

## Chapter-III

Miscellaneous topics of interest relating to Government companies and Statutory corporations.

### 3A GOVERNMENT COMPANIES

#### 3A.1 Haryana Vidyut Prasaran Nigam Limited

##### 3A.1.1 Extra expenditure

**The Company incurred extra expenditure of Rs 0.28 crore in purchase of conductor at higher rates.**

The Company decided (May 1999) to construct two transmission lines of 220 KV each, one from Shahabad to Panchkula departmentally and the other from Palli to Badshahpur on supply-cum-erection basis with loan assistance from Power Finance Corporation. Construction of transmission lines require mainly conductor and tower material. The Company was to arrange and supply the tower material from the workshop of Bhakhra Beas Management Board, Nangal for both the transmission lines.

For Shahabad-Panchkula line to be constructed by the Company departmentally, it placed (February 2000) an order for supply of 408 Km ACSR Zebra conductor at Rs 1,27,419 per Km FOR destination (against tender opened in October 1999) on M/s Marshall Power and Communication (I) Limited, Chennai (MPCL). The firm supplied the entire quantity of 408 Km by March 2001.

As regards the construction of Palli-Badshahpur line, the Company awarded (March 2000) two contracts at the lowest quoted rate of Rs 4.22 crore for supply of material (Rs 2.91 crore including 138 Km ACSR Zebra conductor at Rs 1,64,782 per Km) and erection, testing and commissioning of the line (Rs 1.31 crore) to M/s Tata Projects Limited, Hyderabad (against tender opened in October 1999) with the stipulation to complete the work by June 2001.

It was noticed (September 2000) in audit that Store Purchase Committee of the Company had recommended (January 2000) that in view of the high rate of Rs 1,64,782 per Km of conductor offered by M/s Tata Projects Limited,

Hyderabad for Palli-Badshahpur line, the Company should supply the conductor by procuring it from MPCL who had supplied them for the Shahabad-Panchkula line at a lower rate.

**The Company did not avail lower rate, which resulted in extra expenditure**

Although MPCL was ready (February 2000) to supply the extra quantity of 138 Km conductors at Rs 1,44,355 per Km, the Board of Directors had not availed this rate and instead placed the order on M/s Tata Projects Limited, Hyderabad at Rs 1,64,782 per Km. Had the Company procured 138 Km conductor at available offer of Rs 1,44,355 per Km, extra expenditure of Rs 28.19 lakh could have been avoided.

The Company and Government stated (July 2001/August 2001) that it remains economical to get the work completed on turn key basis as departmental construction takes longer time as the availability of matching items gets delayed for one reason or the other. The reply was, however, not tenable as the Store Purchase Committee had recommended (January 2000) that in view of higher rates of conductors received from M/s Tata Projects Limited, the Company should supply the conductor by procuring it from tenders received (October 1999) against another tender enquiry. Moreover, the work being executed was not wholly on turn key basis because the Company had supplied towers and gantries to M/s Tata Projects Limited.

### **3A.1.2 Extra expenditure in the purchase of power transformer and Vacuum Circuit Breakers (VCBs)**

**Failure of the Company to persuade the supplier to supply transformer and VCBs at prevailing rate resulted in extra expenditure of Rs 0.25 crore.**

Terms and conditions of purchase orders placed by the Company (erstwhile Board), *inter alia*, provided that when the supplier failed to deliver the material within the contractual delivery period, the Company as a purchaser had a right to refuse/accept such supplies. The Whole Time Members (WTMs) of the Company decided (October 1994) that while accepting delayed supplies the present market rates of the material should be ascertained and compared with the rates of delayed supplies.

(a) During audit of the office of Chief Engineer, Design & Procurement of the Company, it was noticed (September 2000) that the Company placed (January 1998) an order for supply of one 10/16 MVA, 132/11 KV Power Transformer on Kirlosker Electric Company Limited, New Delhi at an equivalent rate of Rs 53.95 lakh. The firm could not supply the transformer within contractual delivery period of September 1998, as the transformer failed (July 1998) in the short circuit test. The Company, however, extended (March 1999) the delivery schedule and received the transformer in May 1999 after usual testings.

**The Company delayed the opening of part II of the bids which resulted in purchase at higher rates**

In the meanwhile, the Company floated (August 1998) another tender enquiry for procurement of 12 No. transformers of the same capacity which were required during 1998-99. Though Part I (technical) of the bids was opened in October 1998, Part II (financial) of the bids was opened in April 1999. The lowest offer of Andrew Yule and Company Limited, Chennai at equivalent rate of Rs 39.69 lakh per transformer was accepted.

It was observed (September 2000) in audit that the Company while extending the delivery schedule for Kirloskar Electric Company Limited, did not consider the decreasing trend of prices, as at the same time other tenders were under consideration. The Board could have persuaded the supplier to supply the transformers at the latest prices which were quite low.

Thus, failure of the Company to ascertain the prevailing market rate, while accepting the delayed supply, had resulted in extra expenditure of Rs 11.94 lakh after adjusting penalty (Rs 2.32 lakh) for delay in delivery of power transformer.

The Management and Government stated (July 2001) that the new rates were available on 9 April 1999 whereas the delayed supply was accepted on 19 March 1999. The reply was, however, not tenable as the Company took 170 days to open the price bid only in April 1999 though the material was required during 1998-99.

**(b)** Similarly, in another case, it was noticed (September 2000) that the Company placed (September 1997) an order on M/s Powergear Limited, Bangalore for supply of five sets of 11 KV 12 panel board Vacuum Circuit Breakers (VCBs) at an equivalent rate of Rs 37.52 lakh per set. The VCBs were to be supplied by the firm by 6 July 1998. The firm, however, failed to supply the material within the stipulated period of supply.

In the meanwhile, in order to meet the requirements for 1998-99, the Board floated (July 1998) another tender enquiry (QDH-293) for the procurement of 11 KV 12 panel board VCBs. Part one of the bid consisting of technical parameters was opened on 14 September 1998. Although the VCBs were required urgently, yet price bid of the tender was opened on 6 April 1999 after the completion of the year 1998-99, for which the tender was floated. The offer of Andrew Yule and Company Limited, New Delhi was found to be the lowest at Rs 30.60 lakh per set of VCB. Despite downward trend in prices of VCBs as witnessed in the instant tender enquiry, the Company decided (October 1998 and March 1999) to accept two sets of VCBs from M/s Powergear Limited, Bangalore, which were received in December 1998 and April 1999 at Rs 37.52 lakh and Rs 36.90 lakh respectively.

**The Company delayed the opening of part II of the bids which resulted in purchase at higher rates**

It was observed (September 2000) in audit that when the equivalent rate received against tender enquiry QDH-293 was lower, the decision of the Company to accept the supply of two sets of VCBs after the expiry of the contractual period was not justified. The Company, however, cancelled the order for the balance three sets of VCBs in April 1999.

Thus, failure of the Company to offer the prevailing actual price while accepting the delayed supply resulted in extra expenditure of Rs 13.22 lakh.

The Management and Government stated (July 2001) that keeping in view the urgency, the material was accepted on 1 March 1999. The reply was not tenable as the erstwhile Board/Company took 203 days to open the price bid in April 1999 though the material was required during 1998-99 and order for three sets of VCBs was cancelled after opening the price bids received against QDH-293.

### **3A.1.3 Delay in recovery of excess expenditure on deposit work**

**The Company suffered loss of interest of Rs 0.10 crore on delayed receipt of excess expenditure incurred by it in a deposit work.**

Departmental Financial Rules adopted by the erstwhile Haryana State Electricity Board (Board) provided for recovery of estimated expenditure in lump sum or in instalments before starting the execution of deposit work and limiting of the expenditure on deposit work to the amount of deposits received. For any excess expenditure, action should be taken at once to recover the same from the concerned party. The erstwhile Board decided (September 1983) that in case the works are executed without getting sufficient deposit, the loss may be recovered from both; the Sub-Division Officer and the Executive Engineer concerned on *pro rata* basis.

For providing power supply to Panipat Refinery Project of Indian Oil Corporation Limited (IOC), the Chief Engineer/Construction framed/sanctioned (September 1994) an estimate for deposit work (estimated cost: Rs 3.88 crore), including work for providing line and carrier communication, supply, delivery, and erection of 132 KV double circuit line from Panipat Thermal Power Station to Panipat Refinery Project, Beholi, Panipat. This estimate was framed on a tentative basis and it was decided (September 1994) mutually that expenditure would be taken on actual basis after completion of work. Against the deposit estimate, IOC deposited Rs 3.87 crore during January 1994 to October 1994. The work was completed by October 1997 at a cost of Rs 4.06 crore.

It was, however, seen in audit (October 1998) that the Company failed to recover the excess cost of Rs 18.77 lakh from IOC as per provisions of the financial rules. The revised estimate on actual basis was also not prepared. On being pointed out (October 1998) in audit, the excess expenditure was recovered from the IOC in April 2001. The Company, however, suffered loss of interest of Rs 10.28 lakh (on cash credit rates ranging between 15 and 17.85 *per cent*) on the delayed receipt of its dues for the period from December 1997 to April 2001. The Company had not taken any action against the defaulting officers.

Thus, non-compliance of the provisions of the financial rules and Board's instructions had resulted in loss to the Company to the tune of Rs 10.28 lakh.

The matter was referred to the Company and Government in May 2001; their replies had not been received (September 2001).

## **3A.2 Haryana Power Generation Corporation Limited**

### **3A.2.1 Avoidable payment of interest**

**Failure of the erstwhile Haryana State Electricity Board to pursue the case with Civil Judge (Senior Division Ambala) had resulted in avoidable payment of interest of Rs 0.11 crore.**

The Company (erstwhile Haryana State Electricity Board) placed (October 1979) a work order for manufacturing and supplying of precast compressed cement concrete tiles on Sunil Engineering Works, Dehradun. The firm supplied the material and received the payment in March 1987 under protest. Aggrieved by various recoveries made by the Company, viz. short receipt of payments, recovery for cement bags, suspension of work etc. amounting to Rs. 46.75 lakh, the firm requested (October 1988) the Superintending Engineer (SE), Western Yamuna Canal (WYC) Hydro-Electric (HE) Project, Yamuna Nagar for taking up the matter for appointment of arbitrator under clause 25A of the agreement. Senior Sub-Judge, Ambala appointed (October 1992) SE, WYC, HE, Project, Yamuna Nagar as Arbitrator.

**The erstwhile Board did not implead against the wrong decree and paid avoidable interest**

The Arbitrator awarded (September 1993) claims aggregating Rs 10.75 lakh alongwith interest at 12 *per cent* per annum from the date of completion of work to date of award in favour of the firm. On a petition (October 1993) by the firm, Civil Judge (Senior Division), Ambala made (October 1996) the award of the Arbitrator, rule of the court. On an appeal filed (October 1996) by the Company, the District Judge, Ambala allowed (31 May 1997) the claim of Rs 10.75 lakh to the firm with interest at the rate of 12 *per cent* per annum from the date of award till its realisation. Instead of implementing the decision of the aforesaid Court, the erstwhile Board filed (1997) a civil revision appeal in the Punjab and Haryana High Court which was dismissed on 29 June 1998. Special leave application (August 1998) of the erstwhile Board was also dismissed by the Supreme Court of India on 2 November 1998. In the meantime, the firm obtained (July 1997) a decree from Civil Judge (Senior Division), Ambala City to implement the award of the arbitrator which was made rule of the court in October 1996.

It was seen (June 2000) in audit that the erstwhile Board did not make any appeal to the Civil Judge (Senior Division), Ambala City impleading that interest from the date of completion of the work till the date of award was

already waived off (May 1997) by the District Judge, Ambala. The erstwhile Board as such deposited (July 1997) Rs 26.92 lakh through its banker (Rs 10.75 lakh alongwith interest at 12 *per cent* per annum from date of completion of work i.e. from 28 December 1984 to date of realisation i.e. 15 July 1997).

Failure of the Company to inform the Civil Judge (Senior Division) Ambala about the waiver of interest from the date of completion of work till the date of award resulted in avoidable payment of interest to the tune of Rs 11.28 lakh.

The matter was referred to the Company and the Government in March 2001; their replies had not been received (September 2001).

### **3A.3 Uttar Haryana Bijli Vitran Nigam Limited**

#### **3A.3.1 Undue benefit to a firm in purchase of transformers**

**Inaction by the Company despite being aware of the misrepresentation of Sales Tax details by a firm resulted in undue favour of Rs 0.24 crore to the firm.**

Against tender enquiry opened (March 1997) for the purchase of 100 KVA distribution transformers, the Material Management Organisation of the Company placed (July/August 1997) purchase orders (POs) on 14 firms for the purchase of 5000 transformers at the lowest equivalent rate of Rs 43,669.40 (basic price Rs 36,776.20, excise duty @ of 13 *per cent* Rs 4,780.92, Central Sales Tax (CST) @ 4 *per cent* Rs 1,662.28 and freight and insurance Rs 450) per transformer. These POs included two POs placed (July 1997) on firm A (Nucon Switchgears Private Limited, Ludhiana) for 1000 transformers and firm B (Nucon Power Controls Private Limited, Ludhiana) for 100 transformers. In response to above tender, both the firms quoted their rates alongwith 13 *per cent* excise duty, CST at 4 *per cent* against form 'C' and Rs 450 for freight and insurance.

After completion of supply order of 1000 transformers by firm A, an additional order for supply of 1500 transformers at the same rate, terms and conditions was placed (April 1998) on the firm. All the 1500 transformers against this additional PO were supplied by the firm B (sister firm of A) as per terms of the purchase order.

It was noticed (June 2000) in audit that both the firms quoted the same CST number while providing a certificate (March 1998) regarding sales tax whereas the fact was that the firm B was exempted from sales tax. This fact was noticed (June 1998) by the Company, when the invoices for dispatch of transformers were received from the firm B. The invoices indicated the enhanced basic price by adding the element of sales tax to the basic price i.e.

**The supplier misrepresented about the imposition of sales tax which was ignored by the Company**

from Rs 36,776.20 to Rs 38,247.26 per transformer. The Company, however, ignored the fact of misrepresentation made by the firm B and released payments (June 1998 to May 1999) at the enhanced basic price without insisting the firm to pass on the benefit of sales tax to the Company.

Thus, misrepresentation by the firm B regarding the CST number and inaction by the Company even after having knowledge of such misrepresentation resulted in passing of undue benefit to the firm to the extent of Rs 23.54 lakh being the difference in basic price (Rs 1471.06) of two firms on purchase of 1600 transformers.

The Company and Government stated (April 2001 and May 2001) that the payments have been made strictly as per terms of purchase orders, which were agreed to during negotiations. The reply was not tenable as the firm B, while submitting quotations quoted CST at 4 *per cent* and mentioned a fake sales tax number belonging to its sister concern (Firm A). The purchase amount of PO was inclusive of basic price, excise duty, CST and Freight and Insurance at prescribed rates. The company should have considered the misrepresentation by firm B before making payment.

### **3A.4 Dakshin Haryana Bijli Vitran Nigam Limited**

#### **3A.4.1 Short realisation of revenue**

##### **Under realisation of revenue of Rs 0.11 crore due to short assessment of penalty.**

Sales instructions (October 1998) provide that in the cases of theft of energy by high tension industrial consumers, assessment of energy based on contract demand shall be computed for the entire period during which there had been theft of energy. If such period cannot be determined, the period of preceding six months from the date on which theft is detected shall be charged. The connection of the consumer is to be disconnected immediately and FIR lodged simultaneously. Number of hours per day is to be taken as 8 in case of single shift and 12 in case of industries working on two/three shifts. Consumption of energy for the period of assessment would be charged at twice the tariff rate per unit. In case, the consumer deposits 50 *per cent* of the penalty amount assessed within 48 hours, the connection is restored back and the consumer becomes eligible for filing an appeal to the appellate authority against the penalty.

The premises of a consumer (M/s Rattan Milk Specialities) having contract demand of 500 KVA under operation sub-division Punhana was checked (22 and 23 September 2000) by vigilance staff of the Haryana Vidyut Parsaran

Nigam Limited (HVPNL), Panchkula, who found that the consumer was committing theft of energy by manipulating the meter.

The connection of the consumer was temporarily disconnected (23 September 2000) and a notice of recovery for theft of energy of Rs 18.82 lakh was issued on 25 September 2000. The HVPNL raised demand for the period from the previous checking done by the Maintenance and Protection (M&P) wing to the date of detection of the theft taking consumption as a single shift industry. After getting deposit of Rs 9.41 lakh (50 *per cent* of the recoverable amount) on 28 September 2000 the connection of the consumer was restored (14 October 2000). The consumer, however, filed an appeal (23 October 2000) with the appellate authority (Chief Engineer, Operation Delhi) on the grounds that it had not committed any theft. The decision of appellate authority was awaited (June 2001).

It was observed (October 2000) in audit that milk plant being a continuous process industry operating on three shifts, the consumer should have been charged penalty of Rs 41.77 lakh. Since the consumer was bound to deposit 50 *per cent* of the assessed amount before going for appeal, it could have realised Rs 20.89 lakh instead of Rs 9.41 lakh. This resulted in loss of revenue of Rs 11.48 lakh and interest on the same.

The matter was referred to the Company and Government in May 2001; their replies had not been received (September 2001).

### **3A.5 Haryana State Industrial Development Corporation Limited**

#### **3A.5.1 Irregular disbursement of bridge loans**

**The Company disbursed bridge loans of Rs 1.70 crore to clear the defaults of existing term loans, which had become irrecoverable due to declaration of the unit as sick by the BIFR.**

The Company sanctioned (May 1995) a bridge loan of Rs one crore to M/s O.K. Play India Limited, Sohna, district Gurgaon (promoted by Shri Rajan Handa, Shri T R Handa and Shri Rajesh Chopra) for a period of three months against the enhanced working capital limit to be sanctioned by Canara Bank despite the fact that the loanee was in default and had not paid overdue instalments aggregating Rs 32.27 lakh of the earlier term loans. The terms of sanction, *inter alia*, provided that the unit would furnish a collateral security in the form of fixed assets equivalent to loan assistance and interest thereon and personal guarantees of two directors (Shri Rajan Handa and Shri T.R. Handa). The Company released (May 1995) the loan after adjusting the overdues of Rs 32.27 lakh of earlier term loans. The unit did not repay the bridge loan of Rs one crore in spite of extension of nine months allowed by the Company.



**The Company disbursed the bridge loan just to clear the default of earlier loans**

The unit again approached (March 1996) the Company for another bridge loan of Rs 70 lakh against working capital, which was sanctioned (March 1996) by the Company for three months with the conditions, *inter alia*, to provide collateral security at 133 *per cent* of the loan and interest thereon and personal guarantees of same two directors. The Company returned five cheques worth Rs 71.04 lakh of the unit, which were submitted by it to clear defaulting amount on account of interest and instalments of earlier term loans in the same month. The Company after obtaining a fresh cheque of Rs 1.04 lakh adjusted newly sanctioned bridge loan of Rs 70 lakh against above five cheques.

Regarding the collateral security, it was noticed that the Company obtained (January 1995) collateral security of land and building at Mehrauli, New Delhi which was valued at Rs 1.87 crore for a bridge loan of Rs one crore. The Company, instead of asking for additional collateral security for bridge loan of Rs 70 lakh, accepted (March 1996) the same property at its revised value of Rs 2.41 crore against the requirement of Rs 2.03 crore.

The Company later discontinued (April 1996) the bridge loan scheme and asked the unit to repay the bridge loans by June 1996, which were not repaid by the loanee. On the notice issued (December 1998) by the Company to take over assets of the unit, the loanee obtained stay orders from the Court which was got vacated by the Company in February 1999. The loanee unit, however, prepared its annual accounts up to the year ended 31 December 1998 by changing its accounting year and referred the unit to Board for Industrial and Financial Reconstruction (BIFR), which declared the unit as sick and appointed Canara Bank as Operating Agency to prepare rehabilitation plan.

**Disbursement of loan without adequate security rendered the recovery doubtful**

Thus, the Company sanctioned bridge loans of Rs 1.70 crore to a loanee just to clear the defaults of existing term loans, which had ultimately not been repaid by the unit. The Company also accepted collateral security by revising the value of the property already offered as security. As on 30 June 2001, an amount of Rs 4.68 crore (Principal Rs 1.70 crore and interest of Rs 2.98 crore) was recoverable on two bridge loans. The Company had not invoked the personal guarantee of the promoters and the chances of recovery are remote, as the unit had put itself under the shelter of BIFR to stay the recovery proceedings initiated by the Company.

The Company stated (June 2001) that collateral security had been got revalued in view of the shooting up of prices of property at Delhi and the recovery had not yet become irrecoverable as the unit had sufficient fixed assets. The reply was not tenable as the Company had no prevalent system to upgrade the value of mortgaged assets and the bridge loan was also not secured against the fixed assets of the unit.

The matter was referred to the Government in April 2001; the reply had not been received (September 2001).

### 3A.5.2 Doubtful recovery of loan

**The Company disbursed loan to an unviable unit without verifying the ownership of collateral security, which resulted in doubtful recovery of Rs 0.23 crore.**

#### Sanction of loan to an unviable unit

M/s Vani Fertilizers Limited, New Delhi (Promoted by Shri Balwant Rai Kapoor and Shri Ashok Kapoor) applied (November 1998) for a term loan of Rs 1.22 crore for setting up a zinc sulphate manufacturing unit at Roz-Ka-Meo, Sohna (Gurgaon). The Advisory Committee under the chairmanship of Executive Director (F) of the Company considered (15 February 1999) the loan application, despite being aware that Punjab Financial Corporation had not provided term loan for setting up of any zinc sulphate unit in the last ten years. Performance of two units manufacturing same product in Gurgaon District financed by Haryana Financial Corporation (HFC) were also analysed. The Committee decided (February 1999) to collect more information regarding units financed by HFC, before deciding about sanction of loan.

The Advisory Committee reconsidered (24 February 1999) the case and in the absence of any additional information regarding units financed by HFC, recommended the case for sanction of Rs 87 lakh with the condition that the unit would furnish collateral security valuing Rs 1.25 crore. Accordingly, the Company sanctioned (19 March 1999) the term loan and entered into (20 March 1999) an agreement with the unit.

#### Acceptance of collateral security without verification rendered the recovery of loan doubtful

In compliance with the terms of the agreement, the borrower firm offered third party property owned by Smt. Swaran Lata in the form of a residential plot, measuring 355.50 square yard (No. 184, Saini Co-operative House Building Society Limited, Karkar Duma, Shahdara, Delhi). This property was rejected by the Company since it was on a 99 year lease allotted by Delhi Development Authority (DDA). Subsequently, this property was accepted by the Company as collateral security, as the said Smt. Swaran Lata produced a permission letter dated 15 March 1999 stated to have been issued by DDA granting permission to mortgage the said plot. Accordingly, the Company disbursed (16 April 1999) a sum of Rs 17.40 lakh to the borrower and approached (April 1999) the DDA to mark lien on the said property in favour of the Company in their records. DDA, however, informed (May 1999) the Company that no such permission to mortgage was granted to Smt. Swaran Lata and as per their record this plot stood in the name of some other person (Shri Amit Modi) since November 1995.

Sensing fraud committed by the promoters, the Company recalled (July 1999) the entire loan. When the firm did not respond to the recall notice, it took over possession of the unit (October 1999) under section 29 of State Financial Corporations Act, 1951 for recovery of dues and got assessed (February 2001) net realisable value of the unit at Rs 10.42 lakh. The Company also lodged (February 2000) an FIR with the police against the promoters for committing fraud. Further developments were awaited (March 2001).

Sanction of loan by Advisory Committee without detailed analysis of viability of units manufacturing zinc sulphate and non-verification of ownership of collateral security before disbursement had rendered the recovery of Rs 22.95 lakh (principal Rs 17.40 lakh and interest and other expenses Rs 5.55 lakh up to March 2001) doubtful. The Company has however, not fixed any responsibility for above lapses.

The matter was referred to the Company and the Government in April 2001; their replies had not been received (September 2001).

### **3A.6 Haryana Seeds Development Corporation Limited**

#### **3A.6.1 Avoidable loss on carry over stocks**

**The Company fixed unrealistic price for selling WH 542 variety of wheat seed and later did not reduce it in time, which resulted in carry over of stocks and extra burden of Rs 0.54 crore as carry over cost.**

The Company has been selling WH 542 variety of wheat seed, an early sowing variety (sowing season between first and third week of November each year) and sold 33,978 and 54,394 quintals of wheat seed during 1995-96 and 1996-97 respectively. The Company procured/processed 60,060 quintals of wheat seed of this variety to meet the requirements of Rabi 1997-98 and fixed (September 1997) a sale rate of Rs 1200 per quintal against the worked out sale rate of Rs 1100 per quintal, to set off the loss to be incurred in other non-subsidised varieties of wheat seed. The State Government allowed (14 October 1997) a subsidy of Rs 200 per quintal, thus making the actual net sale rate at Rs 1000 per quintal as against previous year's rate of Rs 720 per quintal (after subsidy) for this variety. However, the rate fixed for this variety for Rabi 1997-98 by Uttar Pradesh Seeds and Trai Development Corporation Limited was Rs 750 per quintal after subsidy and the private traders were also selling at the rate ranging between Rs 800 to Rs 950 per quintal.

**The Company failed to sell the wheat seed due to higher rates**

As the rates of neighbouring State and private traders considerably affected the sales, the Company did not consider reduction of its rates to compete in the market. The Company, however, reduced its rate from Rs 1000 per quintal to Rs 800 per quintal after subsidy from 2 December 1997 i.e., after the sowing season. Resultantly, the Company could sell only 18,952 quintals of wheat seed during Rabi 1997-98 and it had to carry the balance 41,108 quintals of seed in the next year, which attracted carry over charges on account of interest and storage charges to the extent of Rs 54.30 lakh. During the next season i.e., Rabi 1998-99, the Company sold 37,969 quintals of wheat seed at the subsidised rate of Rs 800 per quintal.

Thus, fixation of unrealistic rate for the wheat seed at the first instance, and delay in reduction of rates thereafter resulted in poor sale and carry over of stocks of this variety. The Company could have avoided the carry over

charges, had it taken timely action to reduce the rates of this variety of wheat seed.

The Company and Government stated (June 2001) that the main factor for low sale was erratic and unfavourable weather conditions due to untimely rainfall. It was further stated that the carrying cost was included in the sale rate for the next Rabi season 1998-99. The reply was not tenable as the average rainfall received in the State during the month of November 1997 was 11.1 mm only, when the sowing of WH 542 wheat was to be done. As regards recovery of carry over cost in next year's sale rates, it was observed that the sale rate during 1998-99 remained at Rs 800 per quintal as was in the year 1997-98.

### **3A.6.2 Avoidable payment of power surcharge**

#### **Non-maintenance of required power factor resulted in payment of surcharge of Rs 0.08 crore.**

As per schedule of tariff for supply of energy of the erstwhile Haryana State Electricity Board (Board), the consumers are required to maintain monthly average power factor (a ratio expressed as percentage between KWH to KVAH) as 85 *per cent* (revised to 90 *per cent* in October 1997) of the plant and apparatus installed by installing shunt capacitors. In case the monthly average power factor falls below the prescribed limit, the consumer had to pay a surcharge of one *per cent* of sale of power charges for each one *per cent* decrease in power factor up to 80 *per cent* and two *per cent* for each one *per cent* decrease in power factor below 80 *per cent*.

During audit (June 2000) it was observed that though the Company had installed shunt capacitors in its premises, the capacitors were either of inadequate capacity, inoperative or damaged during the period January 1997 to January 2001. As such the power factor ranged between 42 and 78 *per cent* and was below the prescribed limit. Consequently, the company had to pay surcharge of Rs 8.20 lakh on account of low power factor which could have been avoided, had the Company ensured operation of capacitors of adequate capacity.

The Company and Government stated (April and June 2001) that due to non-utilisation of plant at full capacity and the ginning plant being seasonal industry, the power factor remained low. It was further stated that the Company had installed shunt capacitors of required capacity to maintain power factor. The reply was not tenable as non-utilisation of plant at full capacity and plant being seasonal industry do not have any relation with the maintenance of power factor. Low power factor during January 1997 to January 2001 indicates that capacitors were either defective or remained inoperative.

### 3A.7 Haryana State Minor Irrigation and Tubewells Corporation

#### 3A.7.1 Avoidable extra expenditure

**The Company did not deploy its idle work charged staff on repair/rehabilitation work of watercourses as decided, and got the entire work executed from contractors, which resulted in avoidable expenditure of Rs 0.10 crore.**

The Company has been constructing and maintaining watercourses in the State for providing irrigation water to the farmers. The repair/rehabilitation of watercourses include the work of dismantling of old watercourse, cleaning, brushing and scraping of old bricks, laying down of new bed of watercourse with cement, bricks etc. The Company had identified (December 1998) about 600 work charged employees as surplus out of which 300 employees were available (November 1999) for this type of work.

In order to achieve economy in expenditure, the Chief Engineer of the Company decided (November 1999) to carry out repair work of watercourses by deploying its own idle work charged labour. The Company, however, did not bifurcate the work which could be done by its own unskilled labour and those to be done by contractors through skilled labour.

**Non-deployment of surplus work charged employees resulted in avoidable extra expenditure**

A test-check of records (April 2001) of six divisions (Kaithal, Tohana, Hisar, Bhiwani and Sirsa I & II) revealed that the divisions continued to get the whole work done through contractors and got repaired 299 watercourses at a cost of Rs 3.03 crore during January and March 2000 under the Natural Calamities Relief Programme. The Chief Engineer, however, directed the field units only in October 2000 to deploy its own labour on dismantling of remaining watercourses. Had the Company identified the work to be done by its own labour earlier and got the work of dismantling, cleaning and scraping of bricks executed from them, it could have saved an amount of Rs 9.70 lakh, which was paid to the contractors for execution of these jobs up to 31 March 2000. The Company thereafter started deploying its surplus workcharged staff on dismantling of watercourses, cleaning and scrapping of bricks.

Thus, delay in bifurcating the work to be done by own labour and failure in passing on clear directions to the field units resulted in avoidable expenditure of Rs 9.70 lakh besides non-utilisation of idle manpower.

The matter was referred to the Company and the Government in May 2001; their replies had not been received (September 2001).

### **3A.7.2 Avoidable payment of leave encashment**

**The Company released the payment of gratuity in terms of the court order without recovering the excess leave encashment paid, resulting in avoidable payment of Rs 0.12 crore.**

Some of the field offices of the Irrigation Department (ID) alongwith staff were transferred to the Haryana State Minor Irrigation and Tubewells Corporation Limited at the time of its incorporation in April 1970. Prior to June 1992, the retiring work charged staff transferred from ID, were paid gratuity as per the Payment of Gratuity Act, 1972 and leave encashment for 30 days as per the Factories Act, 1948. On persistent demand of the work charged staff, the Company decided (May 1992) that the staff be treated at par with the regular employees of the Company and got its certified standing orders relating to payment of retirement benefits amended (January 1993) from the Labour Commissioner. Accordingly, the Company allowed the benefits of leave encashment restricted to 240 days and Death-Cum-Retirement Gratuity as available under the State Government rules; in place of leave encashment under the Factories Act, 1948 and gratuity as per the Gratuity Act, 1972. The Company started releasing retirement benefits for the period served with it and ignored the service prior to April 1970, rendered with the I.D. After receiving these benefits certain work charged employees filed (1995) cases with the Labour Department, Controlling Authority (under the payment of the Gratuity Act, 1972) for claiming gratuity in respect of service rendered with ID and the same were accepted. However, the Company while releasing the gratuity as claimed under Gratuity Act could not restrict the payment of leave encashment benefit to 30 days as per Factories Act, due to its failure to get certified standing orders amended again from the Labour Department. This resulted in avoidable payment of leave encashment of Rs 11.50 lakh to 55 work charged staff from January 1995 to February 2001.

The matter was referred to the Company and the Government in May 2001; their replies had not been received (September 2001).

### **3A.8 Haryana Agro Industries Corporation Limited**

#### **3A.8.1 Doubtful recovery of dues**

**Failure of the Company to obtain bank guarantees and adequate security from the millers, resulted in doubtful recovery of Rs 0.19 crore.**

The Company procures paddy for central pool and provides the same to millers, who deliver rice to the Food Corporation of India (FCI) after milling. The milling agreements entered (December 1997) with six millers, *inter alia*, provided that the miller would take delivery of paddy for milling purposes either against the bank guarantee or delivery of advance rice to FCI, equivalent to cost of paddy handed over to millers. Each miller was also

required to provide a security of Rs one lakh for one tonne capacity and Rs 0.25 lakh for every additional one tonne of capacity subject to maximum of Rs 2 lakh. Any deductions made by FCI and cost of surplus gunny bags after filling of rice were to be remitted by the millers. The entire rice was to be delivered to FCI by the end of June 1998.

During scrutiny of records, it was noticed (April 2000) that the Company without obtaining bank guarantee or ensuring delivery of advance rice to FCI and without taking adequate security (Rs 2.75 lakh against Rs. 5 lakh from five millers) under the terms of agreement allowed the millers to take delivery of paddy. The Company, however, obtained bank guarantee of Rs 13 lakh from the sixth miller. The Company delivered 10866.99 MT of paddy to six millers who in turn delivered 7152.16 MT of rice during the period from December 1997 to December 1998. The sixth miller remitted his full dues. However, other five millers did not remit the full payment against the delivery and the amount recoverable from the five millers after adjusting security of Rs 2.75 lakh was Rs 19.36 lakh as on 1 January 1999 as per milling agreement. As the Company could not recover the amount of Rs 19.36 lakh in the absence of bank guarantee, it had to refer (November 1999) the case to the sole arbitrator for recovery of dues, whose award was awaited (June 2001).

The matter was referred to the Company and the Government in February 2001; their replies had not been received (September 2001).

### **3A.9 Haryana Minerals Limited**

#### **3A.9.1 Infructuous expenditure on development of mine**

**The Company incurred infructuous expenditure of Rs 0.17 crore on development of new pits ignoring decreasing trend of sales and non-acceptability of changed system of mining.**

Up to the year 1996-97, the Company was operating silica sand mines at Manger in Faridabad District through contractors, where all the development work was carried out by the contractor. The Company was receiving octroi (chungi) per truck at fixed rates. In order to plug the deficiencies in the existing system, viz. leakage of material and lack of control over contractors etc., the Company decided (March 1997) to operate these mines departmentally by appointing labour contractors.

It was, however, noticed (January 2001) in audit that the Company could not deploy labour contractors due to poor response from contractors to undertake work on labour contract and the production of minerals of the Company reduced drastically from 3,48,796 MT in 1996-97 to 72,886 MT in 1997-98. Ignoring the fact of reduction in sale and non-acceptability of departmental system of mining by the contractors, the Company started developing new pits

and incurred an expenditure of Rs 37.13 lakh during October 1997 to March 1999. However, in view of the poor response to the new system of mining and decrease in turnover, the Company decided (August 1998) to revert to the old octroi system. Even then, the workings did not improve and production during the year 1998-99 decreased to 36,388 MT. Besides loss to the Company, this also resulted in loss to the State Government because of less payment of royalty.

In order to plug the erosion of royalty/sales tax and review the unsatisfactory performance of the Company, the State Government constituted (June 2000) a Committee of Ministers. The Committee recommended (August 2000) premature termination of lease agreement of Manger mines (Plot No. 1, 2, 3, 5, 6, 7 and 8). Accordingly, the Company surrendered (December 2000) these plots to State Government.

**Expenditure incurred on development of mines proved unfruitful**

Thus, expenditure on development of new pits by ignoring the decreasing trend of sales and without ascertaining the workability of the new system (departmental operation) had resulted in infructuous expenditure of Rs 17.30 lakh (after adjusting income of Rs 19.83 lakh earned from the disposal of stones etc.) on the development of new pits, which had already been surrendered to State Government.

The matter was referred to the Company and the Government in March 2001; their replies had not been received (September 2001).

### **3B. Statutory corporations**

#### **3B.1 Haryana Financial Corporation**

##### **3B.1.1 Misutilisation of term loan by loanee due to faulty disbursement**

**The Corporation disbursed loan of Rs 0.38 crore ignoring the terms and conditions of disbursement, which facilitated the loanee to misutilise the funds.**

The procedure for disbursement of loan, *inter alia*, provided that the loan for construction of building would be released on the basis of certificates issued by the assessor on the panel of the Corporation. The release would be followed by a quick inspection for physical verification of securities at site. After release of 75 per cent of the loan, a detailed verification would be got done by an official of the Corporation. Similarly, loan for procurement of machinery would be released directly to the supplier of machinery after receiving proforma invoice from the approved supplier.



**Disbursement of loan without verification led to its misutilisation by the loanee**

The Corporation sanctioned (September 1997) a term loan of Rs 43.20 lakh to Surya Dev Industries, Bhiwani (promoted by Shri Anil Kumar and Shri Dev Raj) for setting up a harrow discs manufacturing unit at Bhiwani. The terms of sanction, *inter alia*, provided that the collateral security equivalent to 100 *per cent* of loan, personal guarantees of partners, personal guarantees of two persons having sound financial means, no objection certificate from District Town Planner and assessment of machinery by Technical Officer/Assessor was required before disbursement of loan. An amount of Rs 37.90 lakh was released (December 1997 to February 1998) in seven instalments. On inspection (October 1998) carried out by the Corporation on an anonymous complaint, it was revealed that the Branch Manager of the Corporation (Shri R.K. Jatana) continued to release funds against building without visiting the site, based on assessor's fabricated certificates. The building constructed was substandard and incomplete. Similarly, funds (Rs 29.71 lakh) against machinery were released direct to the loanee without following the required procedure and very old uninstalled second hand machinery was available at site.

The Corporation cancelled the balance loan of Rs 5.30 lakh and recalled (October 1998) the entire loan alongwith interest. On failure to repay the loan, the Corporation took over (February 1999) the possession of unit. The value of the unit was assessed (August 1999) at Rs 5.65 lakh and was awaiting disposal, though put to auction nine times after the possession. The Corporation had not filed any criminal case against the promoter in spite of the fact that loan amount had been misutilised by them and total amount of Rs 71.95 lakh (principal: Rs 37.90 lakh, interest: Rs 33.35 lakh and miscellaneous expenses Rs 0.70 lakh) was outstanding for recovery from them as on 31 May 2001.

Thus, non-adherence of disbursement procedure while disbursing the loan had facilitated the unit to misutilise the funds amounting to Rs 37.90 lakh.

The Management while admitting the facts stated (May 2001) that erring officer has been dismissed from service and enquiry against another was being conducted. However, the fact remains that the disbursement of loan ignoring the terms and conditions of disbursement has rendered the recovery of loan amount and interest doubtful.

The matter was referred to the Government in April 2001; the reply had not been received (September 2001).

### **3B.2 Haryana Warehousing Corporation**

#### **3B.2.1 Infructuous expenditure on computerisation**

**Engagement of an inexperienced firm for computerisation of Corporation's activities without ascertaining its credentials resulted in infructuous expenditure of Rs 0.61 crore.**

The Board of Directors (BOD) of the Corporation approved (January 1999) a scheme known as Kisan Sahara Scheme for providing credit assistance at concessional rate of interest to the farmers against stocks deposited by them in warehouses. The proposed scheme envisaged implementation of professional management support system. To begin with, the scheme was proposed to be implemented in Ambala and Kurukshetra districts.

The Corporation invited (February 1999) tenders for providing operational and logistics management support system (MSS) on turnkey basis for current areas of operation of the Corporation including the Kisan Sahara Scheme. The tender document did not contain any reference about the past performance and financial capabilities of the tenderers. The Technical Committee, examined the four tenders received and recommended (February 1999) the lowest tenderer (ING Infotek International Private Limited., Bangalore) for award of contract at the rate of Rs 14,400 per unit of the Company per month as fixed cost and 2.4 *per cent* of the amount of money utilised under the Kisan Sahara Scheme as variable cost. The Managing Director executed (March 1999) an agreement with the firm for a period of five years without obtaining the approval of BOD. As per the agreement, the firm was required to commission, operationalise and synchronise the entire system by setting up multi-nodal data communication network in the Corporation in the districts of Ambala and Kurukshetra within eight weeks of allotment of work and in all the units in the State by 30 September 1999.

**The Computerisation process left in the way by a firm and rendered the expenditure of Rs 0.61 crore as unfruitful**

The firm started the computerisation process and submitted bills for Rs 79.17 lakh for the work done between March 1999 and December 1999, out of which the Corporation released Rs 66.27 lakh to the firm. The firm, however, failed to perform its contractual obligations, as up to 10 December 1999, the firm was able to cover only 57 units against the requirement of 112 units and thereafter it abandoned the work for reasons not on record. The Corporation issued (July and August 2000) registered notices as to why an amount of Rs 60.77 lakh (after adjusting Rs 5.50 lakh being security amount) plus interest from the date of payments be not recovered from them on account of deliberate act on their part to defraud the Corporation. The show cause notice issued was received back with the remarks "party left/addressee left". The BOD cancelled (September 2000) the contract and observed that the said firm was inexperienced with paid-up capital of Rs 10,000 only.

Thus, injudicious decision to implement the MSS scheme for all the activities instead of Kisan Sahara Scheme alone as approved by BOD, without ascertaining the utility thereof and improper selection of an inexperienced firm by a non-technical committee has rendered the entire expenditure of Rs 60.77 lakh infructuous.

The Corporation in its reply stated (June 2001) that to implement the MSS for Kisan Sahara Scheme, BOD constituted a sub-committee to take final decision on all aspects of the scheme. Accordingly, the sub-committee decided to implement the MSS for other activities also and the entire expenditure incurred on this system was approved by BOD. The reply was not tenable since BOD's prior approval was not obtained at the time of award of contract. The BOD while considering the performance of the firm observed (September 2000) that it had miserably failed to perform its contractual obligation and prior approval before awarding the contract should have been obtained to implement the scheme.

The matter was referred to the Government in March 2001; the reply had not been received (September 2001).

**Chandigarh**

**Dated:**

**(Ashwini Attri)  
Accountant General (Audit) Haryana**

**Countersigned**

**New Delhi**

**Dated:**

**(V.K. Shunglu)  
Comptroller and Auditor General of India**