation needs to be fixed.

2B HARYANA STATE MINOR IRRIGATION AND TUBEWELLS CORPORATION LIMITED

(REVIEW)

2B 6 3 Electrical Shop

34 (a) The Company has been maintaining electrical shop for repair of submersible (SB) and vertical turbine (VT) motors installed at its tubewells and those of other agencies. The shop has the installed capacity to repair 800 SB and 600 VT motors annually. The table given below indicates the performance of shop during the last five years upto 1997-98.

Year	Targets for repair of motors		Motors received		Motors repaired		Motors pending for repair		Percentage of targets achieved	
	VT	SB	VT	SB	VT	SB	VT	SB	VT	SB
Balance as on 1 4 93							39	182		
1993-94	450	500	124	360	128	385	35	157	28	77
1994-95	450	500	74	264	63	153	46	268	14	31
1995-96	450	500	221	121	203	105	64	284	45	21
1996-97	500	500	158	40	121	141	101	183	24	28
1997-98	500	500	43	92	111	175	33	100	22	35

The utilisation of capacity was on lower side. 133 motors pending for repair were lying since 1994-95 (22), 1995-96 (18), 1996-97 (21) and 1997-98 (72).

The Company stated (March 1998) that due to less utilisation of tubewells only those motors were repaired which were required on the tubewells likely to operate and thus the capacity remained under utilised. The Company had not however made any sincere efforts to obtain more motors for repairs from other agencies to fully utilise its capacity.

In its written reply the Department/Corporation stated as under —

Utmost efforts were made to get job orders from other departments/agencies. During the period 1993-94 to 1997-98 (the MITC succeeded in getting some job orders for the rewinding of submersible motors of other Deptts like HSEB, Sugar Mill, HUDA and PH etc. in and around Karnal, Panipat, Kurukshetra etc. only as sending of motors for repair from far away places of other districts was not economical to the indentors due to very high cost of transportation. Even execution of these job orders was not successful as these agencies were not making any advance payment and they were reluctant to release payment afterwards on completion of repair work. The detail of job orders received

from the agencies during the period 1993 94 to 1997 98 is tabulated below —

Year	Sugar Mills	Irrigation Deptt	HUDA	HSEB	Total Nos	Cost (Rs in lacs)
1994 95		1		4	5	0 34
1995 96	1	151			152	8 60
1996 97	1	75		1	77	11 23
1997 98	1	3	1		5	0 53
Total	3	230	1	5	239	20 70

During the oral examination when asked about the reasons of less percentage of repair of VT motors during the period from 1993 94 to 1997 98 it was informed that previously 3500 tubewells of MITC were running but now the number of running tubewells has been reduced to 1500 That is why the capacity utilisation of the shop has been reduced It was further informed that 63 employees are working in the Electrical shop The Committee then observed that though most of tubewells of the Corporation have stopped functioning but the staff which was working previously is still working in the shop and suggested that the Corporation should start repair of work of motors of tubewells of private persons Boards and Corporations and motors of big factories so as to improve the capacity utilization of the shop By doing so the income of the Corporation will also be increased **The Committee, therefore, recommend that with a view to increase the capacity utilisation of the shop, the corporation should consider the suggestion which is in the benefit of the Corporation The Committee be informed of the action taken in the matter**

2B 6 4 (i) Transformer repair shop

35 The Company set up (July 1990) a transformer repair shop at a cost of Rs 28 42 lakh with a capacity to repair 100 transformers of HSEB per month

The percentage capacity utilisation of the shop during the five years ending 1997 98 varied between zero and 7 as detailed below

Year	Repairing Capacity of transformer	Opening Balance	Damaged transformers received	Transformers repaired	Closing balance	Percentage utilisation of capacity
(In Numbers)						
1993 94	1200	56	80	87	49	7
1994 95	1200	49			49	
1995 96	1200	49			49	
1996 97	1200	49		22	27	2
1997 98	1200	27	58	57	28	5

The Company stated (March 1998) that non payment of bills non supply of transformers for repairs and flaws in terms and conditions with HSEB resulted in underutilisation of capacity The Company had not however settled the matter with HSEB so far (July 1998) to utilise its capacity gainfully

2B 6 4 (ii) The Company stopped repair of the transformers from December 1993 as the rates given by the HSEB were not workable due to which the cost of repair was coming more than the rates offered by HSEB The Company repaired 667 transformers between 1990 91 and 1993 94 at the total expenditure of Rs 104 19 lakh The HSEB paid Rs 79 05 lakh only at the offered rates which resulted in loss of Rs 25 14 lakh to the Company Besides out of 667 repaired transformers the Company again repaired 75 transformers by incurring Rs 5 07 lakh but it could not recover this expenditure from HSEB as these transformers had failed within warranty period and had to be repaired free of cost The loss on repair of transformers up to 1993 94 thus increased to Rs 30 21 lakh The bills for 22 transformers repaired during 1996 97 at a cost of Rs 10 35 lakh were yet to be paid by HSEB (June 1998) and 57 transformers repaired during 1997 98 had not been inspected by the HSEB (June 1998) The Company however in its meetings held on November 1996 and February 1997 with the Government and HSEB respectively agreed to repair the transformers at mutually settled rates but the HSEB had not supplied transformers for repair to the Company to enable it to utilise its capacity

The high cost of repairs was attributed (February 1996) by the Company to higher material cost irregular purchase of material for want of funds higher wage bill and high depreciation on machinery because all the machinery was new

In its written reply the department/corporation stated as under —

MITC started transformer repair shop at Karnal workshop to diversify its activities so as to utilize the existing man power HSEB placed the job orders for repair of transformers on the basis of those terms and conditions which were applicable to private contractors Further only 50% of the repair cost was given by HSEB and 50% adjusted against bills of the Corporation which resulted in non availability of funds for procurement of raw material etc Hence under utilization of the capacity and this continued till 1992 after which full payment for repair of transformers was made The HSMITC pleaded with HSEB at various meetings not to imposed the term of a fresh guarantee of 12 months at the time when it attended to a fault after the first repair i e the guarantee period be restricted to 12 months in all after the repair However HSEB refused to oblige

Moreover the difficulty came at the stage of inspection at shop level of transformer repair and non verification and payment of bills The rates were higher on account of depreciation of new machinery higher labour wages and on account of transformers under guarantee period The repair of transformers was discontinued when even the negotiated rates during Nov , 1996 and Feb 1997 were not viable '

During the oral examination when asked about the reasons of not repairing

any transformer during the period from 1994-95 to 1995-96 it was informed by the departmental representatives that this work was started by the Corporation with HSEB. The HSEB later on stopped giving the work of repair of transformer. HSEB is now getting their transformers repaired from private parties and also not doing the repair work of transformers in their own workshop at Dhulkot. Private parties first do the work then asked for the payment whereas we do the repair work after taking advance payment. It appears that HSEB stopped giving work to us due to this reason also. Secondly, if some transformer damages during guarantee period, the concerned firm repairs the same free of cost. Private parties do the work according to satisfaction of the people. When questioned about the non-repair of these transformers during the period when these employees were being paid salary without any work, it was stated that though these transformers were taken for repair but these were not opened/repared till the receipt of payment. It was informed that there were 54 workers in the electrical shop. These were recruited according to necessity. When asked whether these employees were transferred to some other units or these are with the Corporation or have been retrenched, it was informed that some employees have been absorbed in the HSEB and some have been adjusted at other places. Now there is only a total strength of 10 employees.

The Committee observed that the corporation is paying the salary of these 10 employees without any work/utilization and desired that corporation should co-ordinate with other departments to adjust these employees somewhere else.

The Committee felt that the corporation is unable to compete with other shops due to lack of funds and suggested that the corporation should keep some reserve funds for preparation i.e. for procurement of raw material etc. and funds should be nominal. The Corporation should keep about 50 lacs as reserve funds, if they want to compete in the market. They also will have to take the payments after doing the work like private firms and for this, they will have to keep some funds reserve for the purpose. The Committee recommend that whatever steps to improve the utilization capacity could be taken, the Corporation may take those steps under intimation to the Committee.

The Committee further recommend that the Corporation should take concrete steps to improve the capacity utilization and desired that Committee be informed of the action taken.

2B.9 Surplus manpower

36. A study of manpower in workshop conducted (August 1995) by the Company revealed that due to decline of work load in various shops, 157 work-charged employees had become surplus. Out of 157 surplus employees, 20 employees were adjusted in other Government departments/Corporations up to March 1998. 137 employees were still surplus and there wage bills amounting to Rs. 4.94 lakh per month had resulted in payment of idle wages amounting to Rs. 217.36 lakhs from August 1994 to March 1998.

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

682 employees of the Corporation have been declared surplus and continuous efforts are being made to adjust them in other departments”

The Committee observes with concern over the large number of surplus staff available in the Corporation. **The Committee, therefore, recommends that the Constitution of the Corporation should be rectified and immediate steps should be taken to reduce or absorb the surplus staff in Government Departments, Boards and Corporations and other Agencies**

2B 10 Outstanding dues

37 As on 31 March 1997 the following amounts were outstanding as per annual accounts in respect of workshop activities

Sr No	Particulars	Amount (Rupees in lakh)
(i)	Recoverable from Irrigation Department for manufacture and erection of pumps	755 22
(ii)	Recoverable from Irrigation Department and HSEB for gates	784 15
	Total	1539 37

Analysis of debts revealed as under

Out of Rs 755 22 lakhs for pumps Rs 711 89 lakh was outstanding since 1991 92 which had been disputed by Irrigation Department due to overcharging of departmental charges and there were remote chances of its recovery

Similarly out of Rs 784 15 lakh recoverable from Irrigation Department and HSEB Rs 754 35 lakh was outstanding since 1991 92 also due to overcharging on account of departmental charges

The above matters were reported to the Company and the Government in May 1998 their replies had not been received (January 1999)

In its written reply the Department/Corporation stated as under —

- (i) Regarding balance payment of Rs 755 22 lacs on a/c of pumps the recovery is a continuous process and an amount of Rs 571 50 lacs has been received till 31 3 2000
- (ii) Regarding recovery of balance outstanding of Rs 784 15 lacs on a/c of gates from Irrigation Department/HPGCL Rs 450 lacs stands recovered upto July 2000 and continuous efforts are being made to recover the balance

The Committee recommends that vigorous efforts be made to recover the balance outstanding amount from Irrigation department/HPGCL and a progress report in regard be sent to the Committee

3 HARYANA STATE ELECTRICITY BOARD (REVIEW)

3 5 2 Wagon to wagon adjustment policy of Railways

38 Railways occasionally divert coal rakes of one consignee power station to another power station. In such cases, the original consignee power station who has not received the coal rake due to its diversion elsewhere has to lodge a claim on the Railways for the cost of the coal in respect of diverted rake. The Railways accommodate such claims on the basis of wagon to wagon adjustment policy by match delivery of diverted wagons of other consignees.

An inherent deficiency in the wagon to wagon adjustment policy is that it does not take into account the grade difference between coal carried by wagons diverted in favour of power station and coal carried by the wagons diverted from that power station. The average cost of coal on wagons diverted from FTPS was higher than that of wagons diverted to FTPS from other consignee as FTPS had paid higher cost per wagon of coal which was not actually received. The wagon to wagon adjustment resulted in excess payment of Rs. 3.97 crore in respect of 1863 diverted wagons during July 1990 to May 1996 and received at FTPS during September 1995 to January 1997. Though agreement of February 1985 permitted the Board to raise bills with CCL for amounts arising out of grade difference in wagon to wagon adjustment after verification with the original consignee to whom the coal was diverted, FTPS failed to raise this issue with the original consignees/CCL due to which a sum of Rs. 3.97 crore remained unrecovered.

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

'Clause 8.7 of the agreement of 1985 deals with the claims for missing wagons/diverted wagons/missing/diverted rakes etc. which clearly stipulates that purchaser will not have any claim from the supplier against such incidents of loss and will not hold any amount to the supplier. However, the claim of difference of cost being grade variation has already been lodged with the Railways by FTPS authorities. The matter has also been taken up with the Railway Board, New Delhi vide this office memo No. 2435/HPGC/F&B/1065 dated 16.5.2000 for settlement of claims of the diverted wagons.

At the time of oral examination, the departmental representatives informed the Committee that during the period from 1986 to 1999, 21834 wagons meant for FTPS were diverted to other consignees and in place of diverted wagons, 22184 wagons were received at FTPS. It was further informed that for difference in quality of coal due to such diversions of wagons, an amount of Rs. 26.37 crore is recoverable from Railways. The departmental/company's representatives, however, stated that in place of receipt of less quantity of wagons, the FTPS received more wagons but the coal supplied was of 'C' Grade whereas we were to receive a better quality of coal. When asked as to whether recovery of amount has been made from Railways, it was stated that the claim is still pending. **In view of the above, the Committee therefore, recommends that recovery of the amount be made under intimation to the Committee.**

4 1 HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED

4 1 1 Loss due to acceptance of undersize cotton seed

39 The Company procured undersize cotton seeds due to inadequate quality control and suffered a loss of Rs 9 40 lakh in its disposal

The Company gives production programme of cotton seed to the growers for producing cotton seed (Narma) in their fields. The quality of cotton seed is checked at the time of receipt of cotton from the growers. The seed is then separated from cotton through ginning process. After removing lint from cotton seed, the seed is finally processed in the plant to obtain certified seed. The company has not fixed any norms for losses, wastages, undersize seed etc during these processes.

A comparative study of cotton seed processed during 1992-93 to 1994-95 by the Company in its plant at Sirsa revealed that the percentage of undersize cotton seed was 9.68 and 8.3 respectively. Thus, on an average 8.6 per cent cotton seed was undersize. However, during the year 1995-96, out of 5155 quintals of cotton seed processed at the plant, 1023 quintals was declared as undersize which worked out to 19.84 per cent of the total input. After allowing a margin of 8.6 as average percentage of undersize seed during the last 3 years, there was still 579.44 quintals excess undersize cotton seed valued at Rs 11.88 lakh. This undersize seed was disposed of (May 1996) at a loss of Rs 9.40 lakh.

The Company stated (December 1996) that as a result of preliminary investigation, administrative action had been initiated against the Officers/officials who accepted the cotton seed at Sirsa. The Government admitted (July 1998) that possibly immature grains could not be detected.

In its written reply, the Department/Corporation stated as under —

It is pertinent to mention here that a departmental enquiry was got conducted to investigate the reasons of acceptance of undersize cotton seed resulting in loss of Rs 9.40 lakhs to this corporation. The findings of the Enquiry officer against the charged officers, namely Sh. M. S. Kataria, Manager, Sh. S. P. S. Chhikara, SPO and Sh. O. P. Panwar, ASPO, has been submitted to the Managing Director, HSDC for decision. The worthy MD has given an opportunity to hear Sh. M. S. Kataria in person in this case and hearing has been fixed for 29.9.2000 at 2.30 PM. The final decision in the matter would be intimated accordingly, whereafter final decision in the case would be taken.

During oral examination, the departmental representative informed that though the enquiry was conducted against three persons but as per enquiry report

Shri M S Kataria Manager was found main responsible person for the loss. The Managing Director had fixed a date of personal hearing to Shri M S Kataria on 29-9-2000 but due to some reason personal hearing to Kataria could not be afforded/ given on that day and next date of personal hearing has been fixed for 8th December 2000. **The Committee observed that as the enquiry report was submitted by the Enquiry Officer one and half year ago. Action against defaulting Officers has been considerably delayed. The Committee, therefore, recommend that final decision against the officers responsible for the loss to the Corporation be expedited within one month under intimation to the Committee.**

The Committee further desired that a copy of the enquiry report submitted by Shri Dutta may also be supplied to the Committee.

HARYANA FOREST DEVELOPMENT CORPORATION LIMITED

4 2 1 Misappropriation of timber

40 Improper maintenance of records non verification of stocks and lack in reporting discrepancies of forest produce resulted in misappropriation of timber valued at Rs 8 52 lakh

Haryana Forest Manual Part II (para 12 3) stipulates that all forest produce removed from forest or cut or collected by Government agency or received in depots otherwise must appear in Form DL 5 Similarly their disposal appear in Form DL 7 The manual (para 17 17) further provides that timber and other forest produce in each sale depot must be counted once every quarter by the Depot Officer or Range Officer and discrepancy if any should be reported to the Divisional Forest Officer

During audit (June 1997) it was noticed that District Manager Rohtak auctioned (May 1996) 287 513 m³ timber at Gangesar sale depot to a firm (Prime Enterprises Yamunanagar) The field assistant changed (May 1996) the volume of timber while taking the stocks on Form DL 7 for auction and misappropriated the same At the time of lifting a shortage of 81 221 m³ timber valued at Rs 1 22 lakh was reported (October 1996) by the firm The records (Form DL 7 and DL 5) of the sale depot were not available for the period April 1996 to November 1997 as the same were not handed over by the field assistant to the Management Moreover no physical verification was carried out at the depot during last three years up to 1996 97 As a result the entire stocks of the sale depot were got verified and a shortage of 1612 781 m³ timber valued at Rs 8 52 lakh was found (December, 1996)

The matter was reported to the Company and the Government in April 1998 their replies had not been received (January 1999)

The Department/Corporation in their written reply stated as under —

For each sale depot DL Form 5 and Form 7 are prepared which contain information regarding forest produce available in the depot and about the material to be disposed off by open public auction these Forms are prepared by the concerned depot incharge However in case of Gangesar sale depot sale depot incharge Sh Atma Nand had prepared only DL Form 7 and submitted the same to District Manager (now Regional Manager) Rohtak The depot incharge did not submit DL Form 5 and for this lapse action was taken against him by charge sheeting him vide letter No 1220 dated 08 07 1996 by the District manager Haryana Forest Development Corporation Limited Rohtak but since the official was on deputation with Haryana Forest Development Corporation Limited District Manager Haryana Forest Development Corporation Limited Rohtak i e borrowing organisation was not competent to take action against him So now Sh Atma Nand Forest Guard has been charge sheeted by his parent department under Rule 7 of Haryana Civil Service (Punishment and Appeal) Rules 1987

vide Divisional Forest Officer (Territorial) Bhiwani letter No 1680 dated 25 10 2000 Though the official has submitted his reply to the charge sheet but final action on it is yet to be taken by the competent authority i.e. Divisional Forest Officer (Territorial) Bhiwani

On 08 10 1996 the District manager Haryana Forest Development Corporation Limited Rohtak along with Sh. Sher Singh Forest Guard carried out checking in Gangesar and Majra depots. Large scale shortage of forest produce was detected in these two depots. After checking the entire record of Haryana Forest Development Corporation Limited Rohtak and FIR was lodged in Police Station Gohana on 14 10-1996 for misapplication/pilferage timber/wood in Gangesar and Majra depots by the then District Manager Haryana Forest Development Corporation Limited Rohtak

After registration of FIR with Police and checking/investigation by the Police and five officials of the Haryana Forest Development Corporation Limited a total of 1612 781 cubic meter timber/wood has been found short in Ganesar and Majra depot of Haryana Forest Development Corporation Limited. Total value of this shortage of timber/wood is estimated to be Rs. 8 51 759 00 (Rupees Eight Lakhs Fifty One Thousand Seven Hundred Fifty Nine Only)

Sh. Atma Nand Forest Guard who was depot incharge at that time was fully responsible for the protection of the forest produce misappropriated/pilferage and illegally sold this forest produce. The Divisional Forest Officer Bhiwani vide its letter No 1680 dated 25 10 2000 has issued charge sheet to Sh. Atma Nand Forest Guard. A copy of acknowledgement/receipt of this charge sheet by the employee dated 04 11 2000 has been received in the office of Managing Director Haryana Forest Development Corporation Limited Panchkula. The employee has submitted his reply to the Charge Sheet which is under consideration of the Divisional Forest Officer (Territorial) Bhiwani.

Further on receipt of the sanction of the State Government vide memo No 4974-Ft 4 2000/16362 dated 25 09 2000 to Charge Sheet Sh. Mange Ram Forester (Assistant Manager) who had retired from service on 29 02 2000 has also been served Charge Sheet by the Conservator of Forests South Circle Gurgaon vide his letter No 3668 dated 18 10 2000 and a copy of the acknowledgement by the retired Forester dated 30 10-2000 has been received in the office of Managing Director Haryana Forest Development Corporation Limited Panchkula. Official has submitted his reply to the Charge sheet which is under consideration of the Conservator of Forests South Circle Gurgaon.

It is also submitted that Government vide letter No 4974 FT 4 2000/16362 dated 25 09 2000 have decided that no action is required against Sh. Rambir Singh Berwal IFS (the then District manager Rohtak)

After a through inquiry the following forest produce has been found short/deficient

- 1 Eucalyptus round timber 192 511 cubic meter (valued Rs 2 88 766 50 only)
- 2 Pulpwood 1189 00 cubic meter (valued Rs 5 35 050 00 only)
- 3 Miscellaneous round timber 6 628 cubic meter (valued Rs 6 628 00 only)
- 4 Thin size 224 00 cubic meter (valued Rs 20 160 00 only)
- 5 Shisham round timber 0 642 cubic meter (valued Rs 1 155 00 only)

As stated in reply Para 1 above charge sheet has been issued to Sh Atma nand Forest Guard and Sh Mange Ram Forester Further action in the matter is being taken by Divisional Forest Officer Bhiwani and Conservator of Forests South Circle Gurgaon An FIR No 371 dated 14 10 1996 had been registered in Gohana Police Station by Sh Rambir Singh Berwal IFS the then District Manager Rohtak. The matter is in the Court of Judicial Magistrate Gohana and next date is fixed on 04 04 2001

In this connection it is submitted that Managing Director Haryana Forest Development Corporation Limited Panchkula has sent the reply of D O letter No V/1 2/DP 7/97 98/31 dated 20 04 1998 received from Sh B K Chattopadhyay Accountant General (Audit) Haryana Chandigarh vide letter No 757/ 98 dated 02 07 1998

The Committee was not satisfied with the reply of the management and desired that the Corporation should follow properly the Court case initiated against the official responsible for this lapse and Committee be apprised time to time about the latest position of the case The Committee further recommend that departmental proceedings be completed at the earliest and requisite action against the officials be taken accordingly

4 3 HARYANA MINARALS LIMITED

4 3 1 Favour to shipping lines in payment of haulage charges

41 The Company incurred extra expenditure of Rs 4 17 lakh by granting unwarranted increase in haulage charges to two shipping lines

The Company has been exporting slate stone to different countries abroad on FOB basis The material is transported from mines to Inland Container Depot (ICD) at Tuglakabad and from ICD to Mumbai port The Company has made arrangement with different shipping lines for transportation of material from ICD Tuglakabad to Mumbai port for which haulage charges are fixed on the basis of quotations/negotiations with them

The Bluestar (Killick Nixon) shipping line operating in Australian sector demanded (September 1993) increase in haulage charges from Rs 10 700 to 12 000 per container on account of increase in railway freight After negotiations the Company did not increase the rates Subsequently P&O and Bluestar (Killick Nixon) demanded (September 1995 and January 1996) increase in haulage charges from Rs 10 700 per container to Rs 13 200 per container from 7 September 1995 and further to Rs 14 200 per container from 1st October 1995 on account of increase in railway freight The Company accepted the increase on the recommendations of Corporate Marketing Manager (CMM) without holding any negotiations with the shipping lines to reduce the rates demanded These shipping lines further increased their rates to Rs 15 000 per container from 1st May 1996 which was also allowed by the CMM without holding any negotiations and without prior approval of Managing Director The Company further allowed after negotiation an increase of Rs 100 only with effect from 1st August 1996 though the shipping line had demanded increase of Rs 1100 per container due to hike in petroleum products

Thus unwarranted increase in haulage charges resulted in extra expenditure of Rs 4 17 lakh on hiring 112 containers during the period from September 1995 to August 1996 The Company framed (October 1996) a chargesheet against the CMM for not holding negotiations but the same has not been served so far (May 1998)

The matter was reported to the Company and the Government in March 1998 their replies had not been received (January 1999)

In their written reply the Department/Company stated as under —

In pursuance of the observations of the Accountant General (Audit) Haryana the officer dealing with the exports of the Company namely Sh Anil Kumar Chawla Corporate Marketing Manager has been transferred from the export division and posted at Narnaul Considering the acts of omission & commission committed by the officer he has been charged for causing loss of Rs 4 17 400/- to the Company To enquire into the matter and to make the losses good to the Company chargesheet dated 27 3-1998 has been issued However he has denied the charges The charges are under enquiry and out come of the enquiry will be apprised to the Hon ble Committee on Public Undertakings in due course of time

During the oral examination the departmental representatives stated that

Sh S K Bansal retired District Sessions Judge has been appointed as enquiry officer on 30.10.2000 and enquiry is in progress. He is to complete the enquiry by 31.1.2001 and thereafter he will submit his enquiry report. When asked about the reasons for not taking action against Mr Chawla for two years after the issue of chargesheet, the Department stated that Mr Chawla was charge sheeted on 14.12.1998 but he remained absent from duty upto 6th January 2000. During the period of two years four Enquiry Officers were appointed. On being asked for delay in delivering charge sheet, the departmental representatives stated that they adopted all methods to deliver him the charge sheet but he was not found available. Charge sheet was also sent to him by post but he was not found available on the given address. He had given his wrong address. In the charge sheet these points were included i.e. first for his absence, second for keeping the documents locked in his almirah and third for payment of haulage charges to shipping lines. On asking whether the amount of Rs 4,17,400/- as submitted in written reply becomes recoverable from him or he has frauded the amount while making the payment of haulage charges to shipping lines, it was stated that this official increased the transportation charges without doing negotiations with any other Company. He was supposed to negotiate with 3-4 parties and thereafter decision for increasing or not increasing the transportation charges was required to be taken. Thus, this amount becomes recoverable from him. The departmental representatives, however, informed that this amount cannot be recovered from him till the charge is proved against him. When asked under which authority the official was allowed to join his duty after four years and who was competent to allow him to join duty, the departmental representatives stated that the Managing Director was fully competent to allow him to join his duties. The then Managing Director allowed the official to join duties. The Committee expressed concern that while the Managing Director had powers to allow him to join duties, was he not having the powers to take action against the official for his lapse? Due to lapse on the part of the official, the Company has suffered a loss. The representatives of the Government could not give proper reply but simply stated that the period of absence from duty was included in the charge sheet.

The Committee was not satisfied with the written reply and information submitted during oral examination on the following points —

- (i) The charge sheet was not prepared in proper form and as per the legal requirements
- (ii) There was inordinate delay for enquiring the matter of payment of haulage charges of Rs 4.17 lakhs to shipping lines
- (iii) Due to connivance of the Officers/officials of the Company, the charge-sheet was not served even though permanent address of the Officer must be in the records of the Company
- (iv) Action was not taken against the Officer when he joined duty in January 2000

The representatives of the State Government, however, promised to supply the detailed note after studying the entire case by 31-01-2001. No such information was received till the finalisation of this report.

4 4 HARYANA STATE MINOR IRRIGATION & TUBEWELLS CORPORATION LIMITED

4 4 1 Non realisation of interest on term deposits

42 Lack of proper monitoring to ensure credit of interest income on Short Deposit Receipt (SDR) resulted in non realisation of interest income of Rs 5 55 lakh

The Company had been maintaining a SDR account with Union Bank of India to avail itself of the benefit of term deposits. It deposited Rs 180 lakh Rs 20 lakh and Rs 41 lakh on 15th June 1995 11th July 1995 and 27 November 1995 respectively in its SDR account and made withdrawals therefrom between August 1995 and February 1996.

While making withdrawals the Company had directed the bank to credit the interest on the amount in its deposits to its current account. However during the course of audit it was noticed (April 1997) that the bank did not credit the interest accrued on these deposits amounting to Rs 5 54 896 and the Company did not monitor the same. On being pointed out by Audit the Company claimed interest from the bank. The Company took up (January 1998) the matter with Head Office of the Bank at Mumbai which informed (February 1998) that their complaint had been forwarded to Regional Office Chandigarh for reply in due course. The Company has neither received any reply from the Regional Office of the Bank nor received the interest so far (July 1998).

The matter was reported to the Company and the Government in April 1998. Their replies had not been received (January 1999).

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

"The HSMITC had been maintaining a current account No 18016 with Union Bank of India Sector 35C Chandigarh from 14 6 1995 in pursuance of discussions of Managing Director HSMITC with Shri K M S Balu Gupta DGM Union Bank of India on 29 5 1995. Bank assured that the cheques drawn by HSMITC in the field offices at all the branches of the Bank in the State of Haryana would be payable at par provided sufficient balance is maintained in Sector 35C Chandigarh Branch (Controlling Branch) where only Managing Director was competent to operate the account. In this arrangement HSMITC was not to go for preparation of demand draft which saves the time and commission charges for remittance in the field offices.

Current account was opened on 14 6 1995 with an initial deposit of Rs 1 80 00 000/- which was subsequently transferred to SDR account (Short term deposit receipt). The Bank was requested to pay the interest on SDR at the prevailing rate of interest of the Bank. The system worked and the Corporation had been depositing funds in current account and side by side maintaining some amount in SDR account according to the requirements.

The HSMITC while placing the amount with SDR had been directing the Bank for credit of interest in our current account upto that period. The following are the letters Nos. of such references

Sr	Letter No & Date	Remarks
1	3592/SO dt 19 6 95	Opening of SDR account with deposit of Rs 1 80 00 000/
2	2807/SO dt 11 7 95	Transfer Rs 20 00 000/ from current account to SDR account
3	3074/SO dt 9 8 95	letter to UBI for further extension on SDR for another 46 days and requesting for interest from 15 6 95 to its encashment
4	3135/SO dt 18 8 95	Transfer Rs 1 00 00 000/ from SDR account to current account and requesting to credit interest in current to-date
5	3554/SO dt 27 9 95	Transferring Rs 20 00 000/ from SDR account to current account and also requesting to credit interest in current account to-date
6	3565/SO dt 27 9 95	Transferring Rs 30 00 000/ from SDR account to current account and also requested to credit interest in current account to date
7	4071/SO dt 27 10 95	Transferring Rs 11 00 000/ from SDR account to current account and requesting to credit interest in current account to-date
8	6457/SO dt 27 11 95	Deposting Rs 41 00 000/ in SDR account
9	6524/SO dt 1 12 95	Transferring Rs 10 00 000/ from SDR account to Current Account
10	1631/SO dt 5 12 95	Transferring Rs 10 00 000/ from SDR account to current account also requesting to credit interest in current account to date
11	1140/SO dt 27 2 96	Letter to UBI requesting to allow interest on SDR
12	1299/SO dt 29 2 96	Transferring Rs 50 00 000/ from SDR account to current account and requesting to credit interest on SDR to current account

During the period of above noted correspondence the Union bank of India credited a sum of Rs 1 52 870/ on 16 8 95 in our current account on account of interest on SDR whereas the Corporation had been insisting for the total interest due The Corporation is continuously pursuing with the Bank for interest on SDR as per details given below —

- 1 Personal visit by Cashier and Assistant on 16 4 1996
- 2 Letter No 1634 35 dated 23 4 1996 requesting for interest
- 3 Personal visit of Superintendent and cashier on 9 5 1996
- 4 Letter No 2027/SHO dt 3 6 1996 requesting for interest
- 5 Letter No 4874/SHO dt 8 10 1996 requesting to allow interest and personal meetings by the Chief Accounts Officer with DGM Sector 17 Chandigarh

The account became inoperative around March 1996 when the Union Bank of India flouted the instructions of the Corporation for transferring funds from current account and onward clearance of our cheques

Again the Union bank of India was given comprehensive details of interest due/earned on SDR vide letter No 869 70/SHO dated 10 4 1997 for Rs 5 54 896/ The Bank has not given credit for the balance amount of interest inspite of our repeated reminders and personal visits of the staff as per details given below Two Nos DO references from the Managing Director HSMITC to the Chairman cum Managing Director of the Union Bank of India have also been made on which we have been intimated by the Union Bank of India Bombay vide their letter No Compl /F 124/266/98 dated 22 4 1998 that the matter is under active action

The Chairman cum Managing Director Union Bank of India Bombay was requested to look into the matter personally and settle the claim without further delay vide this office letter No 2946-49/SHO dated 12 6 1998 The Corporation is pursuing/following the case of interest regularly as under —

- 1 Letter No 2910 11/SHO dt 17 7 1998 addressed to GM UBI New Delhi
- 2 Letter No 3179 82/SHO dt 26 8 1998 addressed to Chief Manager UBI New Delhi
- 3 Letter No 4010 12/SHO dt 12 10 98 addressed to MD cum Chairman UBI Bombay
- 4 Letter No 4161 62/SHO dt 5 11 98 addressed to Chief Manager UBI Sector 17 Chandigarh

- 5 Letter No 4364 65/SO dt 17 12 98 addressed to Chief Manager UBI Chandigarh
- 6 Letter No 77 78/SO dt 15 1 99 addressed to Chief Manager UBI Sector 17 Chandigarh
- 7 Letter No 532 33/SO dt 10 2 1999 addressed to DGM Sector 17 Chandigarh
- 8 Letter No 811 14/SO dt 31 3-99 addressed to DGM Sector 17 Chandigarh
- 9 Letter No 1997 98/SO dt 19 5 1999 addressed to DGM Sector 17 Chandigarh
- 10 Letter No 1816/SO dt 23 7 1999 addressed to Chief Manager UBI Sector 35 Chandigarh
- 11 Letter No 2240/SO dt 30 9 1999 addressed to Chief Manager UBI Sector 35 Chandigarh
- 12 Personal discussion of the Managing Director HSMITC with Shri K Selvaraj Chief Manager UBI Sector 17 Chandigarh on 14 10-1999
- 13 Letter No 2555/SO dt 29 10-1999 addressed to Shri K Selvaraj Chief Manager UBI Sector 17 Chandigarh in reference to personal discussion on 14 10-1999
- 14 Letter No 53 54/SO dt 4 1 2000 addressed to Chief manager UBI Sector 17 Chandigarh
- 15 Letter No 1024 25/SO dt 22 3 2000 addressed to Assistant Manager UBI Sector 17 Chandigarh
- 16 Letter No 1869/SO dt 9 6 2000 addressed to the Chief Manager UBI Sector 17 B Chandigarh
- 17 Letter No 2900/SO dt 1 8 2000 addressed to the Chief Manager UBI Sector 17B Chandigarh

Thus this is not a case of failure to monitor the credit of interest on deposits for non realisation of interest. It is submitted that the Corporation is pursuing/following even before the para raised by Resident Audit Officer on 28 4 1997. Thus the case of interest is being followed up regularly at all levels for the balance amount of Rs 3 97 142/- and the matter shall be settled at the earliest.

The Committee observed that a copy of the agreement made with the Union Bank of India, Chandigarh Branch, be supplied to the Committee and further desired that recovery of the balance amount of interest be made within two months under intimation to the Committee

4 5 HARYANA STATE ELECTRICITY BOARD

4 5 1 Purchase of sub-standard distribution transformers

43 The Board accepted 3252 sub standard distribution transformers due to faulty inspection which resulted in capital loss of Rs 317 95 lakh besides transformation losses of Rs 996 37 lakh

The Board placed four purchase orders for supply of 4150 distribution transformers of 100 KVA and 63 KVA on ECE Industries Limited New Delhi during 1995 96 and 1996 97 After these were inspected and found as per specifications by the Board's Officers the firm supplied 3252 transformers up to March 1997 All these transformers were received and issued for use in the field except 32 transformers received at sub stores at Pehowa and Karthal not taken on stock (June 1997) pending replacement

On the basis of a complaint regarding use of coils of undersize conductor fitted in the transformers supplied by the said firm the vigilance wing of the Board conducted (April 1997) preliminary investigations by testing one transformer each of 100 KVA and 63 KVA and found variations in physical dimension and core losses in the transformers Before these transformers were opened and results witnessed by the firm's representative the President of the firm approached and admitted before the Board's Chairman that in certain transformers coils of undersize conductor were used The investigation team including firm's representative also *inter alia* observed (June 1997) that the Aluminium Conductor (in coils) used in 100 KVA and 63 KVA transformers were underweight by 30 *per cent* and 15 *per cent* respectively The Board while reporting the loss to the Government concluded (July 1997) that the transformers supplied by the said firm during 1995 96 and 1996 97 numbering 3252 were of derated capacity and computed the capital loss of Rs 643 18 lakh besides transformation losses of Rs 1278 lakh over a life span of 25 years of each transformer However it was observed (October 1997) in audit that the Board while calculating the capital loss and transformation losses had also considered the quantities of the transformers not supplied as total loss The capital loss and transformation loss worked out to Rs 317 95 lakh and Rs 996 37 lakh respectively

The whole time members decided (June 1997) *inter alia* to

cancel all pending purchase orders on the firm

get replacement of the derated transformers

forfeit firm's permanent earnest money

withhold all pending payments of the firm along with all financial cover available with the Board and lodge an FIR against the firm

Accordingly the Board cancelled all pending purchase orders and forfeited (July 1997) permanent earnest money of Rs one lakh The pending payments (Rs 34 88 lakh) relating to other orders were also withheld Financial cover available in the shape of bank guarantees valued at Rs 116 06 lakhs though available with

the Board were however not encashed The Board issued chargesheets (October and November 1997) to all the inspecting officers/officials The firm had not replaced the derated transformers so far (July 1998) No FIR has been lodged against the firm till date (July 1998)

The matter was reported to the Board and the Government in April 1998 their replies had not been received (January 1999)

In its written reply the Department/Board stated as under —

The following purchase orders were placed on M/s ECE Ltd New Delhi for the supply of 63/100 KVA Dist Transformers in the year 1995 96 The Quantity received by the erstwhile HSEB against these purchase orders have been indicated as under

P O No	Rating	Qty ordered	Qty received Nos
HH 3945	100 KVA	850 Nos	800
HH 3951	63 KVA	350 Nos	350
HH 4217	100KVA	1500 Nos	1222
HH 4229	63 KVA	1500 Nos	880
Total		4150 Nos	3252 Nos

On the basis of complaint vigilance wing checked few transformers out of the above supplies and it was observed by the Nigam that the Transformers supplied by the firm were not as per the Tech Specification and thus a dispute arose between the firm and the Nigam and as a result pending supplies from the firm were decided by the WTDs to be cancelled which was conveyed to the firm vide this office memo No Ch 58/HH 4217/4229 dated 7/7/97 and all their pending payments were withheld However after protracted negotiation an agreement was made with the firm on 9 12 98 for the repair/rectification of all the 3252 Nos transformers supplied by the firm as per the schedule indicated below

- (1) Lifting of 202 Nos unusued transformers within two months at their cost and rectification of these transformers in another two months thereafter i.e upto 10th April 1999
- (2) Lifting all the transformers damaged within the original warranty period within two months from the date of signing of the agreement (time period for repair of such transformers not specified)
- (3) Transformers damaged during the extended warranty period (The warranty period of all the transformers extended to three years as per agreement) 65 Nos damaged transformers shall be supplied by the Nigam to the firm every month for repairs/rectification

- (4) After the extended warranty period the Nigam shall give 45 Nos transformers damaged or healthy every month for repair rectification

Apart from the above an amount of Rs 99 68 lakhs has been deducted from the pending payments of the firm as a cover against the losses

Besides B Gs amounting to Rs 154 28 lakhs are already available with the Nigam as security cover which shall be extended from time to time till warranty period of repaired/rectified transformers expired

The following officers were issued charge sheets

- 1 Sh Jagat Singh Dahiya the then XEN/Works (OP) Sonipat
- 2 Sh S K Goel the then XEN/Works Sonapat
- 3 Sh S K Garg the then SSE 132 KV S/S Fazalpur
- 4 Sh B B Gupta the then AEE/Inspection (MM)
- 5 Sh R K Sharma the then AEE/Inspection (MM)
- 6 Sh Parmatama Saran the then AEE/Co ord (MM)

the case for all the officers have been decided and they have been censored

No F I R was lodged as the firm agreed for replacement/rectification of transformers with transformers as per Nigam's specification

The Contract agreement is under execution and is being monitored regularly in order to complete the repair/rectification of entire quantity of transformers The firm has rectified 461 nos transformers lying in the stores upto Nov 2000 (202 Nos un used & 259 Nos damaged within/extended warranty period) Further the firm has already lifted 60 nos transformers for rectification/repair against the lifting order of 200 nos issued by COS Hisar For this purpose SE/Stores and workshops Dhulkote and COS DHBVN Hisar have been nominated Nodal Officers for UHBVN & DHBVN respectively to sort out any problem and keep a close watch on the progress of rectification/repair and intimate the same regularly

As there is adequate cover available with Nigam in shape of B/Gs and pending payment etc so there is no apprehension of any loss to the Nigam

After reviewing the reply submitted by the State Government the Committee asked for the copy of the agreement entered into with the firm on 9 December 1998 besides copy of the complaint received from Shri Yadav J E On receipt of desired information the Committee felt that the agreement entered into with the supplying was not in the overall interest of the Board/ Company on the grounds that no penalty

for supplying substandard transformers was imposed on the supplier the pace of receipt of repaired/rectified Transformers was very slow as only 461 number transformers were rectified by the supplier upto November 2000. As such the Board/Company is being put to loss due to continued transformation losses as these Transformers being underrated incur more transformation losses.

The Committee was not even satisfied with the manner in which the complaint of Shri Yadav was dealt with and action initiated. The representative of the Board/Company could not supply complete copy of the complaint which consist of 95 pages. The Committee comprehended more details in the complaint and observed that the matter is very serious. Therefore, in view of the facts brought out to the notice of the Committee, the Committee desired that an enquiry from the State Vigilance be conducted in the matter and action against the defaulting persons be taken under intimation to the Committee within a period of three months.

4.5.3 Loss due to non-invoking of risk purchase clause

44. Non recovery of liquidated damages and failure to invoke risk purchase clause against M/s Barqui Switch Gears (P) Limited, Sohna for non supply of material resulted in loss of Rs. 18.92 lakh.

The Board placed (March 1991) purchase order on M/s Barqui Switch Gears (P) Limited, Sohna (District Gurgaon) on 'firm price' for supply of 150 Nos. 100 KVA distribution transformers valued at Rs. 25913.46 each. Supply was to commence within 45 days from the date of receipt of technically clear purchase order and was to be completed at the rate of 10 percent of the ordered quantity per month. Thus the supplier was to complete the entire supplies by April 1992. No transformer was delivered within scheduled time. The delivery schedule was extended (December 1992) to February 1993 without levy of penalty.

In the meantime the prices of raw material increased due to devaluation of Indian Rupee. Firm's request (February 1993) for either allowing increase in price by at least Rs. 10,300 per unit or to cancel the order without any financial burden on them was rejected (June 1993) by the Board. The Board issued (September 1993 and February 1994) risk purchase notices and directed the firm to offer the entire material for inspection within 30 days failing which it would be procured at their risk and responsibility. The firm filed (April 1994) a civil suit in the court of Senior Sub Judge, Ambala against the Board's action of effecting risk purchase which was however dismissed as withdrawn (September 1994) and accordingly another risk purchase notice was issued (March 1995) to the firm.

The law department of the Board advised (May 1995) to take further action as per purchase regulations. However the Board did not finally invoke risk purchase clause for reasons not on record. The requirement of transformers was met (May 1995) by incurring additional expenditure of Rs. 16.66 lakhs. Besides the Board did not recover liquidated damages to the extent of Rs. 2.26 lakh worked out at the rate of 5 per cent of the contracted value for which reasons were not on record.

The matter was reported to the Board and the Government in April 1998 their replies had not been received (January 1999)

The Government/Board in its written reply stated that—

PO No HH 3164 dt 3/5/91 was placed on M/s Barqui Switchgears Pvt Ltd Sohna for the supply 150 Nos 100 KVA Transformers at the ex works rate of Rs 25 913 46 F&I Rs 350/ The max FIRM equivalent price was Rs 30 179 75 per transformer including ED ST and F&I charges The supply against this PO was to be completed by 23/10/91 but the firm did not offer any material for inspection The delivery period of this PO was extended alongwith other POs upto 2/93 without levy of penalty The request of the firm to increase the rates due to devaluation of Indian Rupee was not accepted and conveyed the same to the firm on 22/6/93 The firm was asked to offer the entire material for inspection within 30 days of receipt of this notice failing which the material not supplied by the firm shall be procured at their risk cost and responsibility Final notice in this regard was issued on 1/9/93 for initiating the risk purchase proceedings This was followed by another notice on dt 19/11/93 wherein it was made clear to the firm that their case for extension in delivery period shall be considered after completion of supplies on merit of the case The notices were also given thereafter on 9/12/93 28/2/94 and 16/3/95 but the firm did not pay any heed to the above notices

Since the transformer under the above PO were of old specifications with higher losses and the transformers procured later in the year 1995 could not be compared The risk purchase was not appropriate because of the changes made in the old specifications in respect of important design parameters such as No load losses Current density and Winding temperature rise etc which are as under

Old Specification (100 KVA T/Fs)	New Specifications (100 KVA T/Fs)
No load losses 260 Watts (Max)	220 Watts (Max)
Current Density 1.5 to 1.55 A/sq mm	1.5 A/sq mm
Winding Temp rise 45 to 55 degree C	40 to 50 degree C

and the same was revised in 12/94 by the erstwhile HSEB

In view of the above it was decided by the Board of Directors to cancel this PO with liquidated damages as per the provisions of the PO /forfeiture of earnest money and to suspend business relations with the said firm for 3 years

Accordingly business relations were suspended with the firm for 3 years i.e upto 7.2.2002 vide letter No Ch 23/HH 3164/XEN/p II dt

19 3 99 in addition to recovery of L D charges @ 5% of the contract value amounting to Rs 1 96 975 95 and forfeiture of earnest money and thus risk purchase was not affected

In view of the above the following points are concluded as under

- 1 No loss to the Nigam has accrued because of non invoking the risk purchase clause as the transformers with old specifications were ceased to be procured and in view of recovery of LD charges/ forfeiture of earnest money —
 - (a) Rs 193929 84 from payable amount of Bank Gurantee against PO No HH 1/3156 and Rs 3046 08 from pending payable bills against PO No HH 1/3156
 - (b) vide CE/MM Panchkula memo no Ch 260/EMD/5932/E II dt 20 7 2000
- 2 No loss has been incurred by procuring new transformers as the specifications were totally revised with lesser permitted losses and improved design parameters '

The representatives of the Government attempted to justify in their written reply and oral examination that there was no loss to the Board/Company on the grounds that Board changed the specifications of these transformers on the basis of changes made by the Punjab State Electricity Board Since the Board procured (May 95) transformers with improved specifications as such comparison of prices cannot be made with transformers with old specifications On being asked as to how many times specifications of transformers were revised the representatives of the Government express its inability to supply the information immediately but promised to supply subsequently

The Committee also express its concern that due to non receipt of these transformers the State was put to incalculable loss The representative of the Government promised to supply the stock position of these type of transformers to the Committee to ascertain whether these transformers were needed at that time The Committee did not appreciate Board/Company's selective reference to systems prevailing in Punjab State Electricity Board Since all the seven firms on which orders were placed in 1991 did not supply transformers as stated by representative of the Government the Committee wanted to know the background for not supplying the material to Board The Committee did not find any reason for not purchasing the transformers as the court case pending was dismissed as withdrawn in September 1994 and the erstwhile Board issued notice on 16th March 1995 after specifications were changed in December 1994 **After going through the reply and oral evidence of departmental representatives, it has been observed by the Committee that matter is very serious Therefore, in view of the facts brought to the notice of committee, the Committee desired that an enquiry from the State Vigilance be conducted in this case and action against the defaulting persons be taken under intimation to the Committee within a period of three months**

4 6 HARYANA FINANCIAL CORPORATION

4 6 2 Doubtful recovery of loans

45 Corporation could not recover Rs 195 80 lakh in three cases due to inadequate monitoring of pre and post disbursement of loan and failure to obtain collateral security as also verification of assets

The Corporation disburses loans to the entrepreneurs for promotion of industry in the State. 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 detail of the means of the sole proprietor/partners/directors (as the case may be) both moveable and immoveable copy/ copies of their latest wealth tax assessment order and the means of promoters to be supported by reasonable documentary evidence

(a) The Corporation sanctioned (August 1992 and November 1992) term loans of Rs 70 25 lakh and Rs 70 45 lakh to Shiva Tapes (P) Limited Delhi (Firm A) and Uma Fabrics (P) Limited Gurgaon (Firm B) respectively for setting up the units to manufacture grey fabrics on power looms at Roj ka Meo in Sohna (Gurgaon). The loans were disbursed to the firms during March 1993 and December 1993. The Corporation obtained a collateral security of Rs 7 50 lakh from Firm A and did not obtain any collateral security from Firm B against the required security of Rs 14 lakh from each of them.

As per the original proposal the units were to install 72 Nos power looms each but it was found (October 1995) that in case of Firm A only 40 Nos of power looms were installed and balance 32 Nos were lying unassembled as it was not possible to install all of them in the existing building. Only 32 Nos power looms were available (October 1996) at site of Firm B as per values report.

Both the units were in default ab initio and did not pay any dues. The Corporation converted their debts of Rs 85 lakh (Firm A Rs 50 lakh and Firm B Rs 35 lakh) into equity in March 1995 and October 1995. In addition to above Rs 25 lakh and Rs 24 74 lakh were disbursed to these units respectively as bridge loan against working capital during May 1995 to September 1995. Both these loans were repayable within six months.

The Corporation took over (August 1997) possession of Firm A and primary and collateral securities were disposed of for Rs 27 80 lakh (November 1997). Even after adjustment of the sale proceeds Rs 61 83 lakh remained unrecovered (March 1998) from Firm A. The Corporation also took over and sold (November 1977) Firm B. After adjusting the sale proceeds of Rs 31 50 lakh (March 1998) Rs 99 39 lakh remained unrecovered from Firm B.

The Corporation stated (September 1998) that machines were verified in October 1993 in both the cases and these were available at site. However the fact

remains that the Corporation completed disbursement of loan up to December 1993 and no post disbursement monitoring was conducted

(b) In another case the Corporation disbursed two loans of Rs 6.35 lakh (September 1985) and Rs 1.43 lakh (February 1988) to Daido (India) Metal Fabricators Gurgaon (a sole proprietorship concern)

The unit failed to repay the loan and the Corporation took over possession of the unit in August 1990. The Unit was disposed of (February 1992) for Rs 4.40 lakh. The Corporation filed (January 1993) recovery certificate with Collector Gurgaon for the shortfall amount of Rs 11.10 lakh (up to February 1992). As the properties of the loanee were situated in Meerut and Delhi, the collector returned (May 1994) the recovery certificate for approaching the concerned collectors. Later on, it transpired that the addresses of properties in Delhi were incomplete and agriculture land stated to be in Meerut was not in the name of the proprietor. The case was entrusted (October 1994) to an investigating agency to find out the whereabouts of the promoter, but they failed (September 1996). The Corporation could not recover Rs 34.58 lakh (January 1998) from the borrowers.

The Management stated (July 1998) that the details of properties of the promoters were not verified when these loans were sanctioned and the Corporation used to rely on the statements of the borrowers.

The matter was reported to the Government in May 1998; the reply had not been received (January 1999).

The Department/Corporation in their written reply stated as under —

The Corporation while making disbursement of loans ensures verification of assets by the officials i.e. the security viz. land, building and machinery for which loan has been disbursed and the same are available at site. In the case of Messrs Shiva Tapes Pvt. Ltd. and Messrs Uma Fabrics Pvt. Ltd., the verification of assets was arranged; thus there was no failure of Pre/post disbursement inspections while making disbursements.

The stipulation regarding waiving of collateral security in the case of Messrs Uma Fabrics Pvt. Ltd. was examined in detail and the decision was taken as per procedure prevalent at that time.

The total amount of loans including bridge loans against subsidy is Rs 190.44 lakhs in two cases.

(a) The Committee was not satisfied with the written reply of the Management. In response to the Committee's observation during oral examination as to why the condition of giving collateral security was relaxed in case of M/s Uma Fabrics, the representatives of Corporation stated that it depends upon the advisory committee. The Committee asked the Corporation regarding the criteria adopted by it for obtaining collateral security. The representative of the Corporation stated that there were no separate guidelines in this regard and Board of Directors of the Corporation in its

resolution had laid down that in case the borrower intends to set up industries in the approved Industrial areas of H U D A / H S I D C / D I etc or within the Municipal limits of the town no collateral security may be insisted upon. In case where land or building are on lease 100 percent collateral security be insisted. The Committee further observed that while both the units defaulted in repayment of loans why undue benefit was allowed by converting loan into equity besides sanctioning bridge loan to these units. The Management stated that sometimes borrowers were unable to pay the instalments due to delay in the implementation of the project technical problems non availability of adequate working capital facilities besides higher cost of finance. The Management stated that the Investment Committee comprising of Managing Directors of Haryana Financial Corporation and Haryana State Industrial Development Corporation and three more senior officers of the Corporation decided to convert the loan into equity share. After studying the proceedings of the investment Committee the Committee was not satisfied as reasons were not assigned for equity participation in both the loanee units. **The Committee desired that action needs to be taken against members of the investment Committee who took decision in favour of these units against the interests of the Corporation. The Committee further desired to know the names of guarantors and their means (9 November, 2000).** This information was, however, awaited till the finalisation of this report. **The Committee also recommended that cases be pursued effectively with the Collector since the recovery certificates had already been issued in both the cases. Further strenuous efforts needs to be made to recover the outstanding amount from the guarantors and legal action be initiated against them. The Committee be apprised of the latest position in this regard.**

(b) The Management in its written reply stated that when the loan in this case was sanctioned means of the promoters were not verified and the Corporation used to obtain statement of means from the borrowers and rely upon the same. But now it has started verifying the means by obtaining documentary evidence in respect of immovable properties owned by the borrowers. **The Committee was not satisfied with the written reply and observed that responsibility of the concerned should be fixed and the Committee be apprised of the officers at fault. It further desired to know that whether the action had been taken jointly or individually in this regard and all this information is to be given to the Committee within one month (9 November, 2000).** However, this information is yet awaited till the finalisation of this report.

ANNEXURE A**Para no 4 1 2**

We had detailed discussions with the United Bank of India and IRBI as Sh B P Kedia has taken over one sick unit few years back named as M/s Calcutta Fans Limited This unit is under joint nursing scheme of United Bank of India and IRBI Mr C R Guna Chief Manager United Bank of India and Sh A K Bash Dy General manager IRBI told us the following

- 1 M/s Calcutta Fans Ltd is the oldest fan manufacturing unit in Calcutta and it has tremendous Potentials of revival
- 2 Sh B P Kedia is an intelligent and good Promoter and has capabilities of reviving this unit
- 3 UBI and IRBI officers were also of the view that the presence of Sh B P Kedia may be more required in Calcutta Fans &
- 4 The main reason of sickness of M/s Calcutta Fans Ltd was bad management

ANNEXURE B

- 1 A Complaint against Sh M P Gupta XEN was made by one Shri Shiv Ram Singla Govt Contractor Hisar received bearing the following remarks of OSD to CM Haryana dated 14 6 96 —

CM has desired that the matter may be got enquired and report be submitted within 15 days
- 2 The Chief Engineer/Const HSEB Hisar was requested for investigation and report thereon may be supplied to this office through special messenger within a week positively for information of Hon ble CM Haryana vide this office memo No Ch 10/Comp 729 dated 24 6-96
- 3 An another complaint made by one of Sh Raj Singh of Hisar to the address of Chief Minister Haryana was received in this office on 18 6 96
- 4 The Chief Engineer/Const HSEB Hisar was reminded through telegram dated 2 7 96 to supply the report through special messenger
- 5 D O dated 6 8 96 from the secretary HSEB to CE/Const Hisar was written requesting him to submit the report through special messenger
- 6 The Chief Engineer/Const Hisar vide his letter No Ch 31/Misc./Conf/TCC III dated 2 8 96 intimated that the complaint against Sh M P Gupta is being investigated by the State Vigilance Thus no useful purpose shall be served by holding a parallel investigation through SE/TCC III Gurgaon who is the controlling officer of Sh M P Gupta XEN C/W(T) Divn Rohtak It was requested to had the report from the State Vigilance
- 7 Upon this the Director/V&S HSEB panchkula was requested vide memo No Ch 29/Conf 729 dated 27 9 96 to supply his report within 3 weeks A reminder was also sent vide letter Ch 30/Conf 729 dated 20 12 96 followed by letter dated 16 1 97
- 8 The Director/V&S vide his memo No 65/VO 1518 dated 7 1 97 intimated that the investigating officer has intimated that it may take 2/3 months in finalising the enquiry after collection of record from Rohtak Divn The necessary report will be furnished thereafter
- 9 The Director/V&S HSEB was again requested vide this office memo No Ch 6/Conf 729 dated 21 1 97 to submit the enquiry report within few days positively for the information of the Hon ble C M Haryana
- 10 A D O from the Secretary HSEB to Director/V&S was written vide No 35/Conf 729 dated 21 2 97 requesting him to look into the matter personally and get the complaint in question investigated on priority basis and supply your report within a week positively for its onward submission to the State Govt
- 11 The Principal Secretary to Chief Minister Haryana vide his D O No CMCC GGA 97/96 dated 19 2 97 addressed to Administrative member HSEB

requested that the matter may be got expedited by taking personal interest and final report be got expedited within a week for the information of the Hon ble C M

- 12 Vide D O letter No Ch 38/Conf 729 dated 27 2 97 from Administrative member HSEB addressed to Principal Secretary to C M Haryana was informed that the complaint against the officer is under investigation with the Director/V&S HSEB who has been directed to submit his report within a week positively Results as and when received will be intimated immediately
- 13 The Director/V&S HSEB vide his D O No 991/VO 1518 dated 27 2 97 intimated to this office that enquiry into the complaint against Sh M P Gupta has been promised to submit by the 10th March 97 by the Enquiry Officer The final report will be sent by the end of 2nd week of March 97
- 14 The Secretary HSEB vide his D O letter No 43/Conf 729 dated 25 3 97 invited the attention of Director/V&S toward his letter dated 27 2 97 vide which he ensured that final report against Sh M P Gupta will be sent by the end of 2nd week of March 97 but the same is still awaited It is therefore requested to send the requisite report immediately for onward submission to the state Govt
- 15 The Director/V&S HSEB intimated vide D O letter dated 25 3 97 that final report against Sh M P Gupta XEN has been sent to M F C HSEB vide this office No 436/PS/DVS dated 25-3 97
- 16 The Secretary HSEB informed the O S D to C M Haryana vide D O letter No 45/Conf 729 dated 2 7 97 that the case has been investigated by our Director/V&S After examination it has been decided to serve a charge sheet to M P Gupta Action to serve upon the charge sheet is under process
- 17 The draft charge sheet was received from the Director/ V&S vide memo No 3477/VO 1518 dated 7 7 97 and was served upon the officer vide No 96/ Conf 4072 dated 22 7 97 containing 20/21 charges each having good Nos Sub-charges one charge related to COPU para
- 18 The S E / OP Circle Sirsa vide his memo No 14810 dated 7 8 97 informed that the charge sheet has been delivered to Sh M P Gupta XEN on 5 8 97 and also supplied his dated acknowledgement
- 19 After protected correspondence Sh M P Gupta XEN submitted his reply to the charge sheet vide his letter dated 6 3 98
- 20 The Chief Engineer/Const Hisar was requested vide memo No 28/Conf 4072 dated 2 4 98 to submit his comments within one month clearly indicating the responsibility upto which Sh M P Gupta is held responsible and the same was followed by reminder dated 12 6 98 and 28 8 98
- 21 The Chief Engineer/Const Hisar vide memo No 160 dated 9 7 98 intimated that parawise comments on the reply of the officer can be better offered by

Vigilance Cell as the charge sheet has been prepared by Vigilance Cell

- 22 Upon this the Director/V&S was requested vide this office memo No 223/Conf 4072 dated 16 10 98 to offer his comments on the reply of Sh M P Gupta Xen A reminder was also issued vide letter dated 12 11 98
- 23 The I G Vigilance vide his letter dated 12 12 98 intimated that the charge sheet was served upon the officer on the basis of enquiry conducted by his office It will not be proper to offer comments on the reply of the officer The requisite comments may be had from CE/Const Hisar The relevant record if any available will be provided to the CE/Const on demand for the preparation of said comments
- 24 Thereupon the CE/Const Hisar was requested vide this office letter No Ch 227/Conf 4071 dated 21 1 99 to offer his comments parawise without any reservation if deemed necessary the relevant record can be had from the office of Director/V&S He may ensure that the said comments are submitted within a fortnight so as to apprise the competent authority and got the issue decided
- 25 The Chief Auditor HSEB vide his letter No CA/SA I/APP 872/Ch 55 dated 9 3 2000 requested that the disciplinary proceeding against Sh M P Gupta may kindly be finalised if not finalised so far and may be intimated to his office so that the State Government/Vidhan Sabha is apprised of the latest position of the para
- 26 The Chief Engineer/Const Hisar vide memo No 221, dated 17 4 2000 was requested to submit his comments and followed by a reminder dated 28-4 2000
- 27 Since comments on the reply of the Charged Officer were not received from C E /Const Hisar and taking into account the seriousness of charges and also after due consideration to the reply submitted by the charged officer Enquiry Officer/Presenting Officer were appointed vide office order No 456/Conf 4072 dated 2 5 2000 read with office order No 497/Conf 4072 dated 11 5 2000
- 28 It is however intimated that the Chief Engineer/Const HVPNL Hisar has offered his comments on the reply to the Charge sheet served upon on Shri M P Gupta to the Chief Engineer/Administration HVPNL Panchkula vide his memo No Ch 229/EPC 974/A dated 9 5 2000

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