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HARYANA VIDHAN SABHA
COMMITTEE ON
PUBLIC UNDERTAKINGS
2017-2018
(FOURTEEN VIDHAN SABHA)
SIXTY FOURTH REPORT
ON THE
REPORTS
OF THE
COMPTROLLER & AUDITOR GENERAL OF INDIA
ON PUBLIC SECTOR UNDERTAKINGS
(ECONOMIC AND SOCIAL SECTORS)
FOR THE YEARS ENDED 31ST MARCH, 2013 AND 2014



(Presented to the Haryana Vidhan Sabha on 15th March, 2018)

HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH
2018

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**COMPOSITION OF THE COMMITTEE
THE COMMITTEE ON PUBLIC UNDERTAKINGS
2017-2018**

CHAIRPERSON

1. Shri Mool Chand Sharma, MLA

Members

- 2 Dr Raghuvir Singh Kadian, M L A
- 3 Shri Abhay Singh Chautala, MLA
- ***4 Shri Kuldeep Bishnoi, M L A
- 5 Shri Bikram Singh Yadav, MLA
- 6 Shri Om Parkash Yadav, M L A
- 7 Shri Ram Chand Kamboj, M L A
- 8 Shri Rajdeep Singh Phogat, M.L A
- *9 Shri Balkaur Singh Kalanwali, MLA
- **10 Shri Tek Chand Sharma, MLA
- ****11 Dr Kamal Gupta, MLA

SECRETARIAT

1. Shri R.K. Nandal, Secretary
2. Shri Naren Dutt, Joint Secretary

-
- * Shri Balkaur Singh Kalanwali, MLA has resigned from the Membership of the Committee on Public Undertakings on 16 05 2017
- ** Shri Tek Chand Sharma, MLA has appointed as Member of the Committee on Public Undertakings w e f 16 05 2017 for the remaining period of the year 2017-18
- *** Shri Kuldeep Bishnoi, MLA has resigned from the Membership of the Committee on Public Undertakings on 17 07 2017.
- **** Dr. Kamal Gupta, MLA has appointed as Member of the Committee on Public Undertakings w e.f 25.07.2017 for the remaining period of the year 2017-18.

INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings having been authorized by the Committee in this behalf of the Comptroller and Audit General of India as Public Sector Undertakings (Economic & Social Sectors) for the year ending 31st March, 2013 relating to Haryana Warehousing Corporation Limited, (Review) and for the year ending 31st March, 2014 relating to Uttar Haryana Bijli Vitran Nigam Limited, (Review), Haryana Seeds Development Corporation Limited (Review), Haryana Power Generation Corporation Limited, Dakshin Haryana Bijli Vitran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited, Haryana Land Reclamation and Development Corporation Limited Haryana State Road & Bridges Development Corporation Limited, Haryana Agro Industries Corporation Limited, Haryana Women Development Corporation Limited and Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited

The Committee for the year 2017-18 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 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 during the deliberations. The Committee are thankful to the Additional Chief Secretary to Government, Haryana, Finance Department including his representatives of the Departments/Corporations/ Boards concerned who appeared before the Committee from time to time. The Committee are also highly thankful and appreciate the working of the Secretary, Joint Secretary, Dealing Officer and the Staff of the Haryana Vidhan Sabha Secretariat for their unstinted, whole-hearted co-operation and assistance given in preparing this report.

Chandigarh
The 28th February, 2018

SHRI MOOL CHAND SHARMA
CHAIRPERSON

REPORT

1 The Committee on Public Undertakings for the year 2017-2018 was nominated on 25th April, 2017 by the Hon'ble Speaker in pursuance of motion moved and passed by the Haryana Vidhan Sabha in its sitting held on 28th February, 2017, authorizing him to nominate the Members of the Committee on Public Undertakings for the year 2017-18

2 The Committee held total **59** meetings during the year at Chandigarh and other places upto 28th February, 2018 till the finalization of the Report

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON PUBLIC UNDERTAKINGS (ECONOMIC AND SOCIAL SECTORS) FOR THE YEAR ENDED 31ST MARCH, 2013.

Haryana Warehousing Corporation Limited

(Review)

2.2 Haryana State Warehousing Corporation

1. 2.2.11.3 Loss due to procurement of wheat beyond Fair Average Quality

The Corporation was required to procure Fair Average Quality (FAQ) food grains FCI deducted ₹ 0.34 crore for delivery of 6,098 quintal wheat from Yamunanagar Mandi in 2009 as the stock delivered was not as per FAQ

During exit conference the ACS was of the view that the Corporation staff on procurement duty in mandis should be more cautious during procurement.

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

Regarding this Para of the Audit, it is mentioned that FCI has made deduction of Rs 33,81,692/- from the wheat sale bills of the Corporation in respect of wheat procured by it from Yamuna Nagar mandi in RMS 2009-10 but the deduction made by FCI is totally arbitrary and unjustified. Out of the above amount, only Rs 25,644/- levied as value cut on account of presence of luster lost grains in the delivered stocks is justified in view of instructions of Govt. of India issued vide its letter dated 26.09.2010 stipulating that the stocks having beyond 10% and up to 49% luster lost grains would attract a value cut of 1/4th of full value of MSP as no %age of luster lost grains had been prescribed in the specifications issued by Govt of India for procurement of wheat in RMS 2009-10. Other deductions made by FCI in the shape of carry over charges due to alleged excessive presence of broken and shriveled grains in the stocks delivered during Feb / March, 2012 rendering them in BRL (below rejection limit) or below prescribed specifications, are totally arbitrary because if this had been the case, then FCI would not have accepted the stocks in question later on in this condition.

Moreover, FCI's action in regard to declare stock in BRL category on account of mere presence of certain %age of luster lost grains is not tenable as in the uniform specifications prescribed by GOI for RMS 2009-10, no limit thereof has been prescribed like other refractors. That is why, citing this ground and also other reasons, Food Department, Govt of Haryana has separately taken up this issue with Govt of India for withdrawing the instructions dated 26.9.2010 imposing some value cut on luster lost wheat stocks.

It is also pertinent to mention that FCI has made deductions on the above ground not only from the bills of the Corporation but from those of other State Procuring Agencies also in respect of crop year 2009-10.

Further, the Corporation has taken up the above matter with General Manager, FCI, Panchkula vide a series of letters bearing No HSWC/Luster lost wheat /Tech/2013/18493 dated 24 05 2013, 47692 dated 17 12 2013 ,21679 dated 29 05 2014, 46433 dated 19 12 2014, 9464 dated 16.03 2015, & 43941 dated 19.11 2015 followed by a demi-official letter dated 3 02 2014, 21679 dated 29 05 2014 & 16112 dated 25.05 2016 on behalf of Managing Director, HSWC to refund the aforementioned amount of Rs 33,81,692/- deducted by FCI arbitrarily and unjustifiably

Now GM, FCI vide his letter no QC/23(1)/SGA/MIR/Wheat/2011-12/Hari/2700 dated 16/17 01 2017 (placed at F/AA) has intimated that the stock in question was declared as BRL during September 2009 and upgraded before dispatch during July 2011 and Feb/March 2012. The copy of weight check memo (placed at F/BB) acknowledged by the Warehouse staff has also been sent by FCI and stated that recovery made from HSWC was absolutely correct & justified as the up gradation was not carried out within the stipulated time period

On Perusal of weight check memo produced by FCI, it is clear that the remarks "Stock remained BRL in respect of shriveled/ broken and upgraded in Feb 2012" have been incorporated on the weight check memo which is duly signed by the then incharge Sh Nasib Singh TA during Feb/March 2012."

In order to examine this issue legally, the case was sent to the corporate lawyer who vide his advice (placed at F/CC) has opined that act to sign the particular document required by the FCI by the official responsible was without authority /power given by the competent authority which resulting into the loss suffered by the Corporation. He also opined that Corporation must find out the possibility for recovery of the amount from the Corporation on the ground discussed in legal opinion

Here, it is mentioned that no response from GM, FCI has ever been received that 602 MTs HSWC wheat crop year 2009 -10 was BRL on account of shriveled /broken grains, rather it was mentioned that the stocks was BRL on account of luster loss grains only. Hence, deduction made by the FCI is unjustified

Since Sh Nasib Singh TA posted at SWH Radaur had written the letter to FCI that the stocks was upgraded and offered for delivery thereof without carrying out actual up gradation at the centre due to which FCI deducted Rs 33,81,692/- from HSWC dues. Signing on the weight check memo for accepting the remarks as mentioned above without approval of competent authority were also objectionable as opined by the corporate lawyer.

In view of the above explained position Sh Nasib Singh TA has been charge sheeted Under Rule – 7 vide Head office Endst No HSWC/Admn/EA-5/2017/20247 dated 27 06 2017 (placed at F/DD) for making the recovery from him. However representation for making the recovery from FCI has also been

sent to CMD, FCI under intimation to GM, FCI Panchkula and Area Manager, Karnal before filing the court case against them as opined by the Corporate Lawyer.

Accordingly, all the departmental/legal actions have been taken by the Corporation against concerned officials and FCI

The Committee recommends that enquiry may be conducted in time bound manner and informed the Committee accordingly.

2. 2.2.11.4 Non reimbursement of carry over charges

For delivery of wheat, the Corporation had to adhere to the linkage plan as well as the specific instructions issued by the FCI from time to time failing which carry over charges were not reimbursed by the FCI. FCI gave three linkage plans for delivery of 1,250 MT, 2,500 MT and 3,000 MT wheat in May and June 2011 to the FCI godowns. The delivery of wheat was to be made by 30 June 2011. The FCI deducted carryover charges of ₹ 0.22 crore on 1,197 MT for undelivered wheat against the last linkage plan of 3,000 MT which was a loss to the Corporation.

During exit conference the Management stated that most of the stock was delivered to FCI as per linkage plan and Corporation had taken up the matter with the FCI for reimbursement of carry over charges. The fact however, remains that the Corporation could not adhere to the linkage plan given by the FCI.

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

The observation made by the Audit on the deduction of carry over charges of Rs. 22.04 lakh by FCI from the wheat sale bill of Corporation of crop year 2011-12 in respect of State Warehouse, Safidon, is not denied. However, actual figure of deduction is Rs. 22,03,731/- only.

The matter was taken up with DGM(R), FCI, Panchkula through general correspondence as well as semi-officially by MD, HSWC. In response to these correspondence FCI examined the matter and stated that deduction made by, FCI, Rohtak are as per instruction and are justified. Further, the official Sh. Ranjeet Singh, GK, SWH, Safidon has already been charge sheeted under Rule-7 of Haryana Civil Services (P&A) Rules, 1987 vide letter no. HSWC/Admn/EA-3/2014/20610 dated 23.05.2014.

The Committee recommends that procedure system should be evolved that where the delivery is not done in time, responsibility of the higher level Officer/Official should also be fixed.

The Committee further recommends that the recovery of Rs. 6.25 lacs may be recovered in any way from Shri Ranjit Singh, which is pending for the year 2014. Action may be taken immediately and informed to the Committee immediately.

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON PUBLIC UNDERTAKINGS (ECONOMIC AND SOCIAL SECTORS) FOR THE YEAR ENDED 31ST MARCH, 2014.

**Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana
Bijli Vitran Nigam Limited**

(Review)

2. Performance audit relating to PSUs-Government Companies

2.1 Financial Restructuring Plan

3. 2.1.7.2 Non-inclusion of private sector in State distribution network.

Para 3 1 of the Scheme envisaged involvement of private sector in the DISCOMs through franchisee arrangement or any other mode of private participation to be prepared by the DISCOMs within a year and submitted to Central Electricity Authority (CEA) for approval

The State Government approved a Scheme in compliance to the condition but did not send it to the CEA for approval. However, the DISCOMs issued (8 October 2012) expression of interest for Feeder Distribution Associate schemes (FDAS) on pilot project basis. As per the scheme, working relating to distribution of energy bills, repair and maintenance of 11 KV feeders, replacement and reading of meters and cash collection of energy bills in case of two 11KV feeders (either rural or urban/mixed urban category) in each circle was to be carried out by the parties selected through bidding process.

Audit observed (May 2014) that action had not been taken by the DISCOMs in this regard.

During exit conference, the Management stated that the Expression of Interest floated for engaging franchisee did not get requisite response. They also stated that HERC had also proposed a franchisee model which is under consideration and finalization. However, the fact remains that a mandatory condition of FRP is yet to be complied with (December 2014).

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

Reply of UHBVN

It is submitted that the concept of Distribution Franchisee vis'-a-vis' various franchisee models and their benefits were initially discussed in a meeting held on December 8, 2009 under the chairmanship of Hon'ble Chief Minister of Haryana relating to Distribution sector reforms.

Based on the discussions it was decided to introduce distribution franchisee in Gurgaon and Panipat on pilot basis. A steering committee was formed by Govt of Haryana for framing & proposing a viable Distribution Franchisee model and engagement of the consultants for the same.

Accordingly, M/s CRISIL was appointed as a consultant for baseline study and assisting in the Bid process management as per approval of Hon'ble C M Haryana dated- 19.3.2010. The work was commenced in May 2010 and completed the identification of franchisee area with a proposal of input based franchisee model (O&M + CAPEX) for a period of 15 years in September, 2010. It was further brought out that the very purpose of engaging the consultant was defeated as the plans were already formulated to augment T&D system for which funds have been tied up with World Bank, JICA as well as central agencies.

Further, HERC had directed vide letter dated 03.04.14 that the retail supply franchisee be deployed for 11 KV feeders having losses more than 50%. A franchisee model was framed by HERC on the Revenue sharing basis. The NITs for awarding franchisee on high losses feeders in line with HERC model were published by SEs (Op). However, no bidders participated into the same.

The Nigam thereafter issued a RFP dated 22.09.2015 on the retail supply franchisee with modified terms & conditions and penalty clauses on the selected feeders under 'OP' S/Divn. Chaurmastpur of 'OP' Circle, Ambala in UHBVN for carrying out Commercial activities on fixed cost and Revenue Sharing basis to reduce the Distribution /AT&C losses. The Pre-bid meeting for the NIT was scheduled 09.10.2015 wherein, the suggestions of the bidders were noted. However, only single bidder i.e. HESL participated in the Bid. Therefore, the NIT has been dropped.

The Nigam in order to promote competition and Private participation in the state distribution network has again revised with change in clauses as proposed by prospective bidders during pre-bid meeting.

The Nigam has issued a revised tender with NIT no-7/TR-70(92) HERC/FRANCHISEE/ BILLING dated 07.01.2016 for appointment of Agencies/Contractor as retail supply franchisee on selected /identified under operation circle of UHBVN for carrying out commercial activities on fixed cost and revenue sharing basis in order to reduce the AT&C loss in project areas. In the Whole Time Directors meeting held on 05.07.2016, it was decided to scrap the above NIT as only 2 firms have participated in the NIT.

Moreover, for better services to the valuable consumers of urban areas (O&M) upto 11 KV network has been outsourced in 11 No S/Divn. Of UHBVN.

Therefore, it is evident from the above facts that the nigam has been making continuous endeavour for promotion of private participation in state distribution network and successful implementation of distribution franchisee.

Reply of DHBVN:-

Engagement of franchisees in the selected feeders in Haryana DISCOMs already implemented on trails basis. Further the O&M of 23 Nos sub divisions in both the DISCOMs already outsourced to the private agencies.

The Committee strongly recommended that the latest position regarding operation & maintenance of 23 subdivision of DISCOMs already outsourced to Private agencies may be provided.

4. 2.1.7.3 Non installation of meters on agriculture connections.

As per Para 3.4 of the Scheme, a time bound plan for metering of all categories of consumers was to be put in place and submitted to CLMC through SLMC. The objective of metering was to ensure billing on actual consumption and to reduce AT&C losses. DISCOMs were to submit six monthly progress report to CEA. The table below indicates the projections and achievement there against in reduction of unmetered agriculture connections to metered connections.

Table 2.1.1

Year	Unmetered connections (Projected)		Unmetered connections (Actual)		Percentage for reduction (Projected)		Percentage for reduction (Actual)	
	UHBVNL	DHBVNL	UHBVNL	DHBVNL	UHBVNL	DHBVNL	UHBVNL	DHBVNL
2012-13	1,60,000	78,800	1,63,252	79,689	3.29	1.95	1.33	0.85
2013-14*	1,55,000	77,300	1,47,180	93,379	3.13	1.90	-	-

It may be seen from the above that against the projected reduction by 3.29 and 1.95 per cent in number of unmetered connections of UHBVNL and DHBVNL during 2012-13, they achieved reduction of 1.33 and 0.85 per cent. Further, though UHBVNL achieved the target of reduction of unmetered connections during 2013-14, it was due to transfer of Jind circle with 37703 agriculture connections from UHBVNL to DHBVNL in August 2013.

During exit conference, the Management informed that no unmetered flat rate connections were being released to farmers after 2002. Even the existing connections were being progressively converted into metered ones. Further, the agriculture feeders had been segregated and their consumption was being monitored at feeder level. However, the fact remained that targets of metering could not be achieved as per projection under FRP.

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

Reply of UHBVN & DHBVN

As per HERC directions, no new un-metered connection is being released since the year 2000 and all the connections are being released on metered supply. Further the un-metered connections are of agriculture category only. As on 31.03.2002 there were 280905 nos connections un-metered and 81029 nos connections were metered. Since then the Nigam has been making continuous efforts to convert the un-meter connections into meter. However, the Nigam has been facing problems in converting un-metered connections into metered connections due to stiff resistance from the farmers and law & order problem. Moreover, at the time of extension of load (EOL), RCO and shifting of site etc consumer is bound to convert it under metered category. Ending March, 2017

***7 Jind circle with 37,703 agriculture connections were transferred from UHBVNL to DHBVNL in August 2013.**

there are 385737 nos agriculture consumer are metered and 235567 consumer are un-metered in the state of Haryana (UHBVN+DHBVN)

The Committee recommends that action taken report of the Tubewell Connections which were pending upto 2017-18 may be informed accordingly to the Committee.

5. 2.1.7.5 Other mandatory conditions

The DISCOMs restructured their STLs after netting off outstanding Rural Electrification (RE) subsidy and energy bills due, liquidation of regulatory assets in time bound manner as per HERC order for FY 2013-14 and reduced short term power purchases DISCOMs had projected for RE subsidy of Rs 3974 crore, Rs 4366 crore and 5053 crore for the period 2012-13 to 2014-15 Government released RE subsidy up front as per projections Besides this, Subsidy relating to Fuel Surcharge Adjustment (FSA) on account of AP consumers as approved (July 2012) by HERC from time to time was also recoverable from the Government The total subsidy recoverable on account of FSA as on March 2014 from the State Government was Rs 2115 87 crore (8)

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

Reply of UHBVN & DHBVN

Hon'ble HERC in its order dated 30 03 2013 for the FY 2013-14, allowed 45% liquidation of regulatory assets Regarding pending of subsidy matter has been regularly been taken up with the State Govt for realizing the same during the F Y 2015-16 Haryana DISCOMs have participated in the UDAY Scheme Under the UDAY scheme, State Govt of Haryana has taken over the 75% debt of the Haryana DISCOMs As the cash gap arises due to non release of pending subsidy was financed by debt, and 75% of which has already been taken up by the State Govt under the UDAY scheme The pending subsidy receivable from the State Govt reduced to the level 25% Haryana DISCOMs as requested to the State Govt. for release of pending subsidy after taking the impact of UDAY scheme during the F.Y 2016-17 But the same has not been released Matter will again be taken with the State Govt for consideration and release during the F Y. 2017-18

The Committee recommends that the reconciliation report be sent to the Committee and till the para may be kept pending.

- 8. FSA (HERC order dated 14.6.2010 for FY 2009-10) Rs. 30.15 Crore+FSA for FY 2010-11 (HERC order dated 26.6.2012) Rs.380.78 crore+FSA for FY 2012-13 Rs.790.22 crore+FSA for the FY 2013-14 Rs.731.58 crore+RE subsidy for quarter January to March, 2014 Rs.180 crore=Rs.2115.87 crore.**

6. 2.1.7.11 Avoidable payment of interest

The MoP, Gol had clarified (December 2012) that all STLs/ loans irrespective of tenure, outstanding as on 31 March 2012 were eligible for classification as short term liabilities in the Scheme except for loans specifically extended for financing capital expenditure.

Punjab and Sind Bank (PSB) had sanctioned (August 2010) a working capital term loan of Rs 200 crore at nine per cent per annum to DHBVNL AND Rural Electrification Corporation (REC) sanctioned (11 August 2011) loan of Rs 250 crore each to DHBVNL and UHBVNL at 12 50 per cent annum had 12 75 % per annum, respectively for making payment towards purchase of power and working capital requirement As on the cut-off date (31 March 2012), Rs.641 16(10) crore in respect of these loans was outstanding and thus eligible for inclusion in STLs

Audit observed that the DISCOMs had not included this amount for restructuring and STLs were thus short assessed by Rs.641 16 crore Had this loan been included in HTLS the interest burden of Rs 71 79 crore (PSB) Rs 19 12 crore for DHBVNL, REC Rs 26 19 crore of UHBVNL and Rs 26.48 crore for DHBVNL) for one year on account of 50 per cent STLS taken over by the State Government could have been avoided.

During exit conference, the Management stated that some portion of the loan taken from Punjab and Sind bank as diverted for Capital Expenditure (CAPEX) due to unforeseen reasons Further, in respect of REC loan, the matter was discussed in the Ministry of Finance, Gol wherein it was decided that the DISCOMs would arrange the funding of operational losses from REC and PFC as the consortium banks were to progressively reduce fresh funding on diminishing scale i.e 100 per cent, 75 per cent and 50 per cent for the year 2012 to 2015

The reply was not acceptable as DISCOMs could not spend CAPES approved by HERC and instead working capital loans were diverted for CAPES Further, decision of the Management to keep REC loans out of the purview of Scheme on the plea that fresh funding from REC was to be provided on a diminishing scale was not justified. DISCOMs had projected that balance funding would be generated through reduction in AT&C losses and availing TFM

Management further replied (March 2015) that full interest on the CAPEX loan is allowed to the DISCOMs in the ARR every year If loan from Punjab and Sind Bank which was already classified as CAPEX loan as per actual requirement, was included in short term working capital loan for the purpose of FRP, this would have led to an additional burden on the Government in the shape of bonds to be taken over by GoH under FRP.

Reply is not acceptable as the Scheme was prepared primarily for restructuring of all STL so that financial health of DISCOMs could improve with the support of State Government

10. PSB ₹ 171.46 crore (DHBVNL) + REC ₹ 234.85 crore each for UHBVNL & DHBVNL.

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

Reply of UHBVN

Managements reply is provided in the report itself. Loan from the PSB was diverted for Capital Expenditure due to unforeseen reasons and if the loan from the PSB which was already classified as CAPEX loan as per actual requirement, was included in the short term loan for the purpose of FRP, this would have led to an additional burden on the Govt. in the shape of bonds to be taken over by Govt. of Haryana under FRP. Further, in respect of REC loan, the matter was discussed in the Ministry of Finance, Govt. of India wherein it was decided that the DISCOMs would arrange the funding of operational losses from REC and PFC as the consortium banks were to progressively reduce fresh funding on diminishing scale for years 2012 to 2015.

Reply of DHBVN:-

Management reply is already considered in the report itself. It is reiterated that the loan from the Punjab and Sind Bank was for capital expenditure purpose for which the HERC allowed regular interest in the ARR of DISCOM.

In case the same was included in the short term loan for the purpose of FRP, this would have led to an additional burden on the Govt. in the shape of bonds to be taken over by Govt. of Haryana under FRP. Thus there was neither any irregularity nor any loss occurred to the Govt. and Utility in the matter.

The Committee dropped the REC Portion and recommends that the documents of diversification report of Punjab & Sind Bank loans may be supplied to the Committee and the para has been dropped.

7. 2.1.9.1 Non recovery of outstanding energy charges from Government Departments

As per para 6A (d) of Scheme, all Departments of the State Government were to clear their outstanding energy bills as on 31 March 2012, by 30 November 2012 and DISCOMs were to furnish a certificate to this effect by 31 December 2012. Regarding clearance of pending electricity bills, the State Government decided (25 July 2013) that FD would release outstanding electricity dues upto 31 March 2013 immediately to comply with its commitment and from financial year 2013-14 onwards, a Scheme for quarterly payment of electricity dues directly out of budget would be made operational.

Audit noticed that the State Government had not implemented its decision (June 2014) and electricity dues of Government departments in respect of DISCOMs as on 31 March 2014 were Rs.500.42 crore (UHBVNL – Rs.99.69 crore and DHBVNL Rs.400.73 crore).

During exit conference, the Management informed that necessary provision for the current financial year (2014-15) dues had been provided in the State Budget and for the past arrear, the reconciliation process was under progress

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

Reply of UHBVN & DHBVN

The Govt. department generally makes regular payment of electricity bills and payments are delayed due to non provision of budget Regular follow up with various government departments are being carried by field officers for recovery of pending energy dues. Further, the matter related to recovery of dues is also taken up regularly in high level meetings with concerned departments D O letter dated 16 02 2017 by Principal Secretary, Power Department had already been sent to Public Health Department, Irrigation & Water Resources Department, Urban Local Bodies Department and Panchayat Department for recovery of dues Copy of D O letter is attached for reference

A meeting was held on 14 03 2017 under the chairmanship of Worthy Addl PSCM regarding outstanding electricity dues recoverable from Govt Departments, wherein Govt Department were directed to clear the defaulting amount As a result of this an amount of Rs 143.35 crore have been recovered during the month of March-2017

The status of the Defaulting Amount of the Govt Deptt Of (UHBVN + DHBVN) ending March-2017 is as under -

Name of Govt. Deptt.	No. of Consumers	Principal	Surcharge	Total (Rs. In crores)
Irrigation	1242	32 78	343 77	376 55
Municipal Committees (Street Light)	2827	187 49	67 46	254 95
Panchayat	1701	13 27	5 64	18 90
PWW	11969	112 03	32 89	144.92
Other	3409	84 15	19 88	104 03
Total	21148	429.71	469.64	899.35

From the above, it is observed that from the total outstanding amount of Rs 899 35 crores, Rs 469 64 crores is surcharge recoverable from the Govt Departments. However, since the Govt Departments are not paying surcharge amount, the matter has been taken up with Govt of Haryana.

It is pertinent to mention that sincere efforts are being made regularly with the Govt Departments to recover the pending defaulting amount from Government departments.

The Committee desired that the latest position regarding non-payment of surcharge by the Government Department with the State Government may be supplied to the Committee.

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON PUBLIC UNDERTAKINGS (ECONOMIC AND SOCIAL SECTORS) FOR THE YEAR ENDED 31ST MARCH, 2014.

2.2 Haryana Seeds Development Corporation Limited (Review)

8. 2.2.6.2 Irregular placement of funds

We observed that the Company borrowed (March, 2012) Rs 25 00 crore from two banks by misrepresenting the purpose as 'for purchase and distribution of seeds'. It placed the funds in Fixed Deposit Receipts (FDRs) and upon maturity (April, 2012 and June, 2012), repaid the loan amount. It, however, issued (June, 2012) a certificate to the bank that loan amount had been utilized for the purpose for which loan had been granted, i.e., for the purchase and distribution of seed.

Thus, the Company obtained loans by misrepresenting the facts and placed these funds in FDRs to the advantage of banks to circumvent the norms. Resultantly, the objective of the Government to provide credit to priority sector was not achieved.

During exit conference, ACS stated that the loan was available at cheaper rate than cash credit limits so it was raised for use by the Company for making payment to seed growers and pending utilization, these were placed in short term FDRs for proper utilization thereof. The reply was not convincing because as per the records, the Company had decided to raise the funds to place these in FDRs. Further, it placed Rs five crore in FDRs by drawing the same from Cash Credit account.

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

It is again reiterated that season for procurement of Rabi crops was approaching and for that purpose the fund has been managed in advance. Therefore, apart from Cash Credit Limit decision was made for availment of short term loan and the same was kept in fixed deposits so that as and when the need arises the funds could be utilized in the best interest of the Corporation as well as Seed Growers.

Regarding placement of Rs 5 00 crore after availing Cash Credit Limit it is informed that interest rate on FDRs was higher in comparison to rate of Cash Credit Limit. Thus the decision to keep the funds in FDRs was made in the interest of the Corporation.

The Committee recommends that the latest position regarding the amount of interest received and interest passed on to the farmers.

9. 2.2.7.1 Seed Production Programs- targets and achievements

The State Government constituted (May 1997) a State Seed Production Committee (SSPC) comprising of 14 members representing State/ Central government and technical institutions. The Committee reviews the overall position of expected demand and supply of the seeds in the State for each season (Rabi and Kharif) and approves the seeds production targets of the company. The Company provided seeds production programs to general farmers and its shareholder farmers. It also provided an incentive of Rs.12/- per quintal to the shareholder farmers. However, in case the shareholder farmers did not participate in seed production programs for more than one year, as per terms of Articles of Association, the Company could ask them to transfer their shares to other willing farmers. There is no periodical review of participant shareholders farmers in the seed production programs.

The table below indicates the targeted area for production of certified seed and achievement thereagainst for the last five years up to 2013-14.

Year	Targeted area	Achieved area	Shortfall	Shortfall percentage
Rabi				
2009-10	31,790	20,668	11,112	34.99
2010-11	31,380	24,818	6,562	20.91
2011-12	32,803	27,684	5,119	15.61
2012-13	20,660	19,663	997	4.83
2013-14	22,741	18,103	4,638	20.39
Kharif				
2009-10	2,446	2,099	347	14.19
2010-11	2,026	1,856	170	8.39
2011-12	2,052	2,289	(+)237	
2012-13	4,222	3,211	1,011	23.95
2013-14	2,867	2,541	326	11.37

An analysis of the above table would reveal that during 2009-14, there was shortfall in respect of the area actually used for production of seed against the target in case of both the seasons, i.e., Rabi and Kharif except Kharif 2011-12. The percentage of shortfall in case of Rabi season during this period ranged between 4.83 per cent and 34.99 per cent and in case of Kharif season it ranged between 8.39 per cent and 23.95 per cent.

We observed that though the Company was not achieving its targeted area for seed production program, it did not identify the shareholder farmers who were not taking any production program and ask them to transfer their shares to willing farmers and use the incentive to achieve the targets. In the selected three ROs⁵, there were 681 shareholder farmers holding 18883 shares who had not taken any seed production programme during 2009-14. Thus, the Company also failed to identify the progressive farmers and enroll them as shareholders by giving incentive to achieve its production targets.

During exit conference, Additional Chief Secretary (ACS), Agriculture Department, Government of Haryana stated that Agriculture sector was a highly volatile sector and it was not possible to always achieve targets due to various factors including vagaries of weather. The reply was not convincing as the SSPC approves the targeted area after detailed deliberations in consultation with the company. Further, the Company could never achieve its targeted area in the performance audit period except during Kharif 2011-12.

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

The details of year wise targets, achievement, shortfall and reasons of less achievement of area given as under -

Table 2.2.2

(area in acres)

Years	Targeted area	Achieved area	Shortfall	Shortfall percentage
Rabi				
2009-10	21833	20668	1165	5.34
2010-11	31380	24818	6562	20.91
2011-12	32803	27684	5119	15.61
2012-13	20660	19663	997	4.83
2013-14	22741	18103	4638	20.39
Kharif				
2009-10	2426	2099	327	13.48
2010-11	2006	1856	150	7.48
2011-12	2052	2289	(+)237	—
2012-13	3910	3211	699	17.88
2013-14	2867	2541	326	11.37

5. Hissar, Tohana and Umri

From the above table, it is clear that shortfall in achieved area under seed production programme of Rabi crops i.e Wheat, Barley, Gram, Mustard, Lentil, & Toria is significant and varies from 4.83% to 20.91% during 2009-10 to 2013-14. This was barely due to non-availability of foundation seeds/ Certified Stage-I seeds of different varieties mainly under pulses crops i.e Gram and Lentil varieties and some new varieties above crops

Similarly, in case of Kharif crops the shortfall in achieved area under seed production programme is highly significant and varies from 7.48% to 17.88% during Kharif 2009 to 2013, during Kharif 2011, 327 acres additional area under different crops was also allotted at the units. The shortfall in the area was mainly in pulses crops i.e Moong, mash and Arhar varieties due to well non reason that farmers are reluctant and not taking much interest towards production of pulses seeds being highly sensitive and less return to the farmers. Not only this other problems in production of pulses seeds of Rabi and Kharif crops are i.e less availability of irrigation water in Summer/ Kharif seasons, crop damaged by wild animals i.e. (blue cow), other diseases insects and pests, untimely rain during harvesting and threshing of seeds of these crops at farmers fields being heavy loss during production of pulses seeds. The agenda of targets, achieved area, shortfall and reasons have already been put up time to time in the B.O.D. meeting for the appraisal of Board of directors under the chairmanship of Additional, Chief Secretary to Govt. Haryana, Agriculture Department alongwith progress altogether and found satisfactory.

As far as transfers of shares of shareholder growers to other needy growers is concerned, the Company Section HSDC H.O is always in touch and update the lists of share holders growers. But without the consent of shareholder growers it is not possible for HSDC to transfer their shares to other seed growers HSDC may not force/compelled to the shareholders seed growers to get transfer their shares with the name of other seed growers. However, we may given proper advise to them for transfer their shares to get benefit of Rs 12/- per qtls on certified seed. Further, HSDC has not allotted the shares to shareholders growers after the year 2013 as per provision adopted in company law and now a days shareholder seed growers as well as non-shareholder seed growers are producing the seed of HSDC under the units by ignoring the additional benefit of Rs.12/- per quintal on certified seed quantity

The Committee recommended that detailed position regarding review of shareholder Growers may be supplied to the Committee.

10. 2.2.7.2 Less delivery of seeds produced

The year-wise details regarding use of breeder and foundation seeds their expected yield as assessed by HSSCA at harvesting stage and actual raw seed thereagainst during the five years upto 2013-14 is given in the table below -

Table 2.2.3

(Qty. in qtls.)

Yield from breeder and foundation seeds during 2009-10 to 2013-14					
Year	Seeds used	Expected yield	Actual yield	Shortage of yield	%age of actual to expected yield
Breeder seed					
2009-10	185 51	5,259 00	4,613 30	645.70	87 72
2010-11	223 06	6,553 90	5,060 19	1,493 71	77 21
2011-12	271 13	9,064 15	7,766 10	1,298 05	85 68
2012-13	517 05	6,957 00	5,463 72	1,493 28	78 54
2013-14	365 77	9,960 00	8,841 67	11,18 33	88 77
Total	1562.52	37,794.05	31,744.98	6,049.07	83.99
Foundation seed					
2009-10	5,551 69	3,41,866 20	2,61,792 73	80,073 47	76 58
2010-11	5,471 27	4,51,726 80	3,16,812 01	1,34,914 79	70 13
2011-12	5,500 55	5,27,275 20	3,82,510 76	1,44,764 44	72 54
2012-13	6,439 90	3,88,412 00	2,31,497 22	1,56,914 78	59 60
2013-14	3,758 62	3,35,003 00	2,36,829 95	98,173.05	70 69
Total	26,722.03	20,44,283.20	14,29,442.67	6,14,840.53	69.92

It would be seen from the above that during 2009-14, as against the expected yield of 37794.05 quintals from breeder seed, the actual yield was 31744.98 quintals. Thus, there was a shortfall of 6049 07 quintals. (16 01%) valuing Rs 1 23 crore⁶. Similarly, as against the expected yield of 20.44 lakh quintals from foundation seed, the actual yield was 14.29 lakh quintals. Thus, there was a shortfall of 6.15 lakh quintals. (30 31%) valuing Rs.117.30 crore⁶.

We observed that shortfall in yield was due to non-delivery / less delivery of seeds by the farmers. The Company had no system in place to monitor the non-delivery of expected yield. Further, as per the agreements of the company with the seed growers, the company was entitled to get full expected yield from the seed growers. However, the company had not included any penal clause in

6. Worked out at the general sale rate of certified seed.

the agreements for less delivery of seed to the company than expected and as such it could not take any action against them. Moreover, the company had neither pursued the farmers who failed to deliver expected yield nor had debarred them from taking seed production program in future since it did not have any data.

During exit conference, the MD of the Company intimated that there were standard parameters to accept raw seed from the growers for processing the same and the company did not accept seeds which did not satisfy the prescribed parameters. On being pointed out that the shortfall in the yield had been worked out on the basis of quality and yield estimated by HSSCA at harvesting stage, Government / Management stated (November 2014) that disease/ infestation like Karnal bunt cannot be assessed in the standing wheat crop and can be known only after the analysis of seed sample in the laboratory. As such seeds infested with the disease are rejected reducing yield recovery as against the estimation of HSSCA. However, no data in support of the contention that less delivery of yield was due to incidence of Karnal bunt or infested wheat seed was supplied.

We further observed that the company could not use 88.05 qtls. of breeder seed for multiplication into foundation seed and gave these seed to farmers for production of certified seed directly during 2009-14. This resulted in loss of production of 2.16 lakh quintal⁷ of certified seed valuing Rs.58 24 crore as the breeder seed was not multiplied for production of foundation seed.

The Government / Management stated (September 2014) that there was no requirement of these seeds. On being asked why the Company had not intimated about the surplus breeder seeds to Assistant Commissioner(Seeds), Government of India so that it could be used by other Government agencies which might be in need of these breeder seeds, Government stated (November 2014) that the Company had intimated such excess quantity of breeder seed to Government of India. However, we observed that the Company had intimated excess quantity of breeder seed only during 2014 and there was no such intimation during 2009-13 as per records produced to Audit.

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

As far as Breeder to Foundation seed production is concerned, in this connection, it is clearly mentioned that the indent of foundation seeds as requirement of HSDC in next years has been placed to Director Farm HAU in past years but sufficient quantity could not produced at their farm for supply to HSDC then HSDC depend to procure additional qty of foundation seed from other seed corporations on higher rates. On this HSDC decided to get produced foundation seed of various crop /varieties through HLRDC, KVK farms and other reputed share holder seed growers farms where quality of foundation seed be ensured good. Keeping in view the present situation HSDC got

- 7. Loss of production has been worked out on the basis of average yield actually received and is valued at general sale rate of the Company.**

produced foundation seed through these farms and all the necessary steps were followed to maintain the foundation seed quality in fields as well as processing plants. This is not a mandate / objective / aim of HSDC under company act but under compelled circumstances HSDC is producing the foundation seed through above sources so that maximum return to the shareholders growers may be provided i.e 33% additional incentive on wheat varieties and 45% additional incentive on pulses crops/ Oil seeds has been paid to the producers and the produced quantity of foundation seed was sold to the seed growers less then the rates fixed by the HAU and PAU for production of certified seed. In this way HSDC is providing better servicing of rates to the farmers hence no loss to the corporation. If HSDC could purchased the foundation seed from HAU Hisar then huge amount against the cost of foundation seed could be paid and accordingly higher rates were fixed for supply such quantity of foundation seed to shareholder and none shareholder growers of HSDC Besides this HAU, or others seed farms are not in position to produce required quantity of foundation seeds at their farms being limited activities at farms.

In case of foundation seed production at most care to maintain the quality of foundation seed has been adopted at the units at the time of receiving the raw seed at plant. The norms of raw seed yield per acres for receiving at plants has already been circulated and in no case additional quantity of foundation seed beyond of norms is allowed. This restriction is imposed to get the raw seed yield only from certified area having good lusture, less cut grain, less under size, and karnal bunt / Paddy bunt and other diseases effected seed grains within the prescribed standard. In case of foundation seed production the main essence of quality seed production instead of quantity seed production of HSDC due to which only good quality raw seed has been accepted for processing and certification purposes hence no targets of foundation seed production has fixed by the corporation in different years there for the question of shortfall of foundation seed quality against expected yield assessed by HSSCA does not raised and not correct. The technical officers posted at the units analysed the samples of raw seed thoroughly after drawing from each and every raw seeds bags during delivery at plants and rejects the entire quantity / partial quantity/ of raw seed of the seed growers on spot and only accepted good quality raw seeds at plant, therefore HSDC is not bounded to accept entire expected raw seed yield given the HSSCA at the plants.

As per practice the variety wise indent of breeder seed required by HSDC for current season has placed three years in advance to Govt. of India Ministry of Agriculture, New Delhi. Accordingly Nucleus seed of the varieties get produced under the close supervision of concerned Breeder in first year In 2nd year Nucleus seed to breeder seed produced under close supervision at ICAR institutions / SAU farms and finally breeder seed if meets all the prescribed standards in fields as well labs / testing stations then processed and packed as breeder seed . In 3rd year the breeder seed allotted to the indenter agencies for

its lifting and use under breeder to foundation seed production. In such cases where excess breeder seed against the fresh demand is allotted by Government of India the same has to be lifted by the receiving agencies and used for further production programme as foundation seed. If we use entire lifted breeder seed for production of foundation seed then excess quantity produced by the corporation for which higher payment made to the concerned seed growers will be a costly affair and will create extra burden. In such cases the additional quantity of breeder seed are used for production of certified seed so that unnecessary losses to the corporation be avoided in the best interest of the corporation.

The Committee desired that the details of complaints received regarding germination of the last 10 years may be provided to the Committee.

DAKSHIN HARYANA BIJLI VITRAN NIGAM LIMITED.

11. 3.2 Loss of interest:

There was loss of interest of Rs. 82.86 lakh due to delayed transfer of funds by field branches into main account of the Company at Hisar.

The Company had collection arrangements with State Bank of Patiala (SBOP) since the year 2000. Under the arrangement, field bank branches were transferring the funds deposited with them to main branch at Hisar at regular intervals manually through telegraphic transfers (TTs). The Company appointed (27 October 2003) an agent for reconciling the amount deposited into various branches of SBOP and transfer to main branch of SBOP at Hisar.

Of the amount deposited by various units of the company into five branches(3) of SBOP during July 2003 to September 2005, Rs 1.24 crore were not transferred. The reconciliation agent did not point out this. The Company noticed this in April 2010 and eventually the amount was credited during March 2011 to June 2012 to Company's account in main branch of SBOP at Hisar.

Thus, the Company could not utilize the funds for period ranging between 65 and 102 months.

The Company filed (May 2012) an interest claim for delayed transfer of funds by the bank with the banking Ombudsman who closed (May 2012) the case as "Time barred". The Company also took up the matter (June 2012) with the head office of the bank who stated (July 2012) that duplicate DDs were issued as soon as requested were received.

Audit observed (March 2012) that there was lack of internal control measures and internal audit in Company. It had neither monitored the reports and work of reconciliation agent regularly nor had verified the bank account of field branches and main branch at Hisar to ensure that amount credited into field branches have been transferred to its main account. The Company belatedly approached the Banking Ombudsman who consequently did not entertain its claim. Resultantly, the Company lost the opportunity to recover interest of Rs.82.86 lakh from the bank on account of delayed transfer of funds.

The Management stated (October 2014) that due to huge volume of work and acute shortage of staff, checking of each entry was not possible and there was no specific laid down procedure for the monitoring of bank accounts and checking of reports of the reconciliation agency since inception. The reply is not acceptable as the Company was responsible for monitoring even outsourced work of the reconciliation agent to watch its financial interest.

The matter was referred to Government (May 2014), their reply was awaited (March 2015).

3 Jui, Bhiwani, Nekipur-Dhigawa, Narnaul and Hodal

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

The DHBVN has already filed recovery suit against the State Bank of Patiala in the Court of Law at Hisar after seeking requisite legal advice in the matter. The court proceedings are in process and the next date is fixed for 21.01.2016.

It is also pointed out that at present the process of funds transfer from field banks to HO through TTs have been replaced by electronic transfer due to technology advancement in the banking sector and all the bank branches in the country switching to CBS for the last 3-4 years. In the electronic funds transfer era the circumstances which led to the said omission have been completely eradicated.

In addition the following steps have also been taken to streamline the processes to avoid recurrence of such omissions in future:

- 1 Utility has taken net banking (view only) facilities on almost all its bank accounts and the funds position is monitored regularly.
- 2 With the adoption of new technology in the banks, the DHBVN, prefers to the CMS arrangements for collection of its revenue with banks where the amount is collected and transferred through centralized (pooled) CMS account to main accounts at Hisar automatically without human intervention on pre defined periodicity. Almost 80% revenue collection is already on CMS and efforts are continuously made to shift the balance collection except in rural/remote areas to advance banking technology.
- 3 As per latest directives of the State Electricity Regulator (HERC), the payments of electricity bills of above Rs 1.00 lac through RTGS/NEFT/Online has been made mandatory thereby eliminating the various channels.
- 4 The reconciliation process has also been streamlined and strengthened.
- 5 That the delay in credits of funds to DHBVN main accounts as referred in that para was systemic without any intention as the Nigam and the Bank are both PSUs.
- 6 The error was traced by the Utility at its own.
7. The volume of transactions was huge and technology support as is available now was not prevailing at that time.

The Committee recommended that the para may be kept pending till the decision of the Hon'ble Court.

**Uttar Haryana Bijli Vitran Nigam Limited and
Dakshin Haryana Bijli Vitran Nigam Limited**

Haryana Power Purchase Centre

12. 3.3 Purchase and Sale of Power in Haryana

i. Excess payment of fixed cost due to non compliance of HERC Regulation 2008

The HERC (Term and Conditions for Determination of Generation Tariff), Regulation-2008 provides for determination of two part tariff (i) capacity/ fixed charges and (ii) energy/variable charges. The recovery of annual capacity charges (fixed cost) is related to the norms of Plant Load Factor (PLF), approved for the respective generating station, i.e., full fixed cost is recovered at normative PLF. Recovery of capacity (fixed charges below the approved PLF) shall be on pro-rata basis. At zero availability, no capacity charges shall be payable. HPPC was purchasing power from Haryana Power Generation Corporation Limited (HPGCL) at the fixed rate of tariff i.e., single part tariff comprising fixed and variable cost both, irrespective of the fact that the generation was either less than the normative PLF or more than it. Due to this, fixed cost was being recovered even for the generation over and above the normative PLF.

We observed that actual PLF of Units V to VIII of Panipat Thermal Power Station (PTPS) Panipat during 2008-09 to 2010-11 (except unit V in 2009-10) and Units I and II of Deenbandhu Chhotu Ram Thermal Power Plant (DCRTPP) Yamunanagar during 2009-10 and 2010-11 were higher than normative PLF approved by HERC. This resulted in excess payment of fixed cost of Rs.265.14 crore to HPGCL.

The Management stated that for the years 2008-09 to 2011-12, HPPC had made payment for HPGCL power at the rates approved by HERC.

The reply is not acceptable because HERC-Regulations-2008 though provided for applicability of two part tariff but HPPC/ DISCOMs continued to avail HPGCL power under single part tariff wherein fixed cost was paid even for the generation above the normative PLF. Thus, though DISCOMs and in turn consumers were put to disadvantage, they did not file any appeal against this order in APTEL. Audit noticed that under single part tariff DISCOMs and therefore consumers had to pay an extra Rs.265.14 crore.

HPGCL approached the Appellate Tribunal for Electricity (APTEL) against the HERC tariff orders for the years 2011-12 and 2012-13 for revision of PLF in respect of various generating units of HPGCL. APTEL dismissed (May 2012) the appeal of HPGCL for the year 2011-12. However, APTEL revised (December 2012) PLF for the year 2012-13 as detailed in **Appendix 5**.

We Further observed (May 2014) that during 2011-12 and 2012-13, capacity charges/ fixed cost was not reduced on pro-rata basis in case where actual PLF was less than the normative PLF approved by HERC/ APTEL and it was not restricted to normative PLF approved by HERC/ APTEL where it was more than the norms. This resulted in excess payment of Rs.331 21 core as depicted in **Appendix 5**

The Management stated that HERC Regulations had not specified about payment of fixed charges in case actual generation is more than the normative generation and so the payment of the fixed charges/ capacity charges had been made on the basis of actual energy supplied by HPGCL. The payment was itself reduced on pro-rata basis in case where actual generation was less than normative generation.

The reply is not acceptable as HERC Regulation-2008 prescribed target availability of power plant at 80 per cent as such fixed cost is fully recovered at this approved normative availability. The recovery of fixed charges above the normative availability/ PLF is not justified. The contention that payment of the fixed charges/ capacity charges had been itself reduced on pro-rata basis in case where actual generation was less than normative generation is not acceptable because HPPC had made payment for units billed by HPGCL and not for the actual units supplied. During 2011-12 and 2012-13, units billed by HPGCL were more than actual units supplied. Thus, the fixed cost was excess paid.

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

It is relevant to mention here that HERC regulation 2008 does not specify about payment of fixed charges in case actual generation is more than the Normative generation and hence, HPPC has released the payments of Fixed Charges on the basis of the actual units supplied by HPGCL to DISCOMS.

Hence, HPPC has not made any excess payment to HPGCL on account of fixed/capacity charges

ii Excess payment of fuel price adjustment

Tariff to be recovered by HPGCL from HPPC is fixed by the HERC in the beginning of the year. However, variation in the actual cost of fuel during the year is recovered by HPGCL from HPPC separately through Fuel Price Adjustment (FPA) bills. APTEL in its order (December 2012) had decided that FPA is to be recovered on the actual generation basis.

We observed that HPGCL had raised (1 April 2013) FPA bills of Rs 545 82 crore for 2011-12 and 2012-13 on normative generation of 15,853 MUs and 20,353 MUs, respectively whereas FPA worked out to Rs 386 26 crore, as per the actual generation of 12,209.22 MUs and 15598 54 MUs for the year 2011-12 and 2012-13 respectively. Thus, HPPC had made excess payment of Rs 159 56 crore (Rs 545 82 crore- Rs 386.26 crore) to HPGCL.

The Management stated that Fuel Price Adjustment (FPA) bill of Rs.545.82 crore for 2011-12 and 2012-13 was raised by HPGCL as per HERC order pursuant to APTEL decision HPGCL had raised the bill without elaborating calculations.

The reply is not specific as audit had raised observation regarding payment of differential amount for normative generation instead of actual generation and HPPC should have examined the calculation in detail before making the payment. The actual generation was much less than the normative generation as such differential amount was excess paid.

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

It is again submitted that HPGCL had raised FPA bill amounting to Rs 545 82 Cr (Rs.57 819 Cr for 2011-12 & Rs. 488 Cr for 2012-13) on the basis of order of the HERC dt. 29 03 2013 on the tariff of the HPGCL for the FY 2013-14 which quantified the amount of Rs. 545.82 crores. This amount was allowed to HPGCL pursuant to the decision of the APTEL on appeal no. 91 of 2011 and appeal no. 108 of 2012 filed by the HPGCL against HERC orders. The APTEL had accepted some of the contentions of the HPGCL and had directed HERC to pass consequential order. The HERC vide its order dated 29.03 2013, allowed the amount of Rs. 545.82 Cr (Rs 57 819 Cr. for FY 2011-12 and Rs. 488 cr. for FY 2012-13) to be recovered as FPA from the discoms. Subsequently, HPGCL recalculated the amount as per the directions of HERC and given a credit of Rs. 37.58 crores to the Discoms. HERC vide their order dt.18 08.2015 has also approved this amount of Rs 37 58 crores to be passes through the Discoms.

However, the observations of the Audit have been taken up with HPGCL regarding the calculation and the calculation sheet provided by HPGCL placed at Ch-3 for apprising to Audit.

The Committee is not satisfied with the reply given by the Department as to how the addition of variable cost of one plant to another plant is allowed.

13. Excess payment to CGPL

HPGCL had entered (22 April 2007) into PPA with M/s Coastal Gujarat Power Limited (CGPL) for purchase of 380 MW power. As per Clause 9 of PPA, the energy charges were to be escalated after one month from bid deadline date (22 December 2006) by applying the per annum inflation rate specified by CERC. Further, Article No 11.1 of PPA empowered the procuring States⁷ to avail electrical output (Power) from the seller, prior to the COD, by paying the energy charges (variable cost). Article No 13 of PPA, empowered the procures to compensation in case of any change in law. Gujarat Urja Vikas Nigam Limited (GUVNL) the lead procurer with the PPA of 1805 MW power was authorised to represent all the procurers for discharging the rights and obligations under PPA. Its decisions were binding on other procurers. We observed (April 2014) as follows

7. Gujarat, Maharashtra, Rajasthan, Punjab & Haryana.

- HPPC had escalated energy charges from 22 December 2006 instead of 21 January 2007. Due to wrong application of escalation index, an excess amount of Rs 7.58 crore (from March 2012 up to December 2013) was paid to M/s CGPL;
- The infirm power generated by M/s CGPL was injected in the grid and procurers could not avail this infirm power. M/s CGPL had received UI charges for this infirm power injected by it in the grid. In view of Article No. 13 of PPA, the amount of UI⁸ Charges received by CGPL from sale of infirm power should have been passed on to the procurers. On the basis of above terms and conditions of PPA, lead procurer GUVNL had adjusted (March 2012) an amount of Rs. 3.76 crore and raised demand for Rs 10.78 crore (April 2012) for share infirm power for the period January 2012 to March 2012. However, HPPC had neither raised demand for its share of Rs.3.06⁹ crore nor adjusted this in reply, the Management stated that HPPC had made the full payments to CGPL till January 2014 and for the energy bills raised for the month of February 2014 HPPC made the payment as per the escalation index being applied by GUVNL and deducted the difference amount. Further, HPPC will make payments in future in accordance with GUVNL in respect of escalation index for energy charges as well as capacity charges and credit of UI charges against infirm power and make the adjustment in already paid bills with due interest.

The fact remained that amount had not been recovered/ adjusted so far (March 2015).

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

It is intimated that HPPC was making payment to CGPL as per escalation index being applied by GUVNL (the lead procurer) since September 2014. The excess payment made prior to September 2014 had been deducted accordingly.

But recently, GUVNL has agreed to the following:

- (I) *Escalation index is to be calculated from 22.8.2012 instead of 22.9.2012 for Quoted Escalable Capacity Charges*
In respect of Quoted Escalable Energy Charges, Escalation index is to be calculated from 22.12.2006 instead of 22.1.2007.
 - (II) the last date for submission of RFP bids for Mundra UMPP was 7.12.2006 instead of 22.12.2006.
- 8 Unscheduled interchange as defined in the Indian Electricity Grid Code.**
- 9 Share of HPPC in infirm power earnings: ₹ 14.54 crore (₹3.76 crore + ₹ 10.78 crore) GUVNL share in infirm power earning x 380 MW (HPPC share in power)/ 1,805 MW (GUVNL share in power)= ₹3.06 crore.**

Accordingly, now there is no dispute between CGPL and GUVNL over interpretation of escalation index. Escalation has to be considered from the first date of SCOD in case of capacity charges and bid submission date in case of energy charges instead of after one month as per earlier interpretation of GUVNL. Hence, the issue of escalation index is resolved with HPPC following the GUVNL.

As far as credit of UI charges is concerned, HPPC has raised the demand for Rs.6, 92, 30,704/- to CGPL on a/c of UI charges received by CGPL from WR UI Pool Account towards injection of infirm power from all the five units of Mundra UMPP. However, it is pertinent to point out that GUVNL demand on this ground has not been met by CGPL. Rather, CGPL will take the impact of infirm power in the petition filed for claim in CERC due to "Change in law during construction period."

The Committee recommended that outcome of the litigation may be intimated to the Committee.

Haryana Roads and Bridges Development Corporation Limited.

14. 3.6 Non recovery

Wrong deposit of money into contractors account and non reconciliation thereof led to non-recovery of Rs. 1.34 crore.

The Company awarded (August 2009) contract for collection of toll at toll point No. 30 on Kolputli-Budhwal-Nangal Choudhary-Narnaul road from 29 August 2009 to 30 September 2010 at contract price of Rs. 5.83 crore. As per the contract, the contractor was required to deposit the monthly installment amount of toll by way of demand drafts on first date of every month starting from September 2009 to September 2010. The contractor deposited 12 Post Dated Cheques (PDCs) for the installments at the time of signing of contract. These PDCs were to be deposited in the bank for encashment in case the contractor failed to deposit the demand drafts. The contractor also furnished the security deposit in the form of Bank Guarantee (BG) of Rs 87.45 lakh (with extended validity up to 31 December 2010) with the Company.

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

In this connection it is submitted that on receipt of said audit para titled as "Avoidable loss of Rs.87 45 Lac", received from Audit on 24.07 2013, the matter was examined in detail and it was observed that an amount of Rs 1,34,10,305/- is recoverable from Sh Om Parkash Gupta the then contractor of TP-30 [Kotputli-Budhwal-Nangal Chaudhary-Narnaul road (near Rajasthan border)].

The case was examined in detail at various levels and remained under active consideration and even file was submitted before PSPW two times. The advice of Legal Advisor HSRDC and DDA, Head office was also obtained in the matter.

Keeping in view all facts, it was decided to go ahead with the arbitration as per provision of agreement so that the loss of Rs 1,34,10,305/- could be recovered through Arbitration.

Sh Kapur Singh SE Retired was appointed Arbitrator vide order dt.09.09.2013. The arbitrator has awarded the full amount along with interest in favour of HSRDC vide order dated 29.01.2016. The award has been challenged in District Court, Narnaul by the claimant and the case is now fixed for hearing for 22.01.2017. Further action to recover the amount would be taken accordingly as per law.

It is further submitted that Principal Accountant General(Audit), Haryana has already been intimated vide this office letter No. 835/ HSRDC / Toll dated 29.01.2014 that necessary action against the defaulters would be taken.

10 A cheque has a validity of three months

separately as per decision of the arbitration case. Now, the arbitration case has been decided in favour of Corporation but amount is still to be recovered from the entrepreneur of TP-30. As such Sh. H.N. Singla, the then Executive Engineer Provincial Division Haryana PWD (B&R) Br. Namaul has been asked to explain the reasons for depositing the amount of TP-18 (departmental collection) in the account of the Contractor of TP-30 vide this office letter No. 6029/HSRDC dated 20.12.2016. Further action will be taken on receipt of reply of explanation call.

In view of above, it is recommended that this CAG para may kindly be dropped as the award in this case has come in favour of Corporation

The Committee desired that this para may be kept pending and legal opinion may be taken by the Department in this regard and informed to the Committee accordingly.

Haryana Agro Industries Corporation Limited

15. 3.7 Avoidable payment of interest

Due to not following prescribed procedure FCI is yet to reimburse Rs.10.46 crore of the bonus paid to farmer and the Company made avoidable payment of interest of Rs. 4.79 crore on such CC limit availed to pay bonus.

The Company procures wheat from mandis for central pool on behalf of Food Corporation of India (FCI) and delivers it to FCI. GOI fixes the Minimum Support Price (MSP), statutory charges and other incidental charges of wheat. On the basis of these rates, the Company claims reimbursement of cost of food grains and other charges from FCI, upon delivery of wheat.

The Company enters into agreement with the Billing-Cum-Payment Agent (BCPAs) for providing services for ensuring smooth procurement of food grains by collection of bills/documents from all the Arthias¹² of concerned Mandi relating to the wheat procured from farmers and prepare the consolidated bills

GoI declared (April 2011) an incentive bonus of ` 50 per quintal of wheat i.e. Rs. 500 per MT, over and above the MSP for Rabi Season 2011. As per the instructions issued (April and November 2011) by the State Government, reimbursement of bonus to the Company by FCI was to be made only on the submission of a certificate in prescribed format indicating certain details¹³ to verify that bonus had been actually paid to the respective farmers.

The Company procured 7 lakh MT of wheat during 2011-12 and delivered 6.77 lakh MT wheat to the FCI up to May 2014. Against the claims of bonus for Rs. 33.85 crore (6.77 lakh MT x Rs. 500), the Company received Rs. 23.39 crore from FCI during March 2013 to October 2014. The balance amount of bonus amounting to Rs. 10.46 crore could not be recovered from FCI as the Company failed to submit requisite details in prescribed format to FCI due to non-submission of required documents by the BCPAs.

Audit observed (November 2013) that an amount of ` 10.46 crore of the Company remained unrecovered from FCI and it had paid bonus to the farmers by availing Cash Credit (CC) limit at minimum interest rate of 12 percent per annum during the period of delivery of wheat. It had paid interest of Rs.4.79 crore up to October, 2014 on the CC limit availed. Had the Company lodged the claims in prescribed format, it would have received the claims from December 2011 and the payment of interest of Rs. 4.79 crore could have been avoided.

12. Arthia is a middle man operating in grain markets.

13. Name of farmer, date of purchase, mode of payment and cheque/ cash voucher number etc.

The Management stated (October 2014) that the District Managers concerned have been asked to explain their position as to why they could not get the reimbursement from FCI in time and also advised them to take suitable action against the BCPAs for not performing their duties as per the agreement.

The matter was referred to Government (June 2014), their reply was awaited (March 2015)

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

Haryana Agro Industries Corporation Limited (HAIC) is one of the agencies of the State Government for procurement of wheat for Central pool and delivers it to FCI. GOI fixes the Minimum Support Price (MSP), statutory charges and other incidental charges of wheat. On the basis of these rates, the HAIC claims reimbursement of cost of food grains and other charges from FCI, upon delivery of wheat. The HAIC takes the service of the Billing-cum-Payment Agent (BCPAs) for ensuring smooth procurement of food grains.

The GOI, in April, 2011, declared an incentive bonus of ₹ 50 per quintal of wheat i.e. ₹ 500 per MT, over and above the MSP for Rabi Season 2011. Accordingly, the payment of bonus over and above the MSP was made, to the BCPAs/Artias, for onward payment to the farmers.

The HAIC had procured 7 00 lakh MT wheat during RMS 2011-12 and delivered 6 77 lakh MT wheat to FCI upto May, 2014. Against the claims of bonus for ₹ 33 85 crore (6.77 lakh MT x ₹ 500), HAIC received ₹ 23.39 crore from FCI during March 2013 to Oct, 2014. The balance amount of bonus of ₹ 10.46 crore was outstanding against FCI.

The incentive bonus of ₹ 50/- per qtls. was declared by the GOI in the month of April, 2011. Accordingly, the procuring agencies including HAIC had made the payment of bonus of ₹ 50/- per qtls. over and above the MSP, to the BCPAs/Artias, for making the payment to the farmers in **April-May, 2011.**

The State Government issued instructions regarding the requirement of necessary documents/ certificates for getting reimbursement of bonus from FCI, in **November, 2011.** The RMS Season had already ended in May, 2011. HAIC could not obtain the requisite documents from the BCPAs/Artias/farmers immediately because of the end of the season and therefore, a substantial delay was occurred in obtaining the required documents/ certificates from BCPAs/Artias/farmers.

Most of the District offices of HAIC had been able to submit the required documents/ certificates along with their claims of bonus and were successful in getting the full reimbursement of bonus from FCI. Out of 9 District offices of HAIC, 6 District Offices of HAIC had already received the entire amount of bonus from FCI. As on date, HAIC had already received a sum of

₹ 31.47 cores, out of ₹ 33.85 cores and only ₹ 2.38 cores are now left to be recovered from FCI, on account of bonus, as per detail given below -

(₹ in Crores)

Sr No	Name of District Office of HAIC	Amount of bonus	Bonus received from FCI	Balance
1	Fatehabad	9.28	7.27	2.01
2	Sirsa	3.08	2.74	0.34
3	Kaithal	3.95	3.92	0.03
4	Y Nagar	0.35	0.35	
5	Hisar	5.26	5.26	
6	Jind	3.27	3.27	
7	Karnal	3.60	3.60	
8	Sonepat	0.75	0.75	
9	Pipli	4.31	4.31	
	Total	33.85	31.47	2.38

The District Incharges of HAIC are continuously following up the matter with the FCI to get the reimbursement of balance amount of bonus. FCI is not making the balance payment of bonus for want of proof of payment made to the farmers through cheques. HAIC had made the payment to the BCPAs/Artias through Account payees cheques. The BCPAs make the payment to the concerned Artias through cheques but the Artias make the payment to the farmers through cheques/cash. Therefore, in the case where the payment was made by the Artias through cash, the HAIC is unable to provide the proof of payment made through cheques.

The Committee strongly recommends that the matter may be reconsidered and the recovery be effected.

3.8 Haryana Women Development Corporation Limited.

16. 3.8.4 Loss of interest due to non – investment of surplus funds in FDRs.

The company invested Rs. 6 00 Crore (four FDRs of Rs 1.25 crore each amounting to Rs 5 00 Crore in PNB, Panchkula during 26 April 2011 to 13 July 2011 and Rs. 1.00 crore in UCO Bank on 23 February 2012) in five FDRs for the period of one year during 2011-12. After maturity of the FDRs the company transferred (April 2012 to June 2012) Rs 6.31 crore (alongwith interest) in the PNB Sector 5 Panchkula in saving cum sweep account. We observed that instead of investing the amounting in FDRs the company transferred the whole amount in saving cum sweep account. Perusal of Bank statements of the account revealed that the company earned Rs 29.57 lakh (Rs. 13.83 lakh from April to September 2012 and Rs. 15.74 lakh from October 2012 to March 2013) as interest on total balance in the account. Had the company invested the funds of Rs. 6.31 crore in FDRs, it could have earned Rs 40.23 lakh during July 2012 to March 2013. Thus, due to non- investment of funds in the FDRs, the Company suffered loss of interest of Rs. 10.66 lakh (Rs. 40.23 lakh to Rs. 29.57 lakh).

The company and Government stated (July and November 2014) that it was decided to establish one thousand sanitary napkin making units for which Rs 7 00 crore (approximately) was required and it was not in its interest to keep the amount under FDRs because in the event of premature encashment of keep the amount under FDRs, loss of interest of one per cent would have to be borne by the company.

The reply of the company and government are not acceptable as the decision to establishment sanitary napkin unit was taken in June 2011. The company still kept Rs 6 00 crore in fixed deposit till April- June 2012 and audit comment pertains to the period from July 2012 to March 2013.

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

It is stated that the management decided to establish 1000 units of Sanitary Napkin for which Rs 7.00 crore approximately was required for which the Board of Directors approved in its 106th meeting held on 05-08-2010 that the Share Capital may be raised to increase the capital to meet the requirement keeping in view that the amount may not be taken on premature but may be kept under Savings-cum-Sweep accounts after its maturity with the approval of competent authority. Keeping in view the requirement of funds, the amount of some FDRs had been transferred into Savings-cum-Sweep accounts.

- 16. A bank account that automatically transfers amounts that exceed (or fall short of) a certain level into a higher interest earning investment option at the close of each business day.**
- 17. ₹6.31 crore x 8.5 per cent rate of interest per annum x 9 months.**

In view of the position explained, it was not in the interest of requirement to keep the amount under FDRs. If any amount was required out of FDRs, then there would have been a loss of 1% to be borne by the Corporation for which the responsibility could be fixed. Hence, the action of the Corporation after application of mind should be appreciated instead of calculating the loss

The Committee desired that detailed report regarding utilization of money and reasons of the failure of unit may be given to the Committee within 15 days.

17. 3.8.5 Suspected cases of embezzlement of fund.

The company has been providing interest subsidy on education loan extended by bank to female students of the state since 1 April 2007. As per procedure the company pays the interest to the tune of 5 percent per annum on behalf of the beneficiary through cheque in the name of bank sanctioning the loan

During the test check of records of the Panipat Office, a specific case was noticed in which one single bank account was credited with interest subsidy amount of Rs. 10 90 lakh of 47 different beneficiaries which could be suspected embezzlement

The company and Government stated (July and November 2014 and March 2015) that District Manager had been charge sheeted Final outcome was awaited (March 2015).

Thus, Company failed to disburse the funds received for scheduled caste beneficiaries. It violated the State Government guidelines for investment of surplus funds Due to improper management of funds, the Company had to suffer a loss of interest of Rs. 13 74 lakh Besides there was suspected embezzlement of Rs 10.90 lakh

The matter was reported to the Company and Government in June 2014, their reply was received in July, 2014 and November 2014. The replies had been suitably incorporated

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

After the receipt of suspected embezzlement, the concerned District Manager was reverted and charge-sheeted under Rule 7 of Haryana Civil Services (Punishment and Appeal) Rules 2016 An FIR was also lodged with SHO, Panipat vide FIR No. 0722, dated 02.06.2016 against the concerned employees namely Sh. Surinder Singh and Sh. Zile Singh. Sh. Surinder Singh and Sh. Mehar Singh husband of Smt. Kavita were arrested by SHO, Panipat on 09.05.2017 The challan has been submitted on 29.07.2017 in the CJM Court, Panipat by SHO, Panipat. Sh. Zile Singh has been arrested on 13.12.2017. In this case Sh. Surinder Singh has been bailed out on 30.11.2017 by Hon'ble Punjab & Haryana High Court, Chandigarh after completion of six months

Moreover, a retired IAS Officer as an independent Inquiry Officer was also appointed to conduct departmental enquiry in this case. All allegations against these employees have been proved in the enquiry report. A copy of the enquiry report of the Inquiry Officer has also been sent to these employees for submitting their comments, if any. On the basis of comments sent by Sh Zile Singh, his personal hearing has been held on 14-11-2017 by the Managing Director of this Corporation and the competent authority has awarded 40% recovery out of the embezzled amount from his retiral benefits vide No. 8054-58 & No. 8059-63, dated 29-12-2017. The other employee Sh Surinder Singh has also sent his comments on 11-12-2017 against enquiry report and his personal hearing has been heard on 29-01-2018 by the Managing Director of the Corporation and the competent authority has awarded 60% recovery out of the embezzled amount from his retiral benefits. However, the case of Sh Surinder Singh is under process with the CJM Court, Panipat.

It is also intimated that the retirement benefits of Sh. Surinder Singh is Rs 11,64,073/- and Sh Zile Singh is Rs 4,50,619/- and the same have not been released so far. Thus, 100% recovery of embezzled amount will be met out from the above retiral benefits.

The Committee recommended that recovery may be effected from the erring officials.

3.9 Haryana Backward Classes & Economically Weaker Sections Kalyan Nigam Limited.

18. 3.9.1 Identification and selection of beneficiaries.

National Level Financial assistance Corporations (NFC's) for weaker sections have prescribed income and caste as basic criteria for selection of beneficiaries. Audit noticed that the Company had not formulated detailed guidelines related to identification and selection of beneficiaries. Scrutiny of records revealed:-

- The Company had conducted only one survey in 2009 to identify the targeted groups within the BCs, MCs and HPs. It had not maintained any district level data/survey reports of targeted families, and
- Records relating to applications received but rejected were not maintained and dates of submission of applications and sanction of loan were not recorded in the application forms. Thus, the time taken for sanction of loan from the date of application could not be analyzed in audit.

The Company and Government stated (August 2014 and January 2015) that it has devised guidelines in June 2008 but these could not be implemented due to shortage of staff and fund.

- 1 National Backward Classes Finance & Development Corporation
- 2 National Minorities Development & Finance Corporation
- 3 National Handicapped Finance & Development Corporation

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

It has been rightly pointed out by Audit that the Nigam is required to formulate guidelines to avoid biasness in selecting beneficiaries and making disbursements. To bring transparency in the working record pertaining to applications received and rejected are also required to be maintained.

Nigam contumaciously tries to strengthen the system and to bring transparency and time to time guidelines are issued for implementation of schemes. The detailed guidelines duly approved by the Board of Directors in its 106th meeting on 30.06.2008, were intimated to the District Managers for implementation (copy enclosed). Further, instructions were issued vide letter No 8685 dated 22.07.2016 and 1607-1626 dated 12.06.2017.

Survey to identify beneficiaries

To prepare a Data Bank Nigam published Press note/Advertisements in major Newspapers of Haryana inviting applications from the interested beneficiaries of Backward Classes, Minority Communities and Persons with Disabilities in the year 2009-10.

19. National Backward Class Finance and Development Corporation, National Minorities Development and Finance Corporation and National Handicapped Finance and Development Corporation.

Since the Nigam has no assurance/ consistency of release of funds from the National Corporations, it could not continue implementation of its framed guidelines and updation of data bank

As mentioned earlier a Loan Management and Monitoring System is being introduced which will record the time taken for each application at each step and delay will be reflected in each case. It will bring transparency in sanctioning of loan. Further, legacy data of the beneficiaries (from 01.4.2013 onwards) i.e. datewise payment of loans and its recovery details of the loanees is also being digitized and a data bank is being created in the loan management system to have a proper check.

Nigam is facing acute shortage of staff and against the sanctioned strength of 131 (One hundred thirty one only) employees only 35 (Thirty five) were working during August 2014 which has now reduced to 17 (Seventeen only) which is less than one for each district and head office

Sr. No	Designation	HQ	Field
Present Staff Position (Regular)			
1	District Manager	2	3
2	Field Officer	0	1
3	Clerk	0	2
4	Driver	2	0
5	Peon	3	4
Total		7	10
Staff Position (Contractual)			
6	District Manager	0	3
7	Assistant	1	0
8	Accountant	3	0
9	Data Entry Operator	4	23
10	Peon	3	16
Total		11	42

19. 3.9.2. Excess claim of interest rebate subsidy from the State Government.

The State Government directed (December 2005) the Company to reduce rate of interest on loan from six percent to five per cent in case of beneficiaries of backward classes and minorities who were regular in repayment of loan. The benefit was to be passed at the time of payment of final installment and was to be reimbursed to the company as subsidy. Audit observed that the Company

passed on the benefit of reduced rate of interest to all the beneficiaries, irrespective of their eligibility and claimed interest subsidy for defaulters also. It received Rs 75.91 lakhs as subsidy during 2005 to 2014 from the State Government on this account.

The Company and Government stated (August 2014 and January 2015) that necessary revised instructions had been issued to the field offices.

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

The Haryana Govt. vide letter dated 09.12.2005 decided as under:-

"henceforth the Nigam's (HSFDC & HBCKN) will charge 1% less rate of interest i.e. being charged at present".

The letter for rebate in interest was issued on 09.12.2005 and there was no condition that the benefit in rebate in interest is not to be given to the defaulters. This condition was imposed by the Govt. vide their letter No.212-SW (1)2012 dated 07.03.2012 and the Nigam could not implement it inadvertently. The mistake has been rectified and District offices have been directed on 28.07.2014 and 07.01.2016 to pass on the benefit of interest rebate only to the beneficiaries who are regular in repayment. It is also added that Haryana Govt. has waived off all the outstanding loans of beneficiaries as on 31.03.2013, as per letter No.696-SW(1)-2014 dated 04.09.2014 so indirectly the benefit has been passed on to all the beneficiaries irrespective of their status of recovery.

20. 3.9.3. Sanction and disbursement of term loans to Ineligible Beneficiaries.

As per the terms and conditions for granting term and education loan, only one member in a family is eligible for sanction of loan. The maximum limit of loan under term loan/ education loan scheme is Rs.10 lakh. Further, new loan can be granted only after repayment of the previous loan. Audit test checked the details of 139 beneficiaries in two selected districts out of 378 beneficiaries in 5 selected districts and observed as under:-

1. More than one member of families were extended loans; (one case involving amount of Rs.20 lakh ; and
2. Loans were sanctioned even where the already existing loans had not been fully repaid (one case involving amount of Rs 30 lakhs)

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

The Audit observed two instances where more than one member of same family have been extended loan. In the District Office, Gurgaon, three member of Backward Classes who has been advanced loan of Rs 10.00 lakhs each i.e Rs 30 00 lakhs. The details are as under:-

(Rs. in lakhs)

Sr. No.	Name & Address of the beneficiary	Age	Loan Advance	Date	Family Relation	Loan Recovered	Loan Outstanding
A)	District Gurgaon						
1	Lokesh Singh S/o Vikram Singh # 524, Gali No.-10, Surat Nagar, Gurgaon	26	10.00	30.12.11	Brother	4.05	5.95
2	Shakti Singh S/o Vikram Singh # 524, Gali No.-10, Surat Nagar, Gurgaon	24	10.00	30.12.11	Brother	4.05	5.95
3	Sher Singh S/o Vikram Singh # 524, Gali No.-10, Surat Nagar, Gurgaon	22	10.00	30.12.11	Brother	4.05	5.95
	Total		30.00			12.15	17.85

It is clarified that the beneficiaries were having separate families (copy of resident certificate of each member duly issued by O/o the Tehsildar, Gurgaon). They were doing the business separately i.e Modular Kitchen and Sanitary items, accessories of steel items and sanitary items etc. in the same premises. The loans were secured loans. The Nigam obtained security 1.5 times the loan value in the shape of collateral security and had mortgaged/mutated their properties in favour of the Nigam as per Nigam's guidelines.

On the basis of audit report Nigam got conducted the inquiry through Sh Jagdish Pahuja, District Manager, Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam, Karnal He submitted inquiry report on 20.09.2016 but was incomplete Now he has submitted final report on dated 22.12.2017. On the basis of findings, the then District Manager was found guilty He has already retired on 30.04.2015 and after re-employment, relieved from duties on 30.04.2016.

Out of Rs.30.00 lakhs disbursement to three beneficiaries, an amount of Rs.12,14,019/- along with interest of Rs.3,60,981/- has been recovered upto 17.08.2013 and balance outstanding as on 17.08.2013 were Rs.17,85,981/-. It is pertinently mentioned that the beneficiaries were paying installment regularly But, in the meantime, Govt. waived off all outstanding loans as on 31.03.2013 vide their letter No.696-SW(1)-2014 dated 04.09.2014

The defaulting officer has retired on 30.04.2015 and nothing is payable to employee from which the recovery can be made Pension is paid by EPF office and that cannot be stopped/reduced at this stage.

In the 2nd case, the audit observed that loan were sanctioned to three beneficiaries amounting to Rs.20.00 lakhs not Rs.30.00 lakhs of the same family even where the already existing loans had not been fully repaid. The details are as under:-

(Rs. in lakhs)

Sr. No.	Name & Address of the beneficiary	Loan Advance	Date	Relation as per Ration Card	Loan Recovered	Loan Outstanding
1	Sh Sanjeep Singh S/o Sh. Karnal Singh, V P O. Jagauli, District Ambala.	Rs 10.00	24.02.12	Self	Rs.0.65	Rs.9.35
2	Smt.Satvinder Kaur W/o Sh.Sanjeep Singh, V.P.O Jagauli, District Ambala.	Rs.5.00	15.03.13	Wife	Rs 1.76	Rs.3.24
3	Smt Sheel Kaur W/o Sh. Dalip Singh, V P O Jagauli, District Ambala	Rs.5.00	12.04.12	Mother- in-Law	Rs.2.23	Rs 2.77
	Total	Rs.20.00			Rs.4.64	Rs.15.36

Out of Rs.20.00 lakhs, Rs.4,64,200/- were recovered and balance Rs.15,35,800/- were outstanding as on 22.05.2014, 31.07.2014 & 04.08.2014 respectively. It is clarified that the one of the three is a female loanee and is a member of independent separate family and is doing independent Dairy Business (i.e Smt. Sheel Kaur w/o Sh. Karnail Singh). But, in the meantime, Govt. waived off all outstanding loans as on 31.03.2013 vide their letter No 696-SW(1)-2014 dated 04.09.2014.

Regarding first loan it is intimated that as soon as the fact came to the notice, Nigam took action immediately and recovered the entire outstanding loan amount Rs.15460/- (first loan) vide receipt No.23/3526 dated 22.05.2014 and closed his account (Sh Sanjeep Singh S/o Sh. Karnail Singh)

Similarly in case of Smt Satvinder Kaur balance amount of first loan Rs 9160/- was recovered on dated 22.05.2014

Regarding such cases an inquiry was got conducted for irregularities and the officer found guilty was punished by stoppage of one increment with cumulative effect i.e stoppage during his service period and less pension after retirement.

21. 3.9.4 Post-disbursement monitoring of financial assistance.

The NFC guidelines require monitoring of schemes to ensure that the funds granted are used for intended purposes only. Audit observed lack of monitoring system for schemes and noticed:

- Inadequate documentation in support of pre-disbursement and post-disbursement inspection;
- The utilization certificate submitted by beneficiaries in case of term loan were neither supported by invoices nor any verification was conducted by the officials as regards utilization of loan; and
- Insurance cover was obtained from the beneficiary for assets purchased during first year only Gurgaon and Ambala districts, insurance cover was not obtained even in first year of the purchase of assets.

The Company and Government in their reply stated (August 2014 and January 2015) that pre-disbursement and post disbursement inspection is being carried out. The reply is not acceptable as field officers failed to provide any such inspection reports.

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

Verification are done by the District Manager before providing loans to the beneficiaries in the prescribed Performa. The Nigam has again issued check list before disbursement of loan to all the District Managers vide its letter No. 610-29 dated 09.03.2017.

After the disbursement of loan, verification of assets etc. is made by the officers/officials of the Nigam as and when place of the beneficiary is visited in connection with the recovery of loan. To simplify the loan disbursement procedure, the BOD in their 96th meeting held on 19.12.2005 simplified formalities for loan upto Rs.50,000/-, the payment is made direct to the beneficiaries no bills /invoices required and more than Rs.50,000/- most of the loan cases invoices are obtained by the beneficiaries. The instructions in this respect has already been issued to all the District Managers vide of this office letter No.LA/2006/15337-355 dated 21.02 2006 However all the District Managers have been again directed to complete the formalities and follow the instructions strictly.

Moreover, all the Additional Deputy Commissioners have been directed vide DO letter dated 04 01.2018 to give feedback report regarding the impact of the schemes (Loans) on the life of the target group w.e.f. 01 04.2013 to 31.03.2017.

Normally insurance at the time of disbursement of loan for the 1st year is obtained As far as, the insurance of subsequent years is concerned, the beneficiaries are being informed to complete the insurance of assets timely onwards. This aspect is also being examined and insurance companies are being contacted to give blanket insurance coverage for future loaning period.

22. 3.9.5 Recovery Performance.

The loan was required to be recovered in monthly installments in five years in case of term loan as well as education loan and 10 years in case of housing loan. The percentage of recovery of the due amount during the last five years ending March, 2014 ranged between 21 and 39 percent in case of BCs, 14 and 25 in case of MCs and 29 and 35 percent in case of HPs. The company had not received a single installment from 68 beneficiaries (BCs-30, MCs-24 and HPs-14) involving an amount of Rs. 37.90 lakhs (BCs-Rs.16.02 lakh, MCs- Rs.12 78 lakh and Hps-Rs.9 10 lakh) Further, 583 beneficiaries (BCs-193, MCs-103 and HPs-287) involving an amount of Rs.222.68 lakhs (BCs-Rs.104 53 lakh, MCs- Rs.44.26 lakh and Hps-Rs.73 89 lakh) had not deposited any installment during last one to four years. The company did not take any action against sureties (including government servants) of these 651 (68+583) beneficiaries. The Company had obtained post dated cheques from 2283 loaners in four(20) test checked districts at the time of disbursement of loans but these cheques were never presented for payment in case of default

The Company and Government in their reply stated (August 2014 and January 2015) that recovery notices/reminders/legal action could not be issued/ initiated against defaulters (except for Gurgaon) due to skeletal staff The reply is not acceptable as in the absence of action against defaulters recovery cannot be expected.

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

Under Term Loan Scheme loan is recovered in 60 monthly installments and under Education Loan scheme amount is recovered in 60 installments after completing the study course with a moratorium period of 6 months

The detail are as under -

Category	Due	Recovery effected	Balance	Percentage
Backward Classes	659 29	556 32	102.97	84%
Minority Communities	166 09	151.05	15.04	91%
Person With Disabilities	600 30	499 61	100 69	83%
Total	1425.68	1206.98	218.70	85%

The progressive recovery from beneficiaries is 85%. It is as per the prescribed procedure of National Corporation.

It is true that some of the beneficiaries could not deposit even a single installment of loan because of their poor financial position. The Nigam try its best to recover the amount from the beneficiaries.

The Nigam is dealing with under privileged persons of the society. Its aim is to improve the Socio-economic status of the persons who are poorest amongst the poor. The Nigam, deals with uneducated, unskilled persons. It is not easy for beneficiaries to compete in the market with the already established traders of privileged class. Appreciating this hard reality, the Government from time to time gives special grant, it waived off the loans in 1986, the Government allowed 'One Time Settlement Scheme' during the year 2007-08 and now from 1st April, 2014 to 30th September, 2014, the scheme has again been launched.

The Government with a view to extend benefits to enable the poor people for self employment and self sufficient, waived off all the outstanding loans of beneficiaries upto 31.03.2013 vide their letter No 696-SW(1)-2014 dated 04.09 2014.

However, to recover the amount the Nigam has preferred personal contact approach, Sureties and reputed persons of the area are also approached for pursuing the beneficiaries to make repayment.

23. 3.9.6 Internal Control.

There was no system of checking of the disbursal of loans and records of the field office by Head Office. Therefore, possibility of irregular sanction and release of loan by district offices could not be ruled out. There was no segregation of duties in the field offices and same persons were performing the duties of accountant, cashier and field officer which was open to risk of embezzlement/misappropriation. The records were not maintained properly. There was no system of conducting reconciliation of accounts between field offices and Head Office of the Company.

Thus, the Company passed on the benefit of One percent interest subsidy even to ineligible beneficiaries. The Company also disbursed multiple loans to same family and to beneficiaries who had not repaid existing loans fully. The percentage of recovery was poor as it ranged between 14 to 39 percent.

The matter was reported to the Company and Government in June 2014, their reply was received in August, 2014 and January, 2015. The replies had been suitably incorporated.

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

The audit has very rightly pointed out that Head Office has no system of checking of record of field offices. At Chandigarh Head Quarter there were only five officers (two as on 31.12.2017) and they too have additional charges of field offices also. They manage to visit their district offices only once or twice in a month. Under the circumstances possibility of regular checking/ Internal Control is not manageable. The segregation of duties is not possible. It has on an average 1 employee only per district. The same person is performing duties of all the posts. The segregation of duties is possible only after the appointment of fresh staff and at present one man branch cannot segregate duties.

To check the accounts and have a proper internal control of financial affairs Nigam has outsourced the services for the maintenance of accounts and internal audit to M/s Sadana & Company, Chartered Accountant for the year 2013-2014 and 2014-2015. Moreover, with the help of IT and Computerization all out efforts are being made to have proper control over accounts.

It is also added that Nigam has requested Haryana Staff Selection Commission and the Chief Secretary's office for the appointment of fresh regular employees. The Nigam is sure to create an Internal Audit Wing to strengthen its internal control system, immediately after the appointment of regular employees.

The Committee desired the criterion for giving loan to the beneficiaries may be made. Report regarding disbursement of loan time and again to the same beneficiaries may be provided to the Committee within 6 months. Further family to whom benefit has been given once may not be granted loan again besides loan should not be given to the defaulters. Policy on the above recommendation may be framed.

Appendix-5

Statement showing loss due to excess payment of fixed cost
(Referred to in paragraph 3.3 (i))

Particulars	Fixed Cost (₹ in crore)		Distribution of Excess Fixed Cost (₹ in crore)		Ratio of Excess Fixed Cost (₹ in crore)	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
2011-12						
PLF approved by APTL (in per cent)	85.00	85.00	85.00	85.00	85.00	85.00
Actual PLF (in per cent)	96.09	95.12	91.99	30.91	54.46	51.1
Fixed cost approved (₹ in crore)	167.70	167.70	253.62	253.62	404.28	404.28
Pro-rata reduction of fixed cost at lower PLF	N.A.	N.A.	N.A.	92.23	259.02	243.04
	169.40	169.40	203.30	203.30	419.95	419.95
Fixed cost (₹ per unit)	0.99	0.99	1.25	1.25	0.96	0.96
Units sold (Units in crore)	191.87	189.77	294.52	0.00	269.32	251.09
	0.394	4.5741	3.618	3.35	9.82	2.587
Total units (Units in crore)	192.26	194.34	298.14	3.35	279.15	253.68
Fixed cost paid (₹ in crore)	190.33	192.40	371.94	4.18	268.73	244.21
Excess payment (₹ in crore)	22.33	24.70	118.32	88.05	87.71	89.48

Details of Pending Recommendations of the Committee till the Finalization of this Report.

Sr. No.	Board/ Corporation	Report No.	Recommendation	No. of Recommendations
1	2	3	4	5
	HVPNL/HPGCL/ UHBVNL/ DHBVNL	35 th	23 HPGCL	1
		38 th	21 UHBVNL	1
		43 rd	29 HVPNL	1
		48 th	20 UHBVNL	1
		52 nd	7,8,10,11 HVPNL 12 UHBVNL	5
		53 rd	1 HPGCL 42 UHBVNL	2
		56 th	3 DHBVNL	1
		57 th	6 UHBVNL/ DHBVNL	1
		58 th	1 DHBVNL	1
		60 th	2,3 DHBVNL	2
		61 th	1-4 UHBVNL & DHBVNL	4
		62 nd	5 HPGCL 12-14 HVPNL	4
		63 rd	1-7 UHBVNL & DHBVNL	7
	TOTAL			31
2.	Haryana State Industrial and Infrastructure Development Corporation	52 nd	15	1
		53 rd	16,17,20,23	4
		57 th	4	1
		58 th	4	1
		60 th	8	1
		62 nd	6-10	5
	TOTAL			13

3	Haryana Financial Corporation Ltd.	49 th	2,3,4,5,6	5
		50 th	4,23	2
		52 nd	18	1
		56 th	5,6	2
		57 th	9,10	2
	TOTAL			12
4.	Haryana Agro Industries Corporation Ltd	16 th	6 29	1
		23 rd	14-16	3
		38 th	8	1
		48 th	27-33	7
		52 nd	17,20,21	3
		53 rd	29-36	8
		56 th	2	1
		57 th	7	1
		58 th	6,7	2
		59 th	8-16	9
		62 nd	11	1
	TOTAL			37
5	Haryana Land Reclamation & Development Corporation Ltd	53 rd	39	1
	TOTAL			1
6	Haryana Warehousing Corporation Ltd.	49 th	13	1
		50 th	16,18	2
		52 nd	19	1
		53 rd	28, 47	2
		55 th	8,9,10,11,13	5
		60 th	7	1
		63 rd	8-14	7
	TOTAL			19

7	Haryana Seeds Development Corporation Ltd	49 th	9	1
		53 rd	3,4	2
	TOTAL			3
8.	Haryana Tourism Corporation Limited	48 th	11	1
		53 rd	25-27	3
		58 th	5	1
		59 th	4,5	2
		62 nd	1-4	4
	TOTAL			11
9.	Haryana Forest Development Corporation Limited	58 th	3	1
	TOTAL			1
10	Haryana SC Finance & Development Corporation Limited	60 th	6	1
		63 rd	1	1
	TOTAL			2
11	Haryana Roads & Bridges Development Corporation Limited	55 th	14	1
		57 th	8	1
		60 th	4	1
		61 st	5,7-12	7
		62 nd	15-16	2
	TOTAL			12

12.	Haryana Police Housing Corporation Limited	60 th	5	1
	TOTAL			1

Sr. No.	Board/Corporation	Report No.	Recommendation	No. of Recommendation
1	2	3	4	5
Outstanding recommendation in respect of Non-General working companies				
1	Haryana State Small Minor Irrigation & Tubewells Corporation	42 nd	27	1
		51 st	5,6	2
	TOTAL			3
2.	Haryana State Small Industries Export Corporation	19 th	11(General)	1
		43 rd	3,4,7	3
		51 st	8	1
		TOTAL		
3	Haryana Mineral Limited	41 st	18	1
		45 th	1-14 (General)	14
		48 th	23,24,41	3
	TOTAL			18
Outstanding recommendation in respect of General working companies				
1	Haryana Urban Development Authority (HUDA)	47 th	1-20	20
	TOTAL			20

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