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HARYANA VIDHAN SABHA
COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2012-2013)
(TWELFTH VIDHAN SABHA)
FIFTY-NINTH REPORT
ON THE
REPORTS
OF THE
COMPTROLLER & AUDITOR GENERAL OF INDIA
FOR THE YEARS 2008-2009 AND 2009-2010
(COMMERCIAL)



(Presented to the House on 11th March, 2013)

HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH
MARCH, 2013

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**COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-2013)**

CHAIRPERSON

- 1 Shri Anand Singh Dangl

MEMBERS

- 2 Shri Venod Sharma
- 3 Shri Krishan Pal Gurjar
- 4 Shri Devender Kumar Bansal
5. Shri Abhay Singh Chautala
- 6 Shri Naresh Sharma
- *7. Shri Narender Sangwan
- 8 Dr Hari Chand Middha
9. Shri Anand Kaushik
- **10. Dr Bishan Lal Saini

SECRETARIAT

1. Shri Sumit Kumar, Secretary
- 2 Shri Rajinder Kumar Nandal, Additional Secretary

* Resigned from the Membership of the Committee w e f 3rd May, 2012 and accepted on 3rd May, 2012

** Nominated as a Member of the Committee for the remaining period of 2012-2013 w e f 3rd May, 2012.

(v)

INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings, having been authorized by the Committee in this behalf present this Fifty-Ninth Report of the Committee on the Report of the Comptroller and Auditor General of India for the Years 2008-2009 (Haryana Power Generation Corporation Limited (Review), Haryana Tourism Corporation Limited (Review), Dakshin Haryana Bijli Vitran Nigam Limited and Uttar Haryana Bijli Vitran Nigam Limited and 2009-2010 Haryana Agro Industries Corporation Limited (Review).

The Committee for the year 2012-13 undertook the unfinished work of the previous Committee(s) and also orally examined the representatives of the Government/Public Sector Undertakings/Boards where necessary. A brief record of the proceedings of the various meetings and on its inspection/spot-study has been kept in the Haryana Vidhan Sabha Secretariat.

The Committee are thankful to the Principal Accountant General (Audit), Haryana and his staff for their valuable assistance and guidance in completing the Report. The Committee are also thankful to the Principal Secretary to Government, Haryana, Finance Department including his representatives and representatives of the Departments/Corporations/Boards concerned who appeared before the Committee from time to time. The Committee are also thankful to the Secretary, Additional Secretary, the dealing officer and the staff of the Haryana Vidhan Sabha for the wholehearted co-operation and unstinted assistance given in preparing this report.

Chandigarh
The 15th February, 2013

ANAND SINGH DANGI
CHAIRPERSON

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 2008-2009

HARYANA POWER GENERATION CORPORATION LIMITED

2.1 Construction and Operation of Unit I and II of Deenbandhu Chhotu Ram Thermal Power Plant Yamunanagar

Undue delay in approval of the project and finalisation of tendering

1. The thermal project at Yamunanagar with two units of 210 MW each was initially sanctioned by the Planning Commission during September 1984 which was to be completed by the end of 1988-89. Due to shifting strategy in execution of project from the then Haryana State Electricity Board (Board) to NTPC and then selection of wrong private party for execution, the project could not be taken up on which the Board had incurred an expenditure of Rs 38.57 crore on purchase of land and maintenance of colony. On observation of the COPU (51 report), the State Government stated that the staff colony which could not be utilised due to held up project, would be utilised at later stage. Central Building Research Institute, Roorkee, however, on reference by the Company, had recommended (May 2007) not to go for rehabilitation of the colony houses as it would involve heavy cost of rehabilitation work, lesser safety as compared to new construction. These houses remain unoccupied due to their unsuitability, resulting in waste of Rs 4.59 crore spent on construction of colony.

The Company proposed (August 2001) to the State Government for adding the capacity of State Sector Units by another 500-600 MW by installing two Units (Unit-I and II) of 250/300 MW each at Yamunanagar. The project was proposed to be implemented in the Tenth Plan period (2002-07). The State Government accorded approval in July 2002 to set up 500 MW (two units of 250 MW each) coal based plant and agreed (October 2002) to contribute 20 per cent of the project cost as equity. The balance 80 per cent was to be funded by Power Finance Corporation (PFC). The Government of India had issued (1995) guidelines to adopt the International Competitive Bidding (ICB) route for implementation of power projects. As the tendering process through ICB route involves about one year, the Board of Directors (BOD), with a view to implement the project on fast track, with the approval of the State Government approved (November 2002) to secure the price offers from Bharat Heavy Electricals Limited (BHEL) for turnkey scope as well as their proprietary packages (Steam Generator & Turbo Generator and their auxiliary packages). Accordingly, BHEL was requested (November 2002) to submit two separate self contained independent offers for turnkey scope as well as their proprietary packages. BHEL submitted its technical offer in May 2003. When the technical offer of BHEL was under evaluation,

some Companies* gave expression of interest to the Chief Minister for submitting bids for this project. Accordingly, the Company initiated (December 2003) the proposal for implementation of the project through ICB route and the proposal was approved (January 2004) by the State Government with the configuration of the two Units as 250 MW to 250 + 20 per cent MW each. Notice inviting tender (NIT) was floated on 20 May 2004 and offers of BHEL and REL were received. The contract was awarded on turnkey basis to REL, an engineering, procurement and construction (EPC) contractor, in September 2004, being the lowest evaluated bidder.

Audit observes the negotiated route also takes time and, hence, it does not provide much time saving vis-à-vis ICB route which takes about a year. However, the negotiated route compromises on 'competition' aspect and may lead to not getting the best price and product. The overall delay of 14 months (November 2002 to December 2003) on account of shifting mode of tendering resulted in delayed availability of power from these Units.

The Management stated (September 2009) that the Company made best effort to explore the possibility of setting up of thermal plant in the minimum time by exploring both the routes of tendering i.e. negotiation and ICB route and during this period the Company continued to obtain various statutory clearances from various agencies. The reply is not convincing as the Company should have gone in for ICB route abinitio which was as per GOI guidelines as well as widely accepted mode of tendering.

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

During the period 1984 to 1988-89 word of setting up of Thermal Power Plants was being undertaken by erstwhile HSEB now HVPNL. The record of the same is not available with this office. As such this part of the para belongs to HVPNL. However, it is brought out that the land purchased during this period by the Board has been used for setting up of the 2x300 MW DCRTTP, Yamuna Nagar.

The HPGCL got this project after the State Govt.'s administrative approval on 22.07.2002. The State Govt. also agreed in-principle (10.10.2002) for 20% equity contribution. In order to implement the project on fast track, it was decided to implement this project inline with the procedure adopted in the implementation of Unit - 7 & 8 PTPS Panipat i.e. through Negotiation Route, because Unit-7 & 8 were setup in record time of 31 months and 35 months and HPGCL had also got an award from Ministry of Power, Govt. of India as "Best Executed Project of the year 2004-05". However, while scrutiny of technical offers of BHEL in consultation with CEA, it was learnt that BHEL's manufacturing capacity is substantially booked and it was not possible to get best price from them as well as time frame by adopting negotiation route.

* Reliance Energy Limited, Noida, Shanghai Electrical Company, China, Skoda Export Company Limited, Czech Republic

In the mean while, some other parties also shown their interest to execute this project and in a presentation made by M/s Shanghai Electric Corporation China, it was suggested a configuration of 2x300 MW and had contended that the configuration of 300 MW would be almost at the same price and would be more cost effective Keeping these aspects in view the State Govt accorded approval (04 01 2004) for implementation of this project through ICB route with configuration of the two Units as 250 MW to 250+20% MW

Subsequent to the above, the process of ICB was initiated and the Letter of Intent (LOI) was issued to the lowest bidders i.e REL on 30 09 2004 for 2x300 MW Units on engineering, procurement and construction (EPC) basis at the negotiated lumpsum firm price of Rs 2097 00 crore with the approval of SHPPC, Board of Directors, HPGCL and the Council of Ministers, Haryana The completion period of two units was agreed as 30 & 33 months from the date of LOL

Further, during this period, HPGCL continued to obtain various statutory clearances from various agencies

Therefore from above it is evident & fully justified to explore both the routes of implementation of the project i.e Negotiation Route and ICB Route as in the process HPGCL was able to achieve the following -

20% more power within the same infrastructure Best possible price & Best time frame and there is no delay on the part of HPGCL in the implementation of the project

During the course of oral examination, the departmental representatives informed the Committee that the houses constructed in staff colony remain unoccupied due to their unsuitability, resulting in wastage of Rs. 4.59 crore spent on construction of the colony.

The departmental representative informed the Committee that they will get a fresh technical report in respect of the houses of the colony to ascertain whether these houses are safe to live in and then the Corporation will use the houses.

The Committee recommends that the department should obtain a fresh technical report and inform the Committee well in time as it is a matter of wastage of huge amount of Rs. 4.59 crore.

Undue favour to REL

2. The Company invited (May 2004) bids on ICB basis for setting up of the plant on EPC basis The bidder, who is regular turnkey management and contracting agency, which had executed coal fired thermal power plants on EPC basis for atleast two Units of 210 MW or higher rating, would be eligible to bid In such case, the bidder should associate/collaborate with the manufacturer of Steam Generator (SG) and Steam Turbo Generator

(STG) of atleast two sets of 250 MW or higher rating and should furnish along with the bid a copy of the agreement jointly executed for this project by him and the manufacturer of SG and STG for successful performance of thermal power plant including SG, STG and associated auxiliary equipments. The bidder should also furnish the annual plant availability and plant load factors achieved since commissioning of these Units.

The Company received two bids for the project one from BHEL and another from REL and awarded the contract to REL being the lowest evaluated bidder. REL had submitted (July 2004) its bid as an EPC contractor after entering into agreement with Dongfeng Electric Corporation, China (DEC), manufacturer of SG and STG, for executing the project. In support of the claim as an EPC contractor, REL stated that they had executed 2 x 250 MW Dahanu thermal power project (DTPP) in Maharashtra in 1991-95, when it was known as BSES Ltd, and submitted the certificate for plant availability and PLF since their commissioning in 1995-96 till 2003-04. The Company while verifying the technical qualifications of the bidders considered REL as technically qualified EPC contractor.

The Company extended under favour to REL by accepting it as technically qualified EPC contractor.

Audit observed that REL (formerly known as BSES Limited, a power distribution company) had executed the DTPP long back in 1991-1995 as its owner for distribution of power. The project was in-fact executed by the generation division of the Company by following split package route on competitive bidding basis and the main plant package was supplied by BHEL and thereafter no coal based power project had been executed. The end user certificate submitted by REL for plant availability and load factor and execution of work was signed by REL being owner of the plant as no plant had been executed for a third party. Hence, REL was not eligible to be considered as a regular turnkey management and contracting agency in terms of NIT.

The Management stated (September 2009) that inhouse experience of REL (formerly BSES) was considered to be sufficient for the purpose of eligibility because the experience of the wholly owned subsidiary company could be considered as experience of parent company which was consented to by the project consultants and review consultants. The reply is not convincing as REL was not a regular turnkey management and contracting agency. ➡

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

HPGCL has rightly awarded the contract for construction of 2x300 MW DCRTTP to RInfra (formerly REL) being eligible as per eligibility criterion laid down in the NIT. RInfra satisfied the conditions of being a regular turnkey management and contracting agency having executed at least two units of 210 MW or higher rating. RInfra (formerly BSES) had executed 2x250 MW (500 MW) Dahanu Thermal Power Plant (DTPP), which are the best running units in India. RInfra had also furnished the PLF and availability data of DTPP to establish that

those are operating satisfactorily for the last three years. Audit has wrongly drawn inference that since RInfra had not executed the project as EPC contractor, therefore they were not eligible. Actually the things need to be seen in right perspective as the project was executed by RInfra in house. EPC stands for erection, procurement and construction. RInfra (BSES) had erected and constructed the plant themselves and had procured the BTG from BHEL. In this case as well they had to erect and construct the project and associate with the manufacturer of Steam Generator (SG) and Steam Turbo Generator (STG) for supply of BTG equipments. RInfra rightly collaborated with Dongfang originally and later on with Shanghai "Electric corporation (SEC) China for supply of BTG. Further, this in house experience of RInfra was also considered to be covered under eligibility criterion by the project consultant M/s Desein vide letter No. 3628/CC-20MIIICB-60 dated 12.08.2004 and by the Review Consultants CEA, which is the pioneer agency of the Government of India vide letter No. DEA/TETD-TT/2004/C-6/363 dated 20.08.2004.

During the course of oral examination, the departmental representative admitted that there was a problem of design. The Chartered Accountant is authorized to conduct the enquiry in this case.

The departmental representatives informed the Committee that action will be taken against operator/supplier who is found guilty.

The Committee was not satisfied with the progress of the case and further asked the department as how much time will be taken to finalize the report of Chartered Accountant.

The departmental representative informed the Committee that the report of Chartered Accountant will come in a short period.

Inadequate capacity of coal mill reject handling system

3. As per turnkey scope of work, coal mill reject handling system was required to be installed at the Plant. REL submitted (July 2005) the draft design basis report (DBR) envisaging the mill reject system for one per cent of coal mill capacity. The Project Consultants (Desein Private Limited) and Review Consultants (CEA) reviewed (December 2005) draft DBR and requested REL to design the mill reject system taking coal reject quantity as three per cent of maximum coal quantity to be handled. REL re-submitted (January 2006) the DBR reiterating the reject system design for one per cent reject coal (480 Kg/hr/mill) on the ground that as per Boiler supplier the maximum reject/mill when firing worst coal would be 140,352 Kg/hour/mill. Accordingly, the Company approved (July 2006) the DBR of coal mill reject handling system without any observation. In June 2008, the mill reject handling system was installed at the plant at a cost of Rs. 4.42 crore. After commissioning of the system, the Chief Engineer, DCRTTP, Yamunanagar informed (June 2008) that inadequate capacity of mill reject (ranging between 1.42 per cent and 5.42 per cent) was resulting in frequent choking of mills,

damaging the mill internals, frequent and long outages of mills and wearing out all the bends and mill reject conveying pipes which needed immediate replacement REL was asked (31 July 2008) to modify the mill reject handling system from existing one to three per cent Due to non-replacement the Management issued (30 September 2008) notice of 30 days to REL to address the problem REL stated (6/18 October 2008) that the system had been installed as per the approved DBR and in case, the Company still wanted to augment the mill reject system without effective control on coal quality, it could either get this modification done itself or place an order for additional work on them Board of Directors approved (27 November 2008) the proposal for inviting competitive bids for augmentation of mill reject handling system at the risk and cost of REL The work had not been allotted so far (March 2009)

Audit noticed that the mill reject handling system for inadequate capacity had been installed on the basis of DBR approved by the Company itself In reply Management admitted (September 2009) that the coal mill reject handling system was inadequate and the same was being augmented at the risk and cost of the contractor

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

Coal mill reject handling system was required to be installed at the plant on the basis of 1 % coal mill capacity Later on during operation it was found that the system is inadequate on account of poor quality of coal being received at the project The system is now being got augmented at the risk and cost of Rinfra to suit the quality of the coal being received in the plant

CE/DCRTPP have floated the press tender enquiry for the augmentation of Mill Reject Handling System, Technical bids have been evaluated and price bids opened The award of the work for augmentation of Mill Reject Handling System at the risk & cost of Rinfra is in final stage

The Committee recommends that the department may supply the report of last two years for the information of the Committee at the earliest possible.

The Committee also recommends that a detailed report may also be sent for the information of the Committee as who is responsible in this respect.

HARYANA TOURISM CORPORATION LIMITED

2.2 Working of Haryana Tourism Corporation Limited (Review)

Activities for systematic development of tourism

Tourist arrivals

4. The Government of Haryana formulated Tourism Policy in 2008 As per the Policy, the Company was required to *

- use the services of event managers for marketing the areas set up by the Company and promotion of tourism potential of the State,
- introduce panchkarma* and spa facilities in its hotels to make them more tourist friendly,
- help public-private partnership projects as an agent of the State Government; and
- organise road shows jointly with private hoteliers and tour operators of the State to encourage foreign travellers

It was observed that no projections for arrival of tourists were made in the policy. Further, the Company has introduced panchkarma and spa facilities only in Hotel Rajhans at Surajkund but not initiated any action for implementation of other aspects so far (July 2009) A summarised break-up of tourists visiting the complexes of the Company during 2004-09 is given below

Year	Number of tourist visited in Company's complexes		
	Domestic	Foreigners (Number in lakh)	Total
2004-05	60 14	0 73	60 87
2005-06	65 20	0.73	65 93
2006-07	59 62	0 72	60 34
2007-08	57 69	0 63	58 32
2008-09	59 45	0 79	60 24

(Source The figures of tourist arrival were provided by the Tourism Department, Haryana Government)

The above table shows that the arrival of tourists ranged between 58 32 lakh and 65 93 lakh during 2004-09 Inflow of domestic tourists which

* Panchkarma is ayurvedic therapy for body rejuvenation

was 65 20 lakh in 2005-06 declined to 59 45 lakh in 2008-09 Similarly, inflow of foreign tourists which was 0 73 lakh in 2004-05 started declining from 2006-07 onwards However, it increased to 0 79 lakh during 2008-09 The Company had not analysed the reasons for declining trend in inflow of tourists after 2005-06 for taking remedial steps

During discussion in the Exit Conference, the Financial Commissioner (Tourism) intimated that figures given by the Tourism Department were not reliable and to arrive at correct data, some mechanism would be worked out

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

With a view to attract more and more tourists in tourist complexes HTC has adopted certain promotional measures like -

- 1 Interaction with the Transport Departments of Haryana, Punjab and Delhi
- 2 All private transporters also being persuaded to stop over at tourist complexes
- 3 DDOs regularly interact with the District Authorities to procure more and more business
- 4 Online booking of accommodation has been introduced in all most Tourist Complexes
- 5 HTC is organizing more and more fairs and festivals which has substantially increased the footfall of tourists in the Complexes In the Suraj Kund Craft Mela, 2012 more than 10 lacs tourists visited the fair Other events like Mango Mela, Heritage Mela, Baisakhi Mela and other cultural and religious fairs are also organized by HTC on regular basis to attract handsome no of tourists
- 6 The private Tour Operators and travel agents have also been offered suitable and attractive discount for booking of rooms at various Tourist Complexes
- 7 Tourist Circuits are also been developed with Central Finance Assistance from the Union Ministry of Tourism The Tourist Circuit of Pinjore-Panipat-Kurukshetra has been developed at a cost of Rs 13 51 crore The work on 2nd phase of Tourist Circuit is in progress.
- 8 All the Tourist Complexes are being renovated from time to time to provide more and more facilities and comforts to the Tourists with a view to attract maximum of numbers

OBSERVATION OF THE COMMITTEE

The Principal Secretary to Government, Haryana, Tourism Department stated that the Pinjore Gardens were unique as they were built in the 17th Century AD by Fiday Khan, an Architect, the then Governor of Sirhind and foster brother of the Mughal Emperor Aurangzeb. Along with Shalimar and Nishat gardens of Jammu & Kashmir, the Pinjore gardens are the only surviving Mughal gardens in the entire Indian sub-continent. The Pinjore gardens are unique as they have been laid out at seven levels on a descending scale. The garden comprises a central water channel, three principle terraces, two square enclosures, bastions and three palaces namely Shish Mahal, Rang Mahal and the Jal Mahal. After being curated by Fiday Khan, the ownership of the gardens changed hands several times and ultimately the Maharaja of Patiala became its owner. When India became independent in 1947, the gardens were transferred to the Archaeological Survey of India (ASI) and on creation of Haryana in 1966, the gardens were given back to the State Government.

In a unique conservation effort, Haryana Tourism Corporation with financial assistance from the Union Ministry of Tourism has restored these historic gardens. Its boundary walls, bastions, summer palaces, the central water channel have all been aesthetically restored. Pinjore is a show window not only of the Haryana Tourism Corporation but the entire State of Haryana. However, the income generated from the meager entry fee of Rs 20.00 per visitor is not adequate to meet the overall expenditure incurred on the maintenance of the entire garden. At present, the entire expenses of maintaining these historic Pinjore gardens is undertaken by Haryana Tourism Corporation which has only 18 rooms at its motel at Pinjore.

The Principal Secretary emphasized that the Pinjore gardens are a heritage not only of the State but of the entire nation and therefore funds may be allocated out of the plan budget of the State for meeting the expenditure on the maintenance of the Pinjore gardens.

The Committee agreed to the request of the Principal Secretary to Government, Haryana, Tourism Department and recommended that separate funds may be allocated to the Tourism Department for the maintenance of the Pinjore Gardens.

Food cost

5. The Company had fixed (August 2003) complex wise food cost norms ranging between 25 and 35 *per cent* of catering turnover for various complexes keeping in view the location and sale. These were revised to 20 to 30 *per cent* of catering turnover in August 2008. Based on the norms fixed, the actual food cost was more in 13 complexes in 2004-05, 16 complexes in 2005-06, 18 complexes in 2006-07, 24 complexes in 2007-08 and 36 complexes in 2008-09. The actual cost in excess of norms during 2004-09 resulted in extra expenditure of Rs 1.81 crore. Excessive food cost was mainly due to low catering turnover and higher overheads.

The Management stated (September 2009) that monitoring of loss making Units is made regularly and effective steps are being taken for improvement. However, Audit observes that this is not reflected in the results.

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

The concept of food cost is in fact the ratio of cost of material consumed with reference to sales. The food cost varies from one complex to other complex due to the following major factors -

- 1 Pricing of the dishes
- 2 Fluctuation in the prices of raw material
- 3 Different profit margins in different food items
- 4 Quantum of sale as higher sales reduces overhead and wastages
- 5 Quantum of a la carte, fast food, banquet/parties sale etc
- 6 Area and type of clientage in parties
- 7 Vegetarian and non vegetarian parties (with or without liquor)

From the above it is not possible to achieve the uniform food cost for HTC as a unit. However, there have always been efforts to keep it at desired level. Further the %age of food cost as mentioned in the para has been calculated on the basis of cooked food items whereas the readymade items like sweets and fruits etc have not been taken into account. Moreover, the food cost is also linked with the sale of snacks in a particular unit. The unit where the snacks sale is more, the food cost will be less and vice versa. Most of the units are, however, able to achieve the desired percentage of food cost keeping in view the norms fixed for them.

In view of the wide range of variability the norms of food cost have been revised on 7.8.2008. Hence the extra expenditure is not a loss and it is due to reasons as mentioned herein. It is very difficult to maintain the food cost at uniform level in all the Tourist Resorts of the corporation.

During the course of oral examination, the departmental representative admits that a great difficulty is being faced by the Corporation due to fluctuation of prices. A suggestion was also given by the Committee to keep food cost close to the norms and the departmental representatives agreed with the suggestion of the Committee.

The Committee recommends that efforts be made to maintain the quality and cost should also be reasonable.

DAKSHIN HARYANA BIJLI VITRAN NIGAM LIMITED**3.5 Extra expenditure**

The Company incurred extra expenditure of Rs. 1.02 crore due to insertion of defective clause in agreement.

6. The purchase manual of the Company provides for inviting bids for getting competitive rates for awarding of purchase orders/work orders. The Company decided (September 2005) to outsource the work of meter reading, bill distribution and revenue collection activities. Without inviting tenders for getting competitive rates (reasons for which were not on record), the Company entered (October 2006) into an agreement with Haryana Ex-Services League (HESL) for two years which could be extended for one year. The terms and conditions of the agreement, *inter alia*, provided for payment to HESL at the rate of Rupees four per meter reading, Rupees two per bill distributed and Rupees six to Rupees eight per bill cash collected, depending upon the collection efficiency. The agreement further provided that the rate of payment at Rs 12 or Rs 14 per connection (for meter reading, bill distribution and cash collection) was to be calculated on average number of meters read and bills distributed during the month including cases of flat rate and locked consumers where no meter reading was involved and that the rate was not to be less than Rs 12 per connection in any case. This defective clause in agreement entitled HESL to receive cash collection charges of Rupees six per connection even in cases where no cash was actually collected.

During audit (March 2008/March 2009) of operation circle, Faridabad and Gurgaon it was observed that HESL was paid Rs 3.32 crore for September 2006 to January 2009 on 25,23,888 cases based on average of meters read and bills distributed, at a consolidated rate of Rs 12 per connection. However, on actual basis of meter readings taken, bills distributed and cash collected, an amount of Rs 2.38 crore was payable as per rates agreed to for each activity. This resulted in extra expenditure of Rs. 94.06 lakh due to defective clause in the agreement.

The operation division Ballabhgarh had also pointed out (November 2006) that payment of cash collection charges without actual cash collection was not justified. In addition, the Company paid Rs 8.07 lakh in excess at Operation Circle, Sirsa for meter readings in 1,79,812 cases during November 2006 to July 2008, for un-metered/flat rate consumers where no meter reading was involved. Audit further observed that UHBVNL, a sister concern of the Company, had not incorporated this average clause in their agreement with this firm for these activities and was paying on actual basis for each activity.

Thus, by inserting defective clause for making payment on average of meter readings and bills distributed, the Company failed to safeguard its financial interests and incurred an extra expenditure of Rs 1 02 crore in comparison with the activity wise quantum of actual work done. The Company should remove the defective clause to ensure that it pays only for the services actually received. The matter was referred to the Government and the Company in February 2009, their replies had not been received (September 2009)

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

Due to acute shortage of staff, the work of meter reading, bill distribution and revenue collection activities was allotted on outsourced basis. There were numerous complaints regarding incorrect reading as such it was decided that the work be allotted to a reputed NGO like HESL. At the time of finalization of contract it was felt that AP consumers should be visited regularly to know about the status of the premises i.e. whether metered or un-metered. As such the visiting charges become payable. Regular visit of Meter Reader even in case of flat rate T/Well is beneficiary to the Nigam as the consumer will not dare to unauthorizedly extend his connected load as his premises shall be checked regularly by the HESL staff.

However this fact is being considered by the Commercial Wing while revising the earlier contract documents and these charges shall likely be eliminated while revising the contract.

The Committee observed that when there was no object then why the defective clause was inserted in the agreement.

The Committee recommends that the department should examine this case and the Committee may be apprised of the same.

UTTAR HARYANA BIJLI VITRAN NIGAM LIMITED

3.16 *Loss of revenue*

The Company suffered loss of interest of Rs. 12.87 lakh due to delayed transfer of funds.

7. Instructions of erstwhile Haryana State Electricity Board, followed by the Company, for maintenance of bank accounts under banking agreements provide that moneys tendered by the Board's offices at various branches of the bank will be transferred to the branch maintaining account of the Board daily for credit to Board's account free of charges. Further 'Manual of Duties and Responsibilities' of various functionaries of the Company, for upkeep and maintenance of consumers' accounts, requires that Sub-divisional officer (SDO) should verify from the local branch of the bank that the amount remitted into collecting bank branch by his office has been credited to Company's account and transferred daily to main account of the Company at the Head office.

Audit noticed (November 2008) that revenue receipts aggregating Rs. 12.30 crore relating to collections made during the period from 1 November 2007 to 23 January 2008 had been deposited on the respective dates by SDO, Model Town Sub-division Panipat in the local branch of Punjab National Bank. The receipts were, however, credited by the bank to the bank maintaining main account of the Company on 24 January 2008 after a delay ranging between 2 and 79 days. This delayed transfer resulted in a loss of interest of Rs. 12.87 lakh*, worked out for delays beyond three days. The Company took no action against the bank for delayed credit of this amount into its main account.

Thus inaction of the Company to ensure compliance of its codal provisions and instructions for daily transfer of revenue receipts by the branch banks to its main account resulted in loss of interest of Rs. 12.87 lakh.

The Company should fix responsibility on its concerned officers for this lapse and recover this loss of interest from the bank.

The matter was referred to the Government and the Company in May 2009, their replies had not been received (September 2009).

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

As per procedure invogue, all new accounts for deposit of daily revenue receipt by any of the S/Divn in UHBVNL is opened with the approval of FA/Hq UHBVNL Panchkula wherein this office always give specific directions to the Main Bank Branch at Panchkula as

* Interest worked out for the delayed credit at the rate of 11 per cent per annum being cash credit rate.

well as to the Bank, Branch where the A/c is to be opened to transfer the daily receipt into UHBVNL's Main A/c at Panchkula. Besides this office also stress upon SDO concerned to watch the daily transfer of funds to the Main A/c at Panchkula through his Remittance into Bank Statement against col No 10-14 to be submitted on 5th of the following month in respect of previous month. Then each and every item deposited by the S/Divn. in the Bank and the amount transferred by the Bank to the Main A/c of UHBVNL at Panchkula is reconciled in the office of FA/Hq, Panchkula.

In the instant case, the new A/c was got opened w e f 01 11 2007 with PNB Panipat by the SDO MT Panipat on his own vide his memo No spl 1 dated 27 10 07 to the Chief Manager, PNB Panipat without a copy to the office of FA/HQ, UHBVNL, Panchkula. And without any instructions to the Bank branch regarding transfer of funds daily to main Branch at Panchkula. Thus the Bank didn't transfer the funds in absence of specific instructions from 03 11 2007 to 23 01 2008 which accumulated to Rs. 12 10 crores entailing actual interest loss of Rs. 13 23 lacs @11% p a.

Immediately after raising the point by the Audit, on 18 05 2009 the matter was taken up with SE Op Panipat vide this office memo No FA/HQ/Coll 457 dated 05 06 2009 and also with Bank vide this office memo No FA/HQ/Coll 476 dated 16 07 2009 to give necessary credit of interest charges for delayed transfer of funds. No reply was received from the Bank and the reminder has been issued vide this office memo NO FA/HQ-45 dated 30 03 2010 with copy to AGM, PNB Sector 8, Panchkula. The Bank has replied placed at Ch-93 according to which they have stated that transfer of deposit from existing A/c NO 2182653 was being affected at Panchkula by using online facility since inception to date. There is no occasion when their branch was required to transfer the funds on automatic or instructions basis. So there is no reason to assume a different modus of transfer in newly opened A/c No 21733018 at the behest of SDO MT Panipat. They have also added that delay in transfer of funds for the referred period should not be construed as delay a part of their branch in isolation.

Thus on receipt of above reply from Bank, the matter was not pursued further because the entire fault was of the SDO MT, Panipat & Head Cashier MT, Panipat who at their own discretion opened a separate a/c without the approval of FA/Hq office. And no instructions regarding transfer of funds were given to the Bank. Even the copy of request for opening the new A/c was not forwarded to this office. So after opening the A/c SDO/Head Cashier didn't bother to submit the RIB statement of 9/2007-12/2007 upto 24 01 2008.

The cashier in the S/Divn. was also changed/transferred. The new cashier also failed to pursue with the Bank for transfer of amt through the new A/c No. The SDO also failed to exercise supervisory

check So the amount was got transferred to Main A/c by this office on 24 01 2008 telephonically

Further responsibility upon officer/official failed to watch the transfer of funds to Nigam's A/c, has been fixed upon the followings in terms of UHBVNL Manual of duties and responsibilities The responsibilities has been approved by the FA/HQ, UHBVNL, Panchkula at NP-20-21 of file BC-10

(i) Sh Manoj Kumar Garg, SDO	09087 00
(ii) Sh S K Goyat, SDO/CDC	552543 00
(iii) Sh S K Kundu, Cashier	661630 00
Total	1323260 00

Necessary Show cause notices prepared and submitted to the competent authority for issuing to the officers/official concerned vide this office memo dated 11 06 2010 placed at CP 98-100, but these are still under approval of the competent authority

During the course of oral examination, the departmental representatives admitted that there was a loss of Rs. 13.23 lakhs. Two Sub Divisional Engineers and one Cashier were involved in this case.

Keeping in view the seriousness of the embezzlement, the Committee recommends that other amount be recovered within three months from the erring officers/officials and the Committee be irlimated about this at the earliest possible time.

**REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA FOR THE YEAR 2009-2010**

2. Performance reviews relating to Government companies

Haryana Agro Industries Corporation Limited

(Review)

2.1 Working of Haryana Agro Industries Corporation Limited

8. During Rabi 2009, the Company received 7,280 gunny bales from DGS&D Kolkata against the indent of 14,950 bales. On reconciliation among the procuring agencies, it was found that Haryana Warehousing Corporation (HWC) and Haryana State Co-operative Supply and Marketing Federation Limited (HAFED) had received 5,978 and 1,692 excess gunny bales respectively during Rabi 2009 procurement season. While HWC released payment of 5,978 gunny bales in March 2010 at current prices, payments for 1,387 gunny bales valuing ₹ 1.83 crore (after adjustments of 305 bales borrowed by the Company) from HAFED were pending (June 2010) thereby causing blockage of funds of ₹ 1.83 crore besides incurring the interest loss of ₹ 19.24 lakh from May 2009 to June 2010.

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

The Haryana State Warehousing Corporation has released the payment of Rs 7,29,34,897.00 vide receipt NO 2500 dated 12/3/10. For remittance of balance payment, the Corporation has taken up this matter with the Haryana Warehousing Corporation vide several letters. The Corporation has also taken 305 no. gunny bales on loan from HAFED at Kaithal. Accordingly, the matter has been taken up with HAFED for remittance of payment for 1387 No. gunny bales which are likely to be received shortly.

During the course of oral examination, the departmental representatives informed the Committee that this case is being taken up with the department of Food & Supplies, Haryana.

The Committee asked the departmental representatives as who is responsible in this case.

The Committee further recommends that efforts be made to settle this issue with Food & Supplies Department, Haryana and inform the Committee at the earliest.

Wheat

9. The table below gives the procurement targets and achievements of wheat during the last five years up to 2009-10

(Quantity in lakh MT)

Crop year	Total quantity procured by state agencies (lakh MT)	Procurement by the Company	Percentage of Company's procurement to total procurement	Sale	Closing balance (Cumulative)
2005-06	45 29	4 29	9 47	4 69	0 42
2006-07	22 30	2 38	10 67	2 76	#
2007-08	33 50	3 33	9 94	3 35	#
2008-09	52 37	4 64	8 86	3 03	1 63
2009-10*	69 24	6 96	10 05	4 00	2 96

The Company achieved the procurement targets during all the years from 2005-06 to 2009-10 as its procurement ranged between 8 86 and 10 67 per cent against the allotted procurement targets of 9 per cent of the total procurement of the State. However, due to low off take by FCI, huge stocks remained with the Company during 2008-10

Some cases of irregualrties noticed during audit are dicussed below

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

This para shows the targets and achievements of wheat during the last five years upto 2009-10 and the figures as mentioned in the table are verified. This is further to inform you that the Corporation has given the replies pertaining to the other audit paras which falls under the activity of wheat

Due to low off take by the Food Corporation of India, huge stocks remained with the Company during the year 2008-10 and in some cases irregularities were noticed.

The Committee recommends that a detailed reply of action taken in this regard by the Department be sent for the information of the Committee.

▽ Closing stock balances were not workable from opening stock, procurement and sale figures due to effects of moisture gain and shortages, which has not been assessed separately by the Company

Closing stock at the end of 2006-07 and 2007-08 was only 70 MT and 138 MT respectively

● Position as on 15 July 2010

Loss due to non-adherence to delivery schedule

10. For delivery of wheat, the Company had to adhere to the linkage plan as well as specific instructions issued by GOI/FCI from time to time failing which carry over charges were not reimbursed by FCI. The GOI authorised (February 2004) the Company to liquidate the entire stock of wheat of Rabi Marketing Season (RMS) 2003-04 latest by 31 March 2004 failing which the carry over charges would not be paid beyond this cut off date

Non adherence to delivery schedule resulted in non-reimbursement of carry over charges of ₹ 70.35 lakh

We observed that District Manager, Sirsa did not adhere to the prescribed schedule and delivered wheat stock of 5,349.45 MT to FCI after this cut off date indicating lack of timely action by the Company. Consequently, FCI disallowed (March 2010) carryover charges of ₹ 70.35 lakh. Thus, non adherence to delivery schedule of FCI resulted in loss of ₹ 70.35 lakh to the Company.

The Management stated (July 2010) that the Company had taken up the matter with FCI for reimbursement of the carry over charges of ₹ 70.35 lakh.

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

The Corporation took up the matter for release of Carry Over Charges amounting to Rs 70.35 lacs from FCI on account of delivery of 53494.52 qtl wheat which was delivered after inspection, carried out by FCI in A category before the deletion of the stock from Central Pool. StAg/HR/ 2005NoI IV/1791/952 dated 5/11/05, FCI has issued the instructions to their DMs to take immediate action for categorize the wheat stock so that the same could be issued after up gradation in C&D category latest by 8/12/2005. In our case the categorization had been done before this cut off date and the stock was delivered in A category up to 10/12/2005.

As it is evident from the letter of FCI bearing No Proc 1(4)/Rabi/ 2003-04 Vol II/843 dated 14/7/2011 that their Regional Office, Panchkula had issued instructions to the Concerned Area Manager to sort out the claims/issues of the HAIC immediately.

During the course of oral examination, the departmental representative admitted that there was negligence in this matter and the Concerned Officer is being suspended.

The Committee recommends that a detailed reply be sent for the information of the Committee after departmental action is completed.

Improper pursuance and defective documentation for claims

11. The GOI had allowed from time to time the Government of Haryana to dispose of the residual (old and damaged) stocks of wheat pertaining to the crop years 1998-99 to 2004-05 through tenders. The FCI was to reimburse

the difference between the procurement price plus incidentals and sale value realised through disposal by tenders for the relevant crop year. In order to avail the reimbursement of differential costs, the Company was required to ensure that categorisation of damaged stock was done in association with the FCI before its disposal.

FSC Palwal submitted (March 2005) the sale bills of differential claims amounting to ₹ 84 lakh in FCI pay office, Faridabad for the years 1998-2001. The FCI returned (July 2005) the same on the plea that there were no clear instructions for making payment pertaining to these years. We noticed that after return of these bills, the Company did not pursue the case with FCI for payment.

The Company submitted (April 2009) bills amounting to ₹ 8 76 crore (including bills of ₹ 84 lakh returned earlier) for the crop years 1998-99 to 2004-05 for the sales made up to March 2007 without fulfilling the stipulated procedure and completion of documents. The FCI returned (May 2009) these bills pointing out various deficiencies in documentation viz non categorisation of stock, inclusion of Value Added Tax (VAT) in the sale bills, excess claim of carry over charges etc. The Company resubmitted the bills in August 2009, against which no payment had been released by FCI so far (July 2010).

Thus, Company's failure to ensure complete documentation and improper pursuance for the claims had resulted in blockage of claim amount of ₹ 8 76 crore (March 2010) with corresponding loss of interest of ₹ 2 17 crore on avoidable cash credits for the period from July 2007 to March 2010.

The Management stated (July 2010) that it had now reconciled the figures of damaged wheat with FCI and the matter was being pursued.

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

The Distt Manager Palwal has reconciled the figures of damaged wheat with the local office of the FCI. The matter has also been brought to the notice of the Regional Office of FCI, Panchkula and they are examining this issue vigorously. Vide letter Fin /Sale bill/old wheat/ 2009-10/264 dated 4/4/11. The regional office, Panchkula has issued the directions to their Area Manager, Faridabad to take the action in the matter. The FCI office, Faridabad is examining the case and they have ensured that the payment will be released very shortly.

The Regional Office, Food Corporation of India, Panchkula has issued the directions to their Area Manager, Faridabad to take the action in the matter. The Food Corporation of India Office, Faridabad is examining the case and they have ensured that the payment will be released very shortly.

The Committee recommends that the department should ensure that the payment be released at the earliest possible time and the action taken by the department in this regard be intimated to the Committee.

Improper storage

12. The Company suffered loss of 25 55 crore due to failure in keeping the stocks in safe and healthy conditions at the first instance and then delayed action against the erring officials for recovery of loss. The delayed actions of the Company for recovery of loss from employees and filing of civil suits after a lapse of over four years made the huge amount of recovery impossible.

GOI issues guidelines for procurement of wheat each year in which emphasis was given on safe storage of stocks. The Company had also issued instructions (November 2003) for recovery of loss occurred in the storage and delivery of wheat from the concerned DM and the respective Mandi Inspector (MI) in the ratio of 30 and 70 per cent respectively.

Due to improper storage, the Company suffered loss of ₹ 25 55 crore

The FCI intimated (August 2004) that 1 25 lakh MT wheat, pertaining to crop years 2002-03 to 2004-05 at Sirsa and Palwal had been damaged due to heavy rains and negligence in preservation of wheat. Instead of fixing the loss and initiating recovery proceedings immediately against the defaulting employees, the Company referred the matter (September 2005) to the State Vigilance Department for investigation. The Vigilance Department in its report (February 2006) held the DMs/MIs and inspecting officers/officials responsible for improper maintenance/checking of the stock and resultant damage of wheat. The Company, after a lapse of more than one year constituted (March 2007) In House Enquiry Committee so as to analyse the losses suffered and pinpoint the responsible officers/officials. The Committee reported (June 2007) that the Company had suffered a loss of ₹ 25 18 crore on this account. The matter was considered by the Board (October 2007) and decided that the case be examined by a Committee of two members of Board. The Committee of the Board in its report (February 2008) recommended for filing of FIRs/recovery suits and imposing major penalties against the defaulting officials. After the approval (April 2008) of the Board, FIRs were lodged (June/September 2008), and recovery suits for ₹ 25 55 crore with interest were filed (March/April 2009) against 14 officers/officials in the District Civil Courts. An expenditure of ₹ 1 30 crore was incurred by the Company towards court fee for filing of civil suits.

We noticed that of the four employees against whom ₹ 5 62 crore was recoverable, two had since been retired while other two had been dismissed. Had the Company initiated recovery action immediately on receipt of report from FCI in August 2004, it could have recovered the amount to some extent.

The Management stated (July 2010) that the exact loss for initiating recovery proceedings could be worked out after the sale of entire damaged stock, which was sold in 2006-07 and 2007-08 as feed category and after

that the matter was considered and approved by the Board in April 2008. The reply was not based on facts as the loss could have been estimated after categorisation of damaged stock. The major portion of stock was categorised as cattle feed stock by FCI in March 2006 itself and all the stock was disposed of by June 2007 when the In-House Committee of Company assessed the loss.

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

The detail of the losses suffered by the Corporation on account of damage of wheat stocks of crop year 2002-03, 2003-04 and 2004-05 in district Sirsa and Palwal (formerly Faridabad) and the detail of the losses is as under -

Sr No	Particular	Qty	Amount
1	Loss on account of shortage in standard weight	4765 533	44404265
2	Loss on account of less gain than the fixed norms	549 70	7721179
3	Loss on sale of C&D stocks		38100393
4	Loss on account of less realization on damage wheat		148057479
5	Abnormal		13083935
6	Any other loss		435557
Total			251802808

ii) The whole matter was placed before the Board of Directors in their meeting held on 24/2/2008 and the Board of Directors of the Corporation had approved the action against the erring officials for their alleged involvement/miss-appropriation of wheat of crop year 2002-2003, 2003-2004 and 2004-2005. On the basis of the decision taken by the Board in its meeting held on 24/2/2008, the Corporation has taken the following action against the erring officials -

i) Lodging of FIR against the erring officials

FIR under section 409, 420, 467, 468, 471 and 120-B of IPC and 13(1) D of Prevention of Corruption Act against the following defaulting Mandi Inspectors and Distt Managers of Palwal and Sirsa district -

- 1 Sh Rajbir Singh, Mandi Inspector
- 2 Sh Satbir Singh, Mandi Inspector
- 3 Sh Jasbir Singh, Mandi Inspector

- 4 Sh Gaiinda Ram, Mandi Inspector
- 5 Sh Madan Lal, Mandi Inspector
- 6 Sh P C Goel, Distt Manager
- 7 Sh M L Garg, Distt Manager
- 8 Sh Kharaiti Lal, Mandi Inspector
- 9 Sh Khushi Ram, Mandi Inspector
- 10 Sh Narinder Kumar, Distt Manager

ii) Chargesheeting earring officials under Rule-7, under Rule-8 and as per certified Standing Orders of the Corporation

Chargesheet under Rule-8 of the Haryana Civil Services (P & A) Rule-1987 have been issued to the following Inspecting Officers, Distt Manager and Mandi Inspectors (as per Certified Standing Orders of the Corporation)

- 1 Sh B R Wadhwa, Ex-DGM (under Rule-8)
- 2 Sh Mukesh Sharma, G M (F) (Under Rule-8)
- 3 Sh S C Grover,SAO (Retd) (Under Rule-8)
- 4 Sh M L Garg, A O. (Under Rule-8)
- 5 Sh K K Sharma, SAO
- 6 Sh S C Jain,Ex-DGM(Wheat)- (under Rule-7)
- 7 Sh Satbir Singh, Mandi Inspector (Under CSO)
- 8 Sh Jasbir Singh, Mandi Inspector (Under CSO)
- 9 Sh Prahlad Singh, Mandi Inspector (Under CSO)
- 10 Sh Gaiinda Ram, Mandi Inspector (Under CSO)
- 11 Sh Gaiinda Ram, Mandi Inspector (Under CSO)
12. Sh Raj Kumar, Mandi Inspector (Under CSO)
- 13 Sh H S Rathi, Mandi Inspector (Under CSO)
- 14 Sh M L Garg, A O (Under Rule-8)
- 15 Sh Rajbir Singh, Mandi Inspector (Under CSO)
- 16 Sh Madan Lal, Mandi Inspector (Under CSO)
- 17 Sh P C Goel, Distt Manager (Under CSO)
- 18 Sh Kharaiti Lal, Mandi Inspector (Under CSO)
- 19 Sh Khushi Ram, Mandi Inspector (Under CSO)
20. Sh Narinder Kumar, Distt Manager (Under CSO)

(iii) Filing of Recovery Suits

The Recovery suit against the following erring officials have been filed before the Competent court of law at Palwal and Sirsa:

- 1 Sh Rajbir Singh, Mandi Inspector
- 2 Sh Satbir Singh, Mandi Inspector
- 3 Sh Gaimda Ram, Mandi Inspector
- 4 Sh Gaimda Ram, Mandi Inspector
- 5 Sh Gaimda Ram Mandi Inspector
- 6 Sh Jasbir Singh, Mandi Inspector
- 7 Sh Madan Lal, Mandi Inspector
- 8 Sh Raj Kumar, Mandi Inspector
- 9 Sh. Prahlad Singh, Mandi inspector
- 10 Sh H S Rathi, Mandi Inspector
- 11 Sh P C Goel, Distt Manager
12. Sh Kharaiti Lal, Mandi Inspector
- 13 Sh Khushi Ram, Mandi Inspector
- 14 Sh Narinder Kumar, Distt Manager

From the above figures, it would be seen that the amount of Rs 7 92 crore is not included in the recovery suits filed by the Corporation against the erring officials/officers. However, this amount is recoverable from FCI and the position has been explained in Para No 19 titled "Non receipt or differential amount".

The wet wheat stocks were segregated/upgraded and after segregation/up gradation, sound wheat stocks were delivered to FCI during the year 2004-05 and 2005-06. The exact loss was to be worked out after the sale of entire damage wheat stock which was not fit for human consumption. The said damage stocks were sold as feed category with the permission of Govt of India by the State Govt during the year 2006-07 & 2007-08 and after that the matter was placed before the Board of Directors. The Board of Directors approved the proposal in their meeting held on 2/4/08. As such, there is no delay in initiating the disciplinary action as well as recovery action for the recovery of loss.

It is a serious matter which involved a loss of Rs. 25.55 crore due to failure in keeping the stocks in safe and healthy condition.

The Committee viewed it very seriously and recommends that the department should take action in respect of recovery of amount from the erring officials under intimation to the Committee.

Misappropriation of paddy

13. M/s Jai Bajrang Rice Mills, Jind (Miller) was considered for allotment of paddy by District Milling Committee, Jind during KMS 2007 and 5,414 70 MT paddy was stocked in premises of the miller. As per agreement, the Miller was required to obtain 3,627 85 MT rice against milling of 5,414 70 MT of paddy at the rate of 67 per cent and deliver the same to FCI by 31 March 2008. However, the Miller short delivered 1,379 05 MT of rice to FCI. On the failure of rice Miller to deliver the rice, the Company conducted physical verification of the stock lying in the premises of Miller and recovered (October 2008) 864 MT of rice lying in the premises. However, there was still shortage of 515 05 MT of rice, which was pending for recovery till date (July 2010).

We observed the following deficiencies on the part of the Company

- the Miller was defaulter during KMS 2006 due to non-delivery of rice by the due date i.e. by 31 March 2007, and despite poor track record, miller was considered for allotment of CMR in KMS 2007 in contravention to the State Government guidelines,
- as per State Government instructions, the Miller having capacity up to 3 MT per hour was to be allocated maximum of 4,000 MT paddy. The Company however, allotted 5,414 70 MT paddy to this Miller having capacity of 3 MT resulting in excess allotment of 1,414 70 MT paddy,
- entire paddy was released to the Miller in one lot which facilitated miller to misappropriate the rice,
- failure of the miller to deliver the rice to FCI and existence of stock of rice in the premises of the Miller indicated that periodical physical verification was not conducted,
- the Company obtained security in the form of three post dated cheques of ₹ 15 lakh (dated 31 March 2008) each. The Company, however, neither presented these cheques for payment within validity period nor got the same revalidated before their expiry. The Company obtained another two cheques (15 December 2008 and 15 January 2009) of ₹ 25 lakh each from the miller towards CMR not delivered to FCI. The Company presented these cheques for encashment repeatedly during January to May 2009, but the same could not be encashed due to insufficient funds. The Company preferred complaint under Section 138 of the Negotiable Instruments Act, 1881 only in July 2009, though the same could have been lodged in January 2009 itself. The Legal Advisor of the Company had advised (November 2008) to lodge FIR against the miller as well as the DM concerned, but the same had not been lodged till date (June 2010).

Thus, the Company failed to comply with the guidelines of the Government and extended undue favour to the Miller which facilitated misappropriation of rice (1,379 05 MT) valuing ₹ 1 92 crore After adjusting the amount against the dues payable to Miller (₹ 85 91 lakh) and sale of rice (864 MT value ₹ 63 29 lakh) seized from Miller's premises, the Company suffered loss of ₹ 69 81 lakh (including loss of interest of ₹ 27 lakh)

The Management stated (July 2010) that on being pointed out by us, the concerned DM had been charge sheeted for causing loss to the Company and efforts were being made for recovery of dues

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

- There was no pending CMR of KMS 2006 from this miller and the miller was appointed by District Level Committee haddad by the concerned Deputy Commissioner after considering all the pros and cons
- In Narwana block of Distt Jind, Paddy was surplus than the milling capacity available There was heavy procurement during KMS 2007-2008 and after utilizing the milling capacity of all millers, there was no alternate to allot excess paddy to the millers As such, excess paddy was delivered to all the millers
- As per State Govt instructions, paddy is stored in mill premises of miller and its proper receipt was obtained from the miller
- Personal checks were made and tentative assessment was also made, since whole paddy can't be weighted and more over the rice dumped at FCI cannot be exactly verified
- 1379 05 MT Rice was due from the party valuing Rs 192 03 lakhs To make the recoveries from the party, all out efforts were made A sum of Rs 149 01 lacs has been recovered by way of adjustments of the payments of the millers and sister concern of the party etc Thus there was a balance of Rs 43 02 lacs To recover this amount the party given two cheques worth Rs 50 lacs Thus after receiving cheques nothing was recoverable from the party, but unfortunately the said cheques were dishonored and therefore, Criminal case has been filed against the party under Negotiable Instrument Act There is a Clause in the agreement that in case of dispute between the parties, the matter will be referred to the Arbitrator Accordingly the matter has been referred to Arbitrator (GM(F)) whose proceedings are in process A letter was written to the S P, Jind for lodging the FIR against Sh Om Parkash proprietor of M/s Jai Bajrang Rice Mill as well as Sh Suresh Kumar S/o Om Parkash having Power of Attorney of the miller In the meantime, Sh Om Parkash proprietor of the

Mill as well as Sh Suresh Kumar S/o Om Parkash having power of attorney in the mill. In the meantime, Sh Om Parkash proprietor of firm has expired. It is further mentioned that this mill has also misappropriated the paddy of other agencies i.e. Food & Supplies Deptt and Hafed Food & Supplies Deptt has to recover 280 00 lacs and Hafed has to recover Rs 30 00 lacs (approximately). The Miller has also been black listed.

However the concerned District Manager has also been chargesheeted for the lapses on his part and enquiry has been initiated against him.

During the oral examination of the departmental representatives, the Committee observed that officer i.e. Shri Mukesh Sharma, General Manager (Finance), Agriculture Department was not fully prepared to give answers to the queries raised by the Committee, therefore, the Committee felt that in future the concerned officers called by the Committee for oral examination should come well prepared before the Committee. It should not be taken for granted. After that the Concerned Officer, Shri Mukesh Sharma also felt regret over it and assured the Committee that he would furnish complete information asked by the Committee within seven days.

14. Similarly, M/s Devi Dayal Sachin Kumar, Shahbad was allocated 3,010 40 MT paddy for milling in KMS 2008-09. As per agreement (October 2008), the Miller was required to manufacture 2,016 97 MT rice at the rate of 67 per cent and deliver the same to FCI by 31 March 2009. The Miller submitted two cheques of ₹ 25 lakh each dated 31 March 2009 drawn on State Bank of India (SBI), Shahbad towards security deposit. The Miller, delivered 1,511 36 MT of rice up to July 2009 and failed to deliver remaining quantity of rice (505 61 MT) to FCI. The Company's loss on this account worked out to ₹ 96.85 lakh (including interest of ₹ 14 lakh) after adjustment of dues (₹ 15 lakh) payable to the Miller and recoveries (₹ 25 lakh) already affected. The Company neither encashed two cheques valuing ₹ 50 lakh within validity period nor got the same revalidated before their expiry.

In this case also, the Company failed to comply with of the State Government guidelines regarding procurement and milling of paddy resulting in undue favour to the miller, which caused misappropriation of paddy.

The Management stated (July 2010) that the Company was making efforts to recover the dues and a criminal case had been filed (June 2010) against the miller.

Thus, despite misappropriation of paddy by the millers, the Company at the first instance failed to encash the cheques within validity period and secondly, take appropriate action to recover the dues which resulted in non recovery of ₹ 1 67 crore.

Non-enforcement of milling guidelines by the Company resulted in non-recovery of ₹ 1 67 crore

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

It is wrong that the Corporation did not comply with the guidelines issued by the State Govt regarding procurement and milling of paddy and undue favour to M/s Devi Dayal Sachin Kumar Shahabad. The factual position is given as under -

3010 40 MT paddy was allotted for milling to M/s Devi Dayal Sachin Kumar, Shahabad during KMS 2008-09 by the District Milling Committee. The agreement was executed with the miller on 3/10/2008 in the prescribed format and all required formalities were completed by the miller. The miller has delivered 1511 365 MT rice against required quantity of 2016 971 MT and balance 505 606 MT rice was due against the miller.

The DM, Kurukshetra has recovered Rs 79 00 lacs from the miller which include entire cost of 505 61 MT Rice on FCI rate and some part of interest. The details of balance amount recoverable from the Miller apart from interest are as under -

1. Interest recoverable	Rs 8,08,792 00
2. Holding charges @ Rs 846 93 on 5056 0-6 qtls on balance CMR	Rs 42,82,129 00
Total recoverable amt .	Rs 50,90,921 00

The criminal case under Negotiable Instrument Act has been filed in the Court at Kurukshetra on account of dishonor of Cheques for Rs. 18 00 lacs. The case is pending in the court for Rs 18 00 lacs. The case is pending in the court.

The DM, Kurukshetra has assured that the interest amount will be received very shortly.

The Committee recommends that the due amount be recovered at the earliest possible from the Firm and also recommends that this type of omission should not be repeated in future.

Receivables

Debtors

15. The Company had not framed any credit policy for marketing of its products and trading items. As on 31 March 2009, the Company was having debtors of ₹ 66 03 crore.

Out of this, ₹ 63 crore was recoverable from FCI. The Company recovered an amount of ₹ 48 crore from FCI up to July 2010 and ₹ 15 crore remained outstanding for more than five years. This includes ₹ 8.76 crore recoverable from FCI on account of differential claims for old and damaged stock of wheat for the crop years 1998-99 to 2004-05 pending for want of

non-fulfillment of stipulated procedure and noncompletion of documents by the Company (Para 2 1 25 *supra*)

Further scrutiny of debtors in audit revealed the following points

- Due to non pursuance at higher level with FCI, an amount of ₹ 1 15 crore was outstanding in respect of FSCs Sirsa, Ambala, Fatehabad, Karnal, Jind and Kurukshetra on account of depreciation on gunnies for crop years 2007-09
- In FSC Palwal, ₹ 10 44 lakh were shown outstanding against FCI for more than three years against transportation charges on account of shifting of Paddy beyond eight KMs. Similarly, the Company had reimbursed ₹ 54 28 lakh (₹ 25 08 lakh and ₹ 29 20 lakh for 2004-05 and 2005-06 respectively) to the Millers for transportation of paddy beyond 8 KMs at ten other FSCs. The same was not reimbursed by the FCI due to non pursuance at higher level
- In FSC Palwal, the Company has shown ₹ 15 76 lakh outstanding against FCI for more than three years as transportation charges on account of shifting of bajra which was not recoverable in terms of policy of FCI and needs to be written off

Non pursuance with FCI and non fulfillment of stipulated procedure resulted in non-realisation of ₹ 9 30 crore for the last five years

Thus, due to non pursuance at higher level with FCI and not maintaining proper records, huge amount had been blocked for a long period affecting adversely the day to day working capital needs and long term financial health of the Company. The Company needs to vigorously pursue the issue with FCI so as to resolve the ongoing dispute and recover the old pending dues. Further, a decision should be taken for writing off the dues shown as recoverable from FCI but not admitted by FCI for reimbursement or the dues having very low chances of reimbursement by FCI.

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

Most of the amount as shown in the sundry debtors pertains to the Food Corporation of India. Out of Rs 62 99 crores as recoverable from FCI, the Corporation has recovered an amount of Rs 48 00 crores approx. from FCI and the remaining amount of approx. Rs 15 00 crores is under dispute as this amount pertains to the damaged wheat stock. All the Procurement Agencies including the Corporation are in touch with the FCI for making the payment which has been withheld by them for the last eight years.

The Govt. of India has not fixed the rates of depreciation on gunnies so far from the Crop Year 2007-2009. As and when the rates will be fixed by the GOI, the same will be claimed from FCI.

The matter has been taken up with FCI for the reimbursement of transportation charges beyond 8 kms. FCI has asked to prefer the

claims as per instructions and accordingly concerned DMs have been directed to prefer the claims of re-imburement of transportation charges with the concerned Area Manager of FCI vide HO letter Acctt (W)/10/4766-71 dated 05 7 10 and Acctt (W)/10/4772-73 dated 05 7 10. The Corporation has also made a request to GM, FCI, Panchkula vide letter Asstt (P)/10/4780 dated 05 7 10 for releasing the out standing payment of transportation charges on account of shifting of paddy beyond 8 K M for its milling. The GM Office, FCI, Panchkula has also asked their Area Managers to settle the issue as per instructions issued to them at the earliest.

This matter is being investigated.

The Committee recommends that a detailed report in this case be sent for the information of the Committee.

The Committee further also recommends that on receipt of the information from the department this para will be taken up for discussion.

Advances

16. As on 31 March 2009, the Company had depicted an amount of ₹ 10 03 crore as advances recoverable from its employees under the head other advances. However, the same were in the nature of recoveries to be made from employees on account of less gain, moisture cut, shortages in foodgrains etc. Out of this, ₹ 5 17 crore was outstanding for more than three years and included a sum of ₹ 2 55 crore outstanding against three employees, who had since expired (January 1997, December 2003 and July 2005). The outstanding against expired employees pertain to shortages/damages of foodgrains recoverable from them for the years 1988-89 to 2003-04. We observed that the Company booked the huge amounts of shortages against the junior staff, recovery of which was unrealistic in most of the cases. This fictitious booking of recoveries tantamount to covering up the losses artificially on account of shortages through manipulation tactics.

Amount of ₹ 2 55 crore were shown recoverable from three employees on account of shortages/damages who had since expired

The Management stated (July 2010) that all retirement benefits of employees against whom the advances were outstanding have been withheld and the Company had been filing recovery suits against such employees. However, the chances of recovery were very remote and the Company had already made a provision of ₹ 6 23 crore against these doubtful advances.

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

The Corporation although did not give advances to its employees for a long time and the advances given for petty expenditure are replenished during the said years. The amount shown in the audit report by the Audit Team as outstanding against the employees relates to the recoveries from the employees on account of less gain, moisture cut/shortages in the wheat/padd/bajra. The employees against whom the advances are outstanding, their all benefits are withheld by the

Corporation and if the amount is more than the relised benefits, then the Corporation has been filing the recovery suits against such employees

The Committee recommends that a detailed report in respect of the recovery of amòunt in this case be submitted for the information of the Committee.

The Committee further also would like to know as what action is taken in respect of seven F.I.Rs filed by the police against the erring Officers.

The Committee further also recommends that only on receipt of the information from the department this para will be taken up for discussion

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