



REPORT

OF THE

**Comptroller and Auditor General
of India**

for the year 1985-86

(COMMERCIAL)

Government of Haryana



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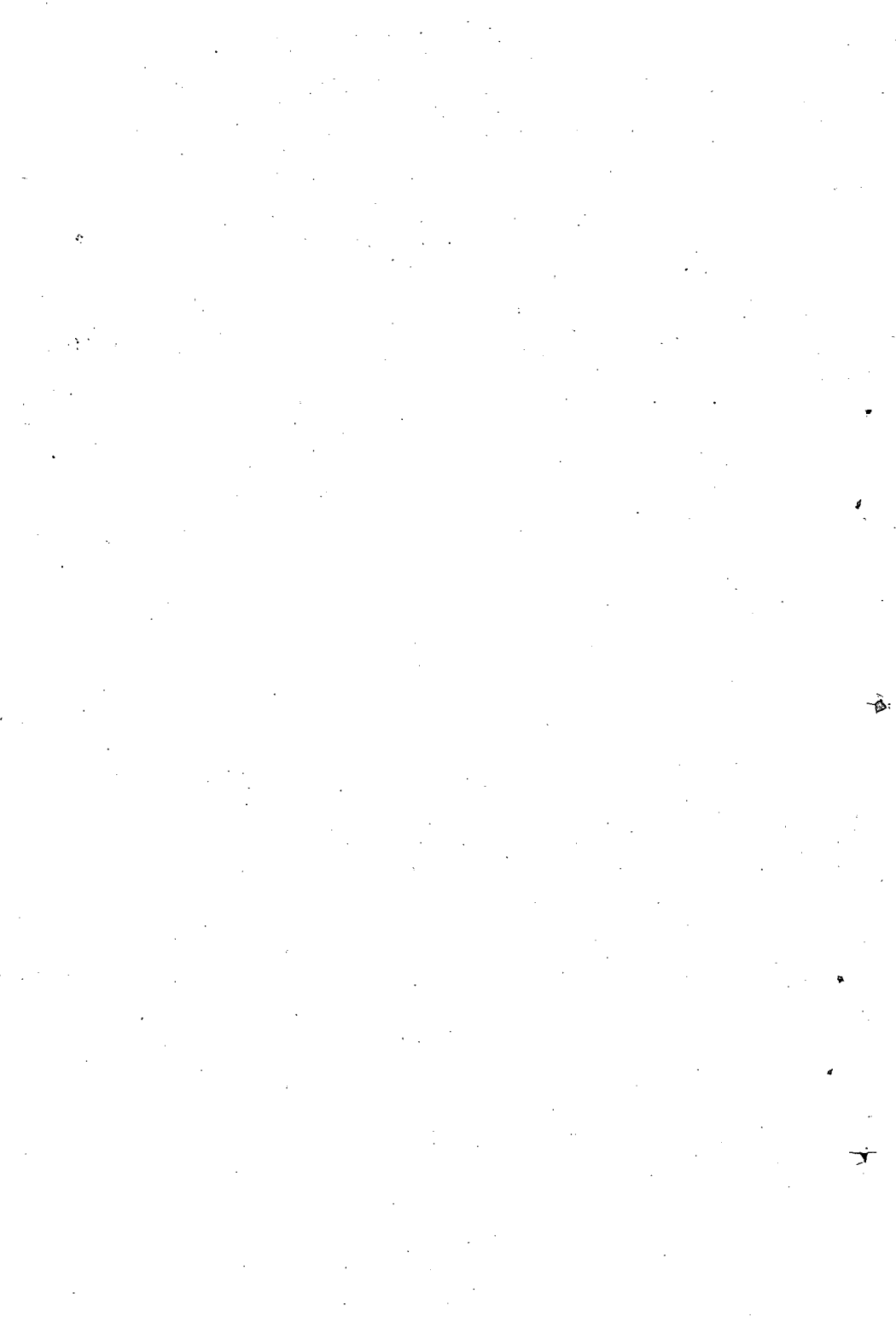
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PREFACE

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories :

- (i) Government Companies;
- (ii) Statutory Corporations; and
- (iii) Departmentally - managed Commercial Undertakings.

2. This Report deals with the results of audit of Government Companies and Statutory Corporations including Haryana State Electricity Board and has been prepared for submission to the Government of Haryana under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of audit relating to Departmentally-managed Commercial Undertakings are contained in the Report of the Comptroller and Auditor General of India, (Civil) Government of Haryana.

3. There are, however, certain companies where Government have invested funds, but the accounts of which are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled Companies/Corporations hold less than 51 *per cent* of the shares. A list of such Undertakings in which Government investment was more than Rs. 10 lakhs as on 31st March 1986 is given in *Annexure '1'*.

4. In respect of the Haryana State Electricity Board which is Statutory Corporation, the Comptroller and Auditor General of India is the

(ii)

sole auditor. In respect of Haryana Financial Corporation and Haryana Warehousing Corporation he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1985-86 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1985-86 have also been included wherever considered necessary.

CHAPTER I

1. GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1. Introductory

This chapter contains particulars about the investments, state of accounts *etc.*, of the Government Companies and Statutory Corporations.

Paragraph 1.2 gives a general view of Government Companies, Paragraph 1.3 deals with general aspects relating to the Statutory Corporations and Paragraphs 1.4 to 1.6 give more details about each Statutory Corporation including its financial and operational performance.

1.2. GOVERNMENT COMPANIES—General View

1.2.1. There were 20 Government Companies (including seven subsidiaries) as on 31st March 1986. Their number was the same as at the close of 31st March 1985.

1.2.2. A statement as per *Annexure-2* gives the particulars of up to date paid-up capital, outstanding loans, amounts of guarantees given and outstandings there against, working results, *etc.* The position is summarised as under :

(a) Against the aggregate paid-up capital of Rs. 54.08 crores in 20 companies (including seven subsidiaries) as on 31st March 1985, the aggregate paid-up capital as on 31st March

1986 stood at Rs. 58.64 crores in 20 companies (including seven subsidiaries), as per particulars below :

Particulars	Num- ber of com- panies	Investment by			Total Invest- ment
		State Govern- ment	Cen- tral Go- vern- ment	Others	
(Rupees in crores)					
1. Companies wholly owned by the State Government	9	44.86	—	—	44.86
2. Companies jointly owned with the Central Government/others	4	4.33	1.95	0.47	6.75
3. Subsidiary companies	7	1.25@	—	5.78	7.03
	20	50.44*	1.95	6.25	58.64

@This includes Rs. 0.64 crore invested by the State Government through Haryana State Industrial Development Corporation Limited (Holding company) in the Haryana Tanneries Limited.

*The figure as per Finance Accounts is Rs. 49.00 crores; the difference is under reconciliation.

(b) The balance of long-term loans outstanding in respect of 15 companies (including 5 subsidiaries) as on 31st March 1986 was Rs. 144.02 crores (State Government : Rs. 80.79 crores, others : Rs. 59.10 crores, deferred payment credits : Rs. 4.13 crores) as against Rs. 129.96 crores on 31st March 1985 in respect of 17 companies (including 5 subsidiaries).

(c) The State Government had guaranteed the repayment of loans raised by 6 companies and payment of interest thereon. The amounts guaranteed and outstanding there against as on 31st March 1986 were Rs. 177.87 crores and Rs. 79.07 crores respectively.

1.2.3. A synoptic statement showing the financial results of all the 20 companies based on the latest available accounts is given in *Annexure 3*.

Ten companies (including three subsidiaries) have finalised their accounts for the year 1985-86 (serial numbers 7, 8, 9, 10, 11, 12, 13, 18, 19 and 20 of the *Annexure 2*). In addition, 8 companies have finalised their accounts for earlier years since the previous report (serial numbers 1, 2, 3, 4, 5, 6, 16, and 17 of the *Annexure 2*).

It will be observed from *Annexure 2* that the accounts of 10 companies (including four subsidiaries) are in arrears. The position is

summarised as under :

Extent of arrears	Number of years involved	Number of companies involved		Investment				Reference to serial number of Annexure 2
				Government		Holding companies		
		Companies	Subsidiary companies	Capital	Loans	Capital	Loans	
(Rupees in crores)								
1979-80 to 1985-86	7	—	1	—	—	0.19	0.76	14
1980-81 to 1985-86	6	1	—	7.18	1.09	—	—	1
1981-82 to 1985-86	5	1	—	10.89	72.76	—	—	2
1983-84 to 1985-86	3	—	1	—	—	0.80	—	15
1984-85 to 1985-86	2	2	—	5.87	2.40	—	—	3,4
1985-86	1	2	2	2.60	—	0.84	0.63	5,6, 16,17

The position of arrears in finalisation of accounts was last brought to the notice of Government in November 1986.

1.2.4. In regard to working results of the Companies the following further points are made :

1.2.4.1. In respect of ten companies (including three subsidiaries) which finalised the accounts for 1985-86, the following position is reflected :

(a) Six companies (including three subsidiaries) earned profit during 1985-86. Particulars in respect of them, giving the comparative position of the previous year are given below :

Name of company	Paid-up capital		Profit(+)/ Loss(-)		Percentage of profit to paid-up capital	
	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86
(Rupees in lakhs)						
1. Haryana State Industrial Development Corporation Limited	12,82.58	14,52.58	(+)64.97	(+)65.36	5.1	4.5
2. Haryana State Electronics Development Corporation Limited	80.00	1,45.00	(-)6.16	(+)1.51	—	1.0
3. Haryana Breweries Limited	1,20.10	1,21.18	(+)42.81	(+)54.02	35.7	44.6
4. Haryana Minerals Limited	24.04	24.04	(+)13.36	(+)5.30	55.6	22.7
5. Haryana Concast Limited	3,10.85	3,10.85	(+)1,23.16	(+)1,36.54	39.6	43.9
6. Haryana State Small Industries and Export Corporation Limited	65.75	70.75	(+)47.34	(+)29.99	72.0	42.4

During the year 1985-86, one company viz., Haryana State Small Industries and Export Corporation Limited declared dividend of Rs. 3.29 lakhs which worked out to 0.06 per cent of the total investment of Rs. 50.44 crores by the State Government in Government Companies.

(b) Four companies incurred losses during the year 1985-86. Particulars in respect of these giving the comparative position of the previous year are given below :

Name of company	Paid-up capital		Profit(+)/Loss(-)	
	1984-85	1985-86	1984-85	1985-86
	(Rupees in lakhs)			
Haryana Dairy Development Corporation Limited	2,57.35	2,57.35	(-)52.20	(-)44.97
Haryana Seeds Development Corporation Limited	2,25.72	2,33.74	(+)5.13	(-)1,21.85
Haryana State Handloom and Handicrafts Corporation Limited	1,13.00	1,61.00	(-)11.14	(-)16.38
Haryana Land Reclamation and Development Corporation Limited	1,35.30	1,56.30	(-)1.86	(-)9.61

1.2.4.2. As shown in *Annexure 2* the accumulated losses in respect of following five companies (including three subsidiaries) as reflected in the accounts received up to the period noted against each had exceeded their paid-up capital as at the close of that year :

Name of company	Year up to which accounts prepared	Paid-up capital at the close of the year	Accumulated loss up to the year	Serial number of <i>Annexure 2</i>
	(Rupees in lakhs)			
1. Haryana Television Limited	1978-79	19.40	64.78	14
2. Haryana Matches Limited	1984-85	12.50	18.14	16
3. Haryana Tanneries Limited	1984-85	1,26.40	3,73.15	17
4. Haryana Agro Industries Corporation Limited	1984-85	2,14.66	6,20.93	5
5. Haryana Dairy Development Corporation Limited	1985-86	2,57.35	5,40.20	12

1.2.5. Some of the important points, made by the statutory auditors and as a result of audit by the Comptroller and Auditor General of India in respect of the accounts of the Companies audited during the year, are mentioned below :

(i) The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directions to the Statutory Auditors of the Government Companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the Statutory Auditors on the accounts of three companies viz., Haryana Seeds Development Corporation Limited, Haryana Dairy Development Corporation Limited and Haryana Breweries Limited for the year 1984-85 (at serial numbers 9, 12 and 19 of *Annexure 2*) were received during the year. Important points noticed in the reports are summarised below :

(a) Defects noticed in all the three companies :

- Imperfect accounting system.
- Non preparation of annual budget.
- Non preparation of internal audit manual defining the scope of work of internal auditors.

(b) Defect noticed in Haryana Seeds Development Corporation Limited :

- Non-fixation of norms of requirement/ deployment of man power.

(c) Defects noticed in Haryana Dairy Development Corporation Limited :

- Absence of internal audit system.
- Non maintenance/defective maintenance of property/land/asset registers.

(d) Defects noticed in Haryana Breweries Limited :

- Internal audit system not commensurate with the nature and size of business.
- Non maintenance/defective maintenance of property/land/assets registers.
- Absence of tender system.

(ii) Under Section 619 (4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the audit reports of the Company auditors. Under this provision, review of the annual accounts of the Government Companies is conducted in selected cases.

The net effect of the comments issued under Section 619(4) of the Act, *ibid*, was as follows :

Details	Number of accounts	Monetary effect
	(Rupees in lakhs)	
(i) Decrease in profit	3	13.57
(ii) Increase in loss	4	53.92
(iii) Non disclosure of material facts	7	—

Some of the major errors/omissions *etc.*, noticed in the course of review of annual accounts of some of these companies not pointed out by the statutory auditors are mentioned below :

(1) Haryana Agro Industries Corporation Limited (1984-85) :

(a) Current assets (Rs. 18.90 lakhs) included surplus imported spare parts valued at Rs. 12.11 lakhs as against which the realisable value was Rs. 2.05 lakhs.

(b) The net loss for the year was understated by Rs. 1.52 lakhs owing to non/short provision for expenses/depreciation.

(c) The Company had not provided for the liability towards difference of price in respect of pool fertilizer amounting to Rs. 44.51 lakhs payable to the Government of India for the period 1979-80 and 1981-82, resulting in understatement of liabilities and corresponding understatement of cumulative loss.

(2) Haryana Land Reclamation and Development Corporation Limited (1984-85) :

(a) The net profit of Rs. 2.14 lakhs shown in the accounts was overstated by Rs. 0.50 lakh on account of taking credit of excess provision made in 1981-82 towards "Miscellaneous Income" for the year instead of including the same under "Previous years adjustments".

(b) Sundry debtors of Rs. 3.46 lakhs included debts aggregating Rs. 2.98 lakhs which were doubtful of recovery against which no provision was made.

(c) Closing stock was over valued by Rs. 0.42 lakh.

(3) Haryana State Industrial Development Corporation Limited (1985-86) :

The loans and advances to the following extent were not good :

(a) Rs. 9.64 lakhs were due from Haryana Detergents Limited which is lying closed since 1981. Orders for winding up of this company were passed by the Court in April 1985 and the Company was not in a position to meet its commitment due to erosion of its capital on account of heavy losses.

(b) Rs. 0.91 lakh were outstanding against M/s Bharat Nylon Limited on account of cost of draft project report prepared in 1975 for the promotion of this loanee company. The project had, however, been frustrated and the holding company (Haryana State Industrial Development Corporation Limited) had disassociated itself from the proposed project.

(4) Haryana Harijan Kalyan Nigam Limited (1979-80) :

The loss of Rs. 4.56 lakhs for the year and cumulative loss of Rs. 4.25 lakhs at the end of the year was understated by Rs. 1.18 lakhs and Rs. 4.74 lakhs respectively due to non/short provision for liabilities.

(5) Haryana Tourism Corporation Limited (1983-84) :

(i) The loss for the year (Rs. 21.08 lakhs) and the accumulated loss (Rs. 47.98 lakhs) as

on 31st March 1984 was understated by Rs. 2.20 lakhs due to over valuation of closing stock and non provision of liability towards excise duty.

(ii) Commercial Buildings (cost Rs. 9.14 lakhs) completed in 1982-83 were in use but depreciation thereon was neither provided for nor the fact was disclosed in the accounts.

1.3. STATUTORY CORPORATIONS—General Aspects

1.3.1. There were three Statutory Corporations in the State as on 31st March 1986 :

- Haryana State Electricity Board;
- Haryana Financial Corporation; and
- Haryana Warehousing Corporation.

1.3.2. The Haryana State Electricity Board was constituted on 3rd May 1967 under Section 5(i) of the Electricity (Supply) Act, 1948.

The audit of accounts of the Board vests solely with the Comptroller and Auditor General of India. Separate Audit Report, mainly incorporating the comments on its annual accounts of each year is sent separately to the Board and to the Government.

The accounts of the Board have been finalised up to the year 1985-86 and separate Audit Report on the accounts for 1985-86 was issued to the Board and Government on 14th November 1986. The accounts are yet to be presented to the Legislature (January 1987).

1.3.3. The Haryana Financial Corporation was constituted in April 1967 under Section 3(i) of the State Financial Corporations Act, 1951 and Haryana Warehousing Corporation was constituted in November 1967 under Section 18(i) of the Warehousing Corporations Act, 1962.

Under the respective Acts, the accounts of the organisations are audited by the Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India; and the latter may also undertake audit of the Corporations separately. Separate Audit Reports in respect of the Corporations are also issued by the Comptroller and Auditor General of India. The annual accounts of both the Corporations have been certified by the Chartered Accountants up to 1985-86. Separate Audit Reports have been issued in respect of Haryana Warehousing Corporation up to 1985-86. The Statutory Audit Report on the accounts of Haryana Financial Corporation for the year 1983-84 issued to Government on 9th January 1985 was placed before the State Legislature on 21st February 1986 and the Statutory Audit Report for the year 1984-85 though issued to Government on 7th March 1986 is yet to be presented (January 1987). The Report for 1985-86 for the latter is under finalisation.

1.3.4. The working results of these three Statutory Corporations for the latest year for which accounts have been finalised are summarised in *Annexure 4*.

Salient points about the accounts and physical performance of these Statutory Corporations are given in paragraph 1.4 to 1.6.

1.4. HARYANA STATE ELECTRICITY BOARD

1.4.1. The capital requirements of the Board are met by way of loans from Government, the public, the commercial banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding on 31st March 1986 was Rs. 11,39.97 crores and represented an increase of Rs. 1,32.81 crores (13.2 *per cent*) on the long-term loans of Rs. 10,07.16 crores outstanding at the end of the previous year. Particulars of loans obtained from the State Government and other sources and outstanding at the close of March 1985 and March 1986, are as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	1985	1986	
	(Rupees in crores)		
State Government	6,59.61	7,66.25	16.2
Other sources	3,47.55	3,73.72	7.5
Total	10,07.16	11,39.97	13.2

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 4,20.08 crores and the payment of interest thereon. The amount of principal guaranteed and outstanding there against as on 31st March 1986 was Rs. 2,50.19 crores.

1.4.2. The financial position of the Board at the close of the three years up to March 1986 and its physical performance during these three years are summarised in *Annexure 5 and 6*.

1.4.3. The working results of the Board for three years up to 1985-86 on comparative commercial basis are summarised below :

	1983-84	1984-85	1985-86
	(Rupees in crores)		
1.			
(a) Revenue receipts	1,65.10	1,63.43	1,99.23
(b) Subsidy from ^{the} State Government	—	1.53	19.97
Total	1,65.10	1,64.96	2,19.20
2. Revenue expenditure including write-off of intangible assets	1,34.61	1,53.11	1,80.40
3. Gross surplus for the year	30.49	11.85	38.80
4. Appropriations :			
(a) Interest on Government loans	29.64	34.82	41.25
(b) Interest on other loans	23.49	31.42	36.81
(c) Contribution to repayment of loans under Section 65 of the Act	7.00	—	—
5. Net deficit(—)	(—)29.64	(—)54.39	(—)39.26
6. (a) Capital employed	6,07.91	6,65.48	7,14.52
(b) Capital invested	9,15.71	10,11.99	11,44.24
7. Total Return :			
—on capital employed	30.49	23.20	38.80
—on capital invested	29.62	21.24	21.81
8. Percentage of return :		(per cent)	
—on capital employed	5.02	3.49	5.43
—on capital invested	3.23	2.10	1.91

Based on the preliminary comments issued in September 1986 in respect of accounts for 1985-86, the Board had revised the accounts for the year 1985-86, resulting in an increase in deficit by Rs. 2.19 crores. The net deficit of Rs. 13.01 crores is still understated by Rs. 1.03 crores due to non-provision of various charges and overstatement of revenue income.

The following major irregularities and omissions were pointed out in the separate Audit Report on the annual accounts of the Board for the year 1985-86, referred to in para 1.3.2 :

(i) Non-submission of accounts for 1985-86 in revised format

Under rule 5 (i) of the Electricity (Supply) Annual Accounts Rules 1985 the Board was to compile the Annual statement of Accounts comprising of statements and schedules in the format referred to therein. The Board, however, submitted its accounts for the year 1985-86 in the old format.

(ii) Irregular appropriation of subsidy for rural electrification

Subsidy amounting to Rs. 19.97 crores recoverable from the State Government on account of rural electrification losses, though accounted for as revenue for the year has not been sanctioned by Government.

(iii) Under provision of doubtful debts

Sundry debtors for supply of power (Rs. 46.72 crores) included doubtful debts to the extent of Rs. 2.76 crores in respect of debtors who had either gone into liquidation or against whom claims were disallowed by the court or whose cases were closed by the negotiation committee of the Board. No

provision had been made in the accounts towards these doubtful debts.

(iv) Non-reconciliation of collection accounts

Out of 11 collecting banks, reconciliation had been done in respect of 10 banks up to March 1986. In respect of remaining one bank viz., State Bank of India, the reconciliation was done up to December 1985 only at the time of closing of accounts for 1985-86. An amount of Rs. 8.38 crores on account of amounts pertaining to the period 1980-81 to 1985-86 deposited by the Board had not been credited by the bank.

(v) Register of fixed assets showing various details has not been maintained since inception of the Board.

1.5. HARYANA FINANCIAL CORPORATION

1.5.1. The paid-up capital of the Corporation as on 31st March 1986 was Rs. 5.51 crores (State Government : Rs. 2.73 crores, Industrial Development Bank of India (IDBI) : Rs. 2.43 crores, others : Rs. 0.35 crores) as against Rs. 5.21 crores as on 31st March 1985 (State Government : Rs. 2.53 crores, IDBI : Rs. 2.33 crores, others : Rs. 0.35 crores).

1.5.2. Government guaranteed the repayment of share capital of Rs. 5.08 crores (excluding special share capital of Rs. 0.43 crores) under Section 6(i) of the Act, *ibid* and payment of minimum dividend thereon at 3 to 5 *per cent*.

Government also guaranteed repayment of market loans (through bonds and debentures) of Rs. 28.00 crores raised by the Corporation. Amount of principal outstanding there against as on 31st March 1986 was Rs. 20.68 crores.

1.5.3. The financial position of the Corporation at the end of 3 years up to 1985-86 and its physical performance during 3 years up to 1985-86 are summarised in *Annexure 7 and Annexure 8*.

1.5.4. The Corporation switched over to cash system of accounting from mercantile system of accounting with effect from 1st April 1983.

The following table gives details of the working results of the Corporation for three years up to 1985-86 :

Particulars	1983-84	1984-85	1985-86
	(Rupees in lakhs)		
1. Income			
(a) Interest on loans and advances	3,27.88	5,52.32	6,04.06
(b) Other income	39.30	22.37	17.15
Total—I	3,67.18	5,74.69	6,21.21
2. Expenditure			
(a) Interest on long-term loans	2,23.20	3,38.95	4,13.12
(b) Other expenses	84.61	1,05.60	1,25.01
Total—2	3,07.81	4,44.55	5,38.13
3. Profit before tax	59.37	1,30.14	83.08
4. Provision for tax	20.57	43.09	27.42
5. Other appropriations	23.75	70.36	38.18
6. Amount available for dividend	15.73	16.69	17.48
7. Dividend paid	15.73	16.69	17.48
8. (a) Capital employed*	49,39.76	56,06.62	62,72.80
(b) Capital invested**	52,88.83	59,24.46	66,21.14
9. Total return :			
(a) on capital employed	2,82.57	4,69.09	4,96.20
(b) on capital invested	2,82.57	4,69.09	4,96.20
10. Percentage of return		(Per cent)	
(a) on capital employed	5.7	8.4	7.9
(b) on capital invested	5.3	7.9	7.5

*Capital employed represents the mean of aggregate of opening and closing balances of paid-up capital, bonds and debentures, reserves, borrowings and deposits.

**Capital invested represents paid-up capital plus long-term loans plus free reserves.

1.5.5. As shown by data in *Annexure 8*, out of outstanding loans of Rs. 71.02 crores from 2,505 loanees on 31st March 1986 an amount of Rs. 30.49 crores was overdue for recovery. The percentage of overdue amount to the total outstanding has gone up from 33.8 in 1983-84 to 42.9 in 1985-86.

The following further points in regard to overdue may be made :

(i) Age wise analysis of the overdue loans other than suit filed cases as on 31st March 1986 is as under :

Serial number	Age of overdue	Number of units	Amount		
			Principal	Interst	Total
(Rupees in crores)					
1.	Up to 1 year	321	1.11	0.85	1.96
2.	1 to 2 years	22	0.10	0.07	0.17
3.	Over 2 years	18	0.46	1.11	1.57
		361	1.67	2.03	3.70

The total amount outstanding in civil suits lodged by the Corporation for recovery of its dues was Rs. 26.79 crores. The agewise break up of the outstanding in suit filed cases was not available with the Corporation.

(ii) The data of investment in sick and closed units was not available.

(iii) The Corporation has made a provision of Rs. 1.92 crores towards bad debts up to 31st March 1986.

1.6. HARYANA WAREHOUSING CORPORATION

1.6.1. The paid-up capital of the Corporation as on 31st March 1986 was Rs. 5.06 crores (State Government : Rs. 2.62 crores, Central Warehousing Corporation : Rs. 2.44 crores) against Rs. 4.88

crores as on 31st March 1985 (State Government : Rs. 2.44 crores, Central Warehousing Corporation : Rs. 2.44 crores).

1.6.2. The financial position of the Corporation and its physical performance during three years up to 1985-86 are summarised in *Annexure 9 and Annexure 10*.

1.6.3. The following table gives details of the working results of the Corporation for three years up to 1985-86 :

Particulars	1983-84	1984-85	1985-86
	(Rupees in lakhs)		
1. Income			
(i) Warehousing charges	2,38.91	4,34.75	6,29.82
(ii) Other receipts	19.07	7.41	12.22
Total—1	2,57.98	4,42.16	6,42.04
2. Expenditure			
(i) Establishment charges	76.38	93.11	1,03.02
(ii) Interest	22.03	18.73	15.88
(iii) Other expenses	1,04.43	1,53.63	1,87.20
Total—2	2,02.84	2,65.47	3,06.10
3. Profit before tax	55.14	1,76.69	3,35.94
4. Profit brought forward	0.63	0.30	0.47
5. Previous years adjustment (Net)	(+)13.74	(+)16.30	(+)21.18
6. Other appropriations (excluding profit transferred to Balance Sheet)	69.21	1,92.82	3,57.59
7. Dividend paid	21.11	23.42	29.36
8. Capital employed*	7,41.27	9,67.06	12,14.30
9. Total return on capital employed	77.17	1,95.42	3,51.82
10. Percentage of return on capital employed	10.4	(Per cent) 20.2	29.0

*Capital employed represents net fixed assets (excluding work-in-progress) plus working capital.

CHAPTER II

2. GOVERNMENT COMPANIES—(REVIEW)

2.1. HARYANA BREWERIES LIMITED

2.1.1. Introductory

The Haryana Breweries Limited was incorporated on 14th September 1970 as a subsidiary of Haryana State Industrial Development Corporation Limited (HSIDC) with the main objectives of carrying on business as dealers, distillers, brewers and manufacturers of wine, spirits and alcohol and to deal in and erect factories for the manufacture, refinement, preservation, dehydration, canning and bottling of vegetable, milk and meat products and drinks, wine, liquors, spirits and cognac of every description whether intoxicating or not.

The Company had set up a plant at Murthal in 1974-75 at a cost of Rs. 2.05 crores for the manufacture of beer. The present activities of the Company are confined to the manufacture and sale of beer.

A review on the working of the Company was included in the Report of the Comptroller and Auditor General of India for the year 1977-78 (Civil)—Government of Haryana. Results of further study are embodied in the succeeding paragraphs.

2.1.2. The Management of the Company is vested in the Board of Directors headed by the Chairman. The Managing Director functions as the

Chief Executive, and looks after the day to day affairs of the Company. The Managing Director is functioning as a part time Chief Executive of the Company with headquarters at Delhi since December 1983.

2.1.3. The authorised capital of the Company which was Rs. 1.75 crores was raised to Rs. 5.25 crores in December 1985 (divided into 50 lakh equity shares of Rs. 10 each and 25,000 cumulative redeemable preference shares of Rs. 100 each) mainly to make available adequate finances for further expansion programme. The paid-up capital of the Company as on 31st March 1986 was Rs. 1.21 crores (Rs. 66.49 lakhs contributed by HSIDC, Rs. 11.15 lakhs by the State Government as cumulative redeemable preference shares and Rs. 43.54 lakhs including Rs. 11.35 lakhs cumulative redeemable preference shares by others including public). The borrowings as on 31st March 1986 were Rs. 3.32 crores which included overdue amount of principal of Rs. 16.16 lakhs and interest of Rs. 55.92 lakhs payable to HSIDC.

2.1.4. The financial position of the Company at the end of 5 years up to 1985-86 is summarised in *Annexure-II*. The working results of the Company for the five years up to 1985-86 are summarised below :

1. Income	1981-82	1982-83	1983-84	1984-85	1985-86
	(Rupees in lakhs)				
(a) Sale of beer	3,41.76	2,83.54	3,08.80	5,18.50	6,52.39
(b) Sale of wine	0.32	0.46	0.62	0.72	0.69
(c) Other income	6.40	3.59	5.26	7.54	14.37
Total—1	3,48.48	2,87.59	3,14.68	5,26.76	6,67.45

2. Expenditure

(a) Material consumed	2,13.73	1,68.99	1,83.56	3,06.71	3,11.00
(b) Manufacturing and other expenses	94.45	88.56	92.56	1,52.70	2,56.75
(c) Depreciation	6.02	5.99	8.36	9.58	13.46
(d) Interest	21.77	23.67	14.52	14.24	31.32
Total—II	3,35.97	2,87.21	2,99.00	4,83.23	6,12.53
3. Net profit	12.51	0.38	15.68	43.53	54.92
4. Cumulative loss	47.32	46.94	32.27	—	—

Though the Company in the year 1984-85 had wiped out its cumulative loss and had divisible surplus, no dividend has been declared on cumulative preference shares. The liability towards dividend on cumulative preference shares amounted to Rs. 26.50 lakhs up to 1985-86.

The net profit of Rs. 43.53 lakhs for the year 1984-85 as shown in the accounts would work out to Rs. 34.14 lakhs after taking into account provision of Rs. 5.51 lakhs for gratuity, Rs. 1.77 lakhs for bad and doubtful debts and Rs. 2.11 lakhs for dividend on cumulative preference shares. Similarly, the net profit of Rs. 54.92 lakhs for the year 1985-86 as shown in the accounts would work out to Rs. 45.43 lakhs after taking into account the provision of Rs. 7.38 lakhs for depreciation on extra shift and Rs. 2.11 lakhs for dividend on cumulative preference shares.

2.1.5. Production performance**2.1.5.1. Installed capacity**

The manufacture of beer is a continuous process

involving brewing, fermentation, storage, stabilisation, filtration and bottling.

The table given below indicates the installed capacity of each process for manufacture of beer on three shift working vis-a-vis the actual utilisation of the installed capacity in lakhs of hectolitres (HLs.) during the five years up to 1985-86 :

Process	Installed capacity	1981-82		1982-83	
		Actual utilisation	Percentage of actual utilisation	Actual utilization	Percentage of actual utilisation
1. Brewing	1.87	0.57	30.48	0.48	25.67
2. Fermentation, storage, stabilisation	0.50 increased to 1.08	0.60	120.00	0.52	104.00
3. Filtration	3.60	0.56	15.56	0.47	13.06
4. Bottling	2.00	0.56	28.00	0.47	23.50

Process	Installed capacity	1983-84		1984-85		1985-86	
		Actual utilisation	Percentage of actual utilisation	Actual utilisation	Percentage of actual utilisation	Actual utilisation	Percentage of actual utilisation
1. Brewing	1.87	0.49	26.20	0.79	42.25	1.09	58.2
2. Fermentation, storage stabilisation	0.50 increased to 1.08	0.55	110.00	0.83	166.00	1.14	105.5
3. Filtration	3.60	0.51	14.17	0.77	21.39	1.07	29.7
4. Bottling	2.00	0.51	25.5	0.77	38.50	1.07	53.5

It would be seen that the fermentation, storage

and stabilisation capacity was low even after increasing the installed capacity from 0.50 lakh HLs. up to 1984-85 to 1.08 lakh HLs. in 1985-86. Though the capacity of fermentation, storage, stabilisation process was increased by about 50 per cent the increased capacity of the fermentation process was far less than the installed capacity of other processes. Consequently, the utilisation of the brewing, filtration and bottling capacities had to be kept in line with the fermentation, storage and stabilisation capacity thereby rendering major part of plant and equipments of brew house, filtration and bottling hall under-utilised.

2.1.5.2. Excessive process loss of beer

According to the project report the overall loss of beer in production would be about 5 per cent. Though manufacture of beer involves various processes, the process-wise losses have not been worked out by the Company so far (November 1986). During the six years (1980-86) the overall process loss of beer varied from 9.3 per cent in 1984-85 to 17.3 per cent in 1980-81; the value of beer lost in excess of norms works out to Rs. 48.67 lakhs as below :

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
	(Quantity in HLs.)					
1. Opening balance of beer in tanks	3,929	3,580	4,080	5,710	3,396	5,604
2. Beer brewed during the year	66,440	56,870	48,180	49,072	79,155	1,08,657
3. Total	70,369	60,450	52,260	54,782	82,551	1,14,261

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
	(Quantity in HLs.)					
4. Less closing balance of beer in tanks	3,580	4,080	5,710	3,396	5,604	7,166
5. Beer available for bottling	66,789	56,370	46,550	51,386	76,947	1,07,095
6. Beer bottled	55,305	50,237	40,774	45,759	69,564	95,082
7. (a) Production loss	11,484	6,133	5,776	5,627	7,383	12,013
(b) Percentage of production loss to beer brewed	17.3	10.8	12.0	11.5	9.3	11.1
(c) Production loss in excess of norms	8,162	3,289	3,367	3,173	3,425	6,580
8. (a) Rate of beer per HL. (Rs.)	155.09	182.48	182.93	167.81	166.23	195.13
(b) Value of beer as per 7(c) (Rupees in lakhs)	12.66	6.00	6.16	5.32	5.69	12.84

The Management had not analysed the reasons for excessive losses.

2.1.5.3. Excess consumption of raw material

The Company manufactures two types of beer

(mild and strong), depending upon the percentage of alcoholic contents, with the use of malt, sugar, hops and hops extract. The analysis of the pattern of consumption of these raw materials vis-a-vis the norms during the six years up to 1985-86 (as per *Annexure—12A and 12B*) disclosed that the consumption of malt and sugar was more during all the years as compared to norms. The excess consumption of raw materials for the manufacture of mild and strong beer during six years up to 1985-86 was valued at Rs. 75.46 lakhs. Reasons for excess consumption have, however, not been investigated.

2.1.5.4. Non-use of maize flakes

In June 1984, the Company introduced a new ingredient, maize flakes, to be used as adjunct with malt, the main raw material, in the manufacture of mild beer. It had the advantage of giving more extract, thus reducing the cost of production (385 Kgs. of maize flakes for 525 Kgs. of malt per brew), clarity to wort, increasing shelf life and ultimately improving the quality of beer.

Out of 660 brews (247 in 1984-85 and 413 in 1985-86) introduced for the manufacture of mild beer, the Company did not use maize flakes in respect of 192 brews (82 in 1984-85 and 110 in 1985-86) because of non procurement of the material in time. This deprived the Company of a saving of Rs. 1.02 lakhs in the cost of production.

2.1.6. Sales performance

2.1.6.1. Targets and achievements

Up to 1983-84, the Company did not have any

system of advance planning for sales with a view to compare performance with that budgeted and take corrective action to improve sales. The system of fixing sales targets was introduced from 1984-85.

The sales of the Company vis-a-vis targets during 1984-85 and 1985-86 were as follows :

Year	Production of beer	Targets of sales	Sales
		(Bottles in lakhs)	
1980-81	85.08	Not fixed	83.33
1981-82	77.29	Not fixed	76.46
1982-83	62.73	Not fixed	61.59
1983-84	70.40	Not fixed	70.29
1984-85	1,07.02	98.00	1,08.88
1985-86	1,46.28	1,39.00	1,14.16

From the above, it would be seen that the Company could not achieve the targets for sales during 1985-86. The reasons for shortfall in achievement of targets have not been intimated.

2.1.6.2. Performance of sale depots

Up to November 1984, the Company had four sale depots, one each at Bombay, Chandigarh and two at Delhi. In December 1984 another sale depot (bonded) on agency basis was opened at Unnao, in Uttar Pradesh. All the four depots were incurring losses (except the Delhi (MM) depot during 1980-81 to 1982-83 and Chandigarh depot during 1984-85).

during the six years up to 1985-86 vide table given below :

	Landed cost	Depot expenses	Total cost	Sale Value	(+) Profit (-) Loss
(Rupees in lakhs)					
1980-81					
Bombay	14.78	1.33	16.11	15.00	(-)1.11
Chandigarh	3.49	1.84	5.33	3.96	(-)1.37
Delhi(MM)	53.64	3.35	56.99	61.14	(+)4.15
Delhi(VV)	0.97	0.24	1.21	0.99	(-)0.22
1981-82					
Bombay	9.19	1.71	10.90	9.90	(-)1.00
Chandigarh	4.95	2.25	7.20	5.42	(-)1.78
Delhi(MM)	69.24	3.44	72.68	74.78	(+)2.10
Delhi(VV)	0.69	0.24	0.93	0.70	(-)0.23
1982-83					
Bombay	5.43	1.59	7.02	5.98	(-)1.04
Chandigarh	4.24	2.27	6.51	5.45	(-)1.06
Delhi(MM)	45.20	3.14	48.34	49.01	(+)0.67
Delhi(VV)	0.33	0.23	0.56	0.35	(-)0.21
1983-84					
Bombay	0.27	1.19	1.46	0.34	(-)1.12
Chandigarh	5.44	0.98	6.42	5.76	(-)0.66
Delhi(MM)	25.40	3.93	29.33	28.20	(-)1.13
Delhi(VV)	0.33	0.18	0.51	0.38	(-)0.13
1984-85					
Bombay	17.14	2.12	19.26	19.26	—
Chandigarh	5.97	1.33	7.30	8.00	(+)0.70
Delhi(MM)	45.47	3.95	49.42	47.28	(-)2.14
Delhi(VV)	0.31	0.18	0.49	0.38	(-)0.11
1985-86					
Bombay	18.02	2.97	20.99	18.65	(-)2.34
Chandigarh	8.48	1.57	10.05	8.95	(-)1.10
Delhi(MM)	44.22	4.58	48.80	47.14	(-)1.66
Delhi(VV)	0.43	0.33	0.76	0.49	(-)0.27

The Bombay depot was closed in September 1983 due to poor performance but was reopened in

February 1984. However, the depot again incurred loss during 1985-86. The Company did not analyse the reasons for poor performance and take remedial measures to improve their working.

2.1.6.3. Non charging of interest on delayed payments

Under the conditions of sale incorporated in the invoices issued by the Company, interest at the rate of 18 *per cent* per annum was chargeable on payments received after 30 days. A review of the sundry debtors ledger of the Company for the years 1984-85 and 1985-86 disclosed that the Company was not charging any interest for belated payments received after 30 days. In the case of one party of Hyderabad, the period of delay ranged between 31 and 317 days and the loss of interest on account of belated payments received after 30 days amounted to Rs. 3.44 lakhs. In the case of another party of Calcutta, six years were taken in realising Rs. 1.46 lakhs by staggering payments and an amount of Rs. 0.13 lakh was still (December 1986) outstanding. The loss of interest in this case, on account of belated payments worked out to Rs. 1.09 lakhs.

Responsibility for not charging interest on delayed payments in violation of conditions of sale incorporated in sale invoices has not been fixed by the Management so far (December 1986).

2.1.6.4. Sundry debtors

As a policy, all sales are to be made against cash payments except in the case of Canteen Stores Department of the Ministry of Defence and a firm of Andhra Pradesh. It was observed in audit that the Company has been effecting sales on credit basis. Outstandings

from the sundry debtors were steadily on the increase as the table below indicates :

Year	Debtors	Sales	Percentage of debtors to sales
(Rupee in lakhs)			
1982-83	44.34	2,84.00	15.6
1983-84	54.49	3,09.42	17.6
1984-85	96.75	5,19.22	18.6
1985-86	1,53.58	6,53.08	23.5

The category wise break up of sales and sundry debtors alongwith their growth during the three years up to 1985-86 was as under :

Category of debtors	1982-83		1985-86		Percentage increase	
	Sale during the year 2(a)	Outstanding at close 2(b)	Sale during the year 3(a)	Outstanding at close 3(b)	3(a) to 2(a)	3(b) to 2(b)
1						
(Rupees in lakhs)						

1. Central Government Departments

(a) Canteen Stores Department (defence)

52.30	11.74	60.25	16.48	15.2	40.4
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(b) Border Security Force

0.09	—	0.31	—	244.4	—
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2. Autonomous bodies of						
(a) State	10.13	6.35	22.25	10.04	119.6	58.1
(b) Centre	49.28	4.08	45.40	6.14	(—)7.9	50.5
3. Foreign embassies	0.08	—	0.17	—	112.5	—
4. Private parties	1,72.12	22.17	5,24.70	1,20.92	204.8	445.4
Total	2,84.00	44.34	6,53.08	1,53.58	130.0	246.4

It would be seen that against the increase of 130.0 *per cent* in sales during 1985-86, the increase in debtors was 246.4 *per cent* affecting the liquidity of the Company.

2.1.7. Purchase procedure and inventory control

2.1.7.1. Purchase procedure

Bottles, cartons, corks, malt, sugar and hops are main items purchased by the Company. The Company did not have any purchase procedure till December 1983 when the purchase procedure was manualised. Under the prescribed procedure, all items, estimated to cost more than Rs. 50,000 are to be purchased through open tenders. For purchases up to the value of Rs. 50,000, the system of limited tendering from approved suppliers is envisaged.

2.1.7.2. Purchase of carton

(a) The average annual consumption of cartons, which are used for packing beer bottles, was of the order of 6.94 lakhs. The Company had not adopted a system of inviting open tenders and had affected purchases of an aggregate value of Rs. 69.45 lakhs

during 1979-80 to 1982-83 at rates ranging from Rs. 2.35 (April-September 1979) to Rs. 2.55 per carton (October 1979-May 1982) from a few firms.

In May 1983, the Company for the first time invited tenders for purchase of cartons for meeting the requirement for 1983-84 and in response the lowest rate of Rs. 2.30 per carton was received from a firm of Chandigarh which was lower than the rates at which purchases had been effected in the past four years.

The extra cost incurred during 1979-80 to 1982-83 as a result of not inviting tenders worked out to Rs. 5.58 lakhs compared to the lowest rate of Rs. 2.30 per carton.

(b) During 1984-85 and 1985-86 also, the Company purchased 9.57 lakh cartons valuing Rs. 22.88 lakhs and 12.96 lakh cartons valuing Rs. 32.74 lakhs by resorting to limited tender. Thus, the Company was deprived of the benefit of competitive rates.

2.1.7.3. Purchase of labels for bottles

During 1981-82 to 1983-84, the Company purchased labels for pasting on beer bottles valuing Rs. 1.72 lakhs (64.79 lakhs), Rs. 1.62 lakhs (61.01 lakhs) and Rs. 2.31 lakhs (78.48 lakhs) respectively from firm 'A' at mutually settled rates without calling for tenders.

It was only in June 1984, that tenders were invited for the purchase of 150 lakh labels for the year 1984-85. The Company placed orders from September 1984 to July 1985 with firm 'B' for purchase of 9 lakh labels for Aristocrat brand and 66 lakh

labels for other brands at its quoted rate of Rs. 21.75 per thousand (Aristocrat brand) and Rs. 28.25 per thousand (other brands). The firm executed this order by May 1985. At the request of the firm the rates were revised upward to Rs. 24.36 and Rs. 31.64 per thousand labels of Aristocrat brand and other brands respectively with effect from the 1st May 1985 and the Company purchased in 1985-86, 53.68 lakh labels of other brands at the increased rates. Simultaneously, the Company continued to purchase labels during the period from July 1984 to March 1986 from firm 'A' at mutually settled rates ranging from Rs. 33 to Rs. 34.32 per thousand labels which were higher than the rates of firm 'B'. The reasons for purchase of labels from firm 'A' at higher rates were not on record.

Had the Company resorted to proper purchase procedure of inviting tenders it could have avoided extra expenditure of Rs. 0.75 lakh on the purchase of 1,78.95 lakh labels from firm 'A' at negotiated rates.

2.1.7.4. Inventory Control

The table below indicates the value of inventory of stores, spares and tools for the five years up to 1985-86 :

Year	1981-82	1982-83	1983-84	1984-85	1985-86
	(Rupees in lakhs)				
Closing stock	8.11	7.15	7.41	7.66	10.50
Consumption during the year	6.79	9.31	7.41	7.66	10.50
Stock in terms of months' consumption	14	9	12	12	12

The inventory constituted 14 months' consumption during 1981-82, 9 months' consumption

during 1982-83 and 12 months' consumption during 1983-84, 1984-85 and 1985-86 as compared to the maximum level of 6 months' prescribed in the purchase Manual.

It was noticed in audit that :

- (a) Spare parts and stores were not segregated into fast-moving, slow-moving and non-moving categories.
- (b) Priced ledgers were not maintained in the absence of which it was not possible for the management to arrive at the actual consumption of stores, spares and tools.
- (c) Items of stores were not priced at the time of issue.

2.1.8. Costing system

Having noticed lack of systematic, effective and scientific control over cost, the Committee on Public Undertakings had recommended (March 1983) that the Company should devise an effective system of cost control and monitoring all losses and wastages as a regular feature. The Company has, however, not introduced a proper system of ascertaining cost of production of each type of beer (strong and mild), correlating the same with standard cost and analysing variances etc. to control costs and take management decisions as to production of which product is more profitable etc.

2.1.9. Accounting and internal audit

- (a) The Company has not prepared any accounting manual streamlining the accounting systems and

mechanism for financial controls. The Committee on Public Undertakings also took a serious note of lack of satisfactory accounting system and proper financial control and strongly recommended (March 1983) that the accounts section of the Company should be headed by a qualified and experienced Financial Controller. The Company, however, recruited a Financial Controller-cum-Chief Accounts Officer in May 1984 to head the finance and accounts department of the Company. Despite recruitment of an incumbent for the post of Financial Controller, who is to render advice on financial matters relating to budget controlling, pricing, financial control, investment programmes etc. the Company engaged a financial consultant of Delhi on a retainership fee of Rs. 50,000 per annum from 1st December 1985 to 1st December 1986 for discharging duties similar to those of Financial Controller.

(b) The Company in September 1979 appointed a firm of Chartered Accountants to conduct internal audit at a fee of Rs. 6,000 per annum which was revised to Rs. 7,500 per annum with effect from October 1981 (*plus* T.A. and D.A.). The appointment was initially up to 31st March 1983 but the firm was retained up to 31st March 1985 without approval of the Board of Directors. One of the duties of internal auditor was to prepare half yearly financial review of the Company with a view to suggest new ideas to control cost of production and to further improve the marketability of the beer. No such 'review' was prepared and submitted by the firm. The results of audit were also never submitted to the Board of Directors.

The Company created its own internal audit wing from 1985-86 comprising of Manager (Finance), Accounts Officer and one Assistant Accountant.

It was noticed that the internal audit cell was not independently constituted and was entrusted with other accounting /financial functions as well. Till March 1986, neither any internal audit manual had been prepared nor any time schedule and audit programme chalked out for conducting effective audit. The scope of work to be covered by the cell was also not prescribed by the Management. Till March 1986, the work undertaken by the internal audit cell covered marketing, cash management and cost analysis only. The plant, headquarters office, purchase organisation, which are at Murthal were not covered by internal audit during 1985-86.

2.1.10. Other points of interest

2.1.10.1. Avoidable payment of interest

The Company had been operating six current accounts in Delhi, Murthal, Sonapat, Chandigarh and Bombay to meet its day to day requirements of cash and for depositing the cash collected from various customers. Simultaneously, it had also been availing cash credit facilities from Haryana State Co-operative Bank, Chandigarh and New Bank of India, Delhi to meet its working capital requirements.

A review of Bank statements of current accounts of the Company for the period from April 1984 to March 1986 vis-a-vis cash credit accounts revealed that the Company did not have a proper system of transfer of surplus funds from current accounts to cash credit accounts to minimise the incidence of interest on cash credits. It was noticed that the Company kept large sums ranging between Rs. 0.58 lakh and Rs. 42.33 lakhs daily in current accounts after meeting its day to day requirements whereas it was paying interest at the rate of

18 *per cent* on cash credit account. By not transferring surplus funds from current accounts to cash credit accounts promptly, the Company had to pay avoidable interest of Rs. 2.12 lakhs during April 1984 to March 1986 on cash credits availed by it.

2.1.10.2. Sales tax

(a) Under the Central Sales Tax Act, 1956, transfer of goods to branch offices outside the State are exempt from levy of tax. If, however, the movement of goods to such branch offices is as a result of contract of sale, these being inter-state sales, the goods are taxable at the rate of 20 *per cent*.

During 1978-79 and 1979-80, the Company transferred beer valuing Rs. 57.73 lakhs and Rs. 78.91 lakhs respectively to its sales depots outside the State. Stock transfers valuing Rs. 19.07 lakhs pertaining to 1978-79 and 1979-80 were treated by the taxation authorities as inter-state sales on the grounds that the goods were either sold against prior orders (Rs. 16.52 lakhs) or the documents in support of stock transfers (Rs. 2.55 lakhs) were not produced. Sales tax amounting to Rs. 1.94 lakhs for 1978-79 and Rs. 1.87 lakhs for 1979-80 on this account was, accordingly, imposed by taxation authorities (December 1983 and March 1984).

Further in the case of inter-state sales to registered dealers, tax is levied at concessional rate of 4 *per cent* provided such sales are supported by valid declarations from the dealers. Out of total inter-state sales of Rs. 1,94.18 lakhs made by the Company, prescribed declarations were not obtained from the customers on sales of Rs. 5.04 lakhs (including waste/unserviceable goods : Rs. 1.20 lakhs) and Rs. 11.48 lakhs during 1978-79 and 1979-80.

respectively. Sales tax amounting to Rs. 0.89 lakh for 1978-79 and Rs. 2.30 lakhs for 1979-80 on this account was, accordingly, imposed by taxation authorities (December 1983 and March 1984).

On appeal, the levy of CST (Rs. 2.83 lakhs) for the year 1978-79 was reduced (December 1984) to Rs. 2.60 lakhs on furnishing prescribed declarations in respect of inter-state sales of Rs. 1.43 lakhs. The appeal against the assessment orders for the year 1979-80 was yet to be decided (March 1986). However, the Company deposited Rs. 2 lakhs (October 1984) as additional CST on rejected stock transfers pertaining to the year 1979-80.

(b) Under the State General Sales Tax Act, 1973, sales to registered dealers within the state are exempt from levy of tax, provided these are supported by prescribed declarations. The sales tax authorities levied tax of Rs. 4.88 lakhs (Rs. 1.61 lakhs in December 1983 and Rs. 3.27 lakhs in March 1984) on sales amounting to Rs. 7.88 lakhs and Rs. 16.04 lakhs during 1978-79 and 1979-80 to registered dealers in respect of which prescribed declarations were not obtained from them.

Had the Company recovered the sales tax from customers on inter-state sales and collected requisite declarations from the registered dealers at the time of sale and supported the stock transfers by necessary documents, payment of the sales tax to the tune of Rs. 11.65 lakhs could have been avoided. Responsibility for these lapses had, however, not been fixed (January 1987).

2.1.10.3. Over payment

The Company introduced new scales of pay

for its employees with effect from 1st April 1983 on the pattern of revision of pay scales by the State Government. As the new pay scales were evolved after merging the dearness allowance admissible up to 320 points of consumer price index (CPI) the State Government while notifying the grant of dearness allowance after April 1983 had been stipulating that the dearness allowance already merged with the new scales should be deducted from the amount of dearness allowance admissible.

In case of persons whose pay had been fixed directly at Rs. 2,400 and above in the revised scale the deduction of Rs. 363 nationally admissible to them (in the pre-revised scale) as additional dearness allowance at 320 points (CPI) were envisaged.

A test check in audit disclosed that the stipulated deduction on this account was not made while calculating the dearness allowance admissible on revised scales of pay of four officers drawing pay of Rs. 2,400 and above. This resulted in over payment of Rs. 0.46 lakh up to October 1986.

2.1.11. Summing up

1. The Company was incorporated in September 1970 as a subsidiary of Haryana State Industrial Development Corporation Limited for carrying on business as dealers, distillers, brewers and manufacturers of wine, spirits and alcohol. So far the Company has restricted its activities to the manufacture and sale of beer only.

2. Fermentation, storage and stabilisation capacity was low as compared to installed capacities at other production stages. Consequently the actual utilisation of capacities of other processes was kept low.

3. Though manufacture of beer involves various processes, the Company has not worked out the loss of beer in each process. The overall loss of beer as compared with the beer brewed ranged between 9.3 *per cent* in 1984-85 and 17.3 *per cent* in 1980-81 against the norm of 5 *per cent*. The value of beer lost in excess of the norm worked out to Rs. 48.67 lakhs.

4. The consumption of main raw materials varied from year to year. The consumption of raw materials in excess of norms envisaged in the project report was valued at Rs. 75.46 lakhs during six years up to 1985-86.

5. In June 1984 the Company introduced a new ingredient viz., maize flakes with the object to ensure better quality and reduce cost of production. Out of 660 brews introduced in the two years up to 1985-86, the Company did not use maize flakes in 192 brews as the Company did not procure maize flakes in time. This deprived the Company of a saving of Rs. 1.02 lakhs in the cost of production.

6. All the sale depots, except Delhi (MM) from 1980-81 to 1982-83 and Chandigarh in 1984-85, were running in loss during 1980-81 to 1985-86 and no remedial steps were taken by the Company to improve their performance.

7. Interest at the rate of 18 *per cent* per annum was chargeable on payments received after 30 days. The Company lost Rs. 4.53 lakhs as interest was not charged on payments received after due dates in respect of two firms of Andhra Pradesh and Calcutta.

8. Against the approved sale policy to sell

beer on cash payment except to Canteen Stores Department and a firm of Andhra Pradesh, the Company had also been effecting credit sales to others. Debtors were continuously on the increase. The percentage of debtors to sales which was 15.6 per cent in 1982-83 increased to 23.5 per cent in 1985-86.

9. The Company did not have any purchase procedure till December 1983 when the purchase procedure was manualised. By not adopting and adhering to prescribed purchase procedure the Company suffered a loss of Rs. 5.58 lakhs in purchase of cartons during 1979-80 to 1982-83 and loss of Rs. 0.75 lakh in the purchase of labels.

10. The Company had not segregated spare parts and stores into fast-moving, slow-moving and non-moving categories. Priced stores ledgers were not maintained.

11. The Company had not introduced a proper system of ascertaining cost of production of each type of beer (strong and mild), correlating the same with standard cost and analysing variances etc. to control costs.

12. The Company in addition to the Financial Controller cum Chief Accounts Officer also appointed a Financial Consultant of Delhi on a retainership fee of Rs. 50,000 per annum from December 1985 to December 1986. The Financial Consultant was discharging the duties similar to those of Financial Controller. A firm of Chartered Accountants was appointed in September 1979 to conduct internal audit. The firm was

retained from April 1983 to March 1985 without the approval of the Board of Directors. The internal auditor was to prepare half yearly financial review with a view to suggest measures to control cost. No such review was prepared and submitted by the firm. The Company's own internal audit cell opened in 1985-86 was neither independent nor its scope had been defined.

13. The Company paid Rs. 2.12 lakhs as interest on bank accounts due to failure in effecting transfer of funds between accounts in various banks.

14. Non recovery of sales tax from customers on inter-state sales and non collection of requisite declarations from registered dealers at the time of sale put the Company to a loss of Rs. 11.65 lakhs in avoidable payment of sales tax.

15. The Company made over-payment of Rs. 0.46 lakh on account of Dearness Allowance to four officers.

The Review was reported to the Company and Government in August 1986; their replies were awaited (January 1987).

CHAPTER III

3. STATUTORY CORPORATIONS (REVIEW)

HARYANA STATE ELECTRICITY BOARD

3.1. CONSTRUCTION OF TRANSMISSION LINES AND SUB-STATIONS

3.1.1. Introductory

The aggregate installed capacity of the Board for generation of power at the end of March 1986 was 1,422.4 MW (Thermal : 587.5 MW; Hydro : 831 MW and internal combustion : 3.9 MW). Power generated at the various power generation stations is transmitted through a net work of 400 KV, 220 KV, 132 KV, 66 KV, and 33 KV extra high tension transmission lines to various sub-stations for further distribution. Distribution of power in the State is done mainly through 33 KV and 11 KV lines which feed 440/220 volts low tension lines.

A review of accounts of the units of the Board entrusted with the work of construction of transmission lines and sub-stations revealed the following irregularities :

3.1.2. Delay in completion of transmission lines and sub-stations

During test check in audit, it was noticed

that in many cases as detailed below the expenditure incurred by the Board on the transmission lines remained blocked due to delay in the completion of sub-stations.

The table below indicates the cases where the construction of transmission lines had been completed but were energised after a considerable time lag (serial number 1 to 4) or the work on lines was held up (serial number 5 to 7) due to inordinate delay in the completion of linked sub-stations :

Sr. No.	Name of the line	Actual Expenditure (Rupees in lakhs)	Month of commencement	Month of completion or stoppage of work	Name of the linked sub-station	Month of completion of sub-station	Time lag between date of completion of line/stoppage of work on the line and sub-station	Remarks
1	2	3	4	5	6	7	8	9
1.	33KV Dharuhera-Jarthal line(11.3 Kms.)	7.00	October 1982	June 1983	Jarthal	July 1986	37	The construction of line was started/completed in October 1982/June 1983 where-as the land for construction of sub-station at Jarthal was acquired in September 1984.

1	2	3	4	5	6	7	8	9
2.	33 KV T-off Dadri- Ladain line at Sasroli (10 Kms.)	13.58	January 1983	May 1983	Sasroli	July 1985	26	The construction of line was started/ completed in January/ May 1983 whereas the construction of sub-station was started in February 1984. The delay in completion of the sub-station was mainly due to non-availability of lay out plan as a result the contractor to whom the work was awarded in October 1982 had backed out. Besides, a sum of Rs. 0.17 lakh was incurred on watch and ward of the line till the date of commissioning (July 1985).
3.	33KV T-off Bahadurgarh— Jhajjar line at Badli (14.5 Kms.)	16.05	April 1982	January 1983	Badli	May 1985	28	The construction of line was started/ completed in April

1	2	3	4	5	6	7	8	9
								1982/January 1983 whereas the construction of sub-station at Badli was started/ completed in June 1984/May 1985.
4.	33 KV Jiwan Nagar-Kariwala line (12 Kms.)	7.70	January 1983	March 1983	Kariwala	August 1985	29	The construction of line was started/ completed in January/March 1983 whereas the land for construction of sub-station was acquired in September 1984.
5.	33 KV Miran-Sharwa line (9.5 Kms.)	7.38	December 1982	December 1984	Sharwa	Work-in-progress	—	The work on a portion of the line (1.5 Kms.) and the sub-station could not be commenced as land for the same has not yet (November 1986) been acquired.
6.	33 KV Tohana-Mamupur line (14 Kms.)	3.89	December 1982	April 1983	Mamupur/Raiwala	October 1986	43	The village 'Mamupur' initially selected

1	2	3	4	5	6	7	8	9
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for construction of sub-station was found to be falling in low lying and water-logged area and the village-panchayat did not agree to give the land. The site for the sub-station was changed to village 'Raiwali' and land for the proposed sub-station was acquired in June 1984. The work was commenced in January 1986 and line and sub-station commissioned in October 1986.

7. 33 KV Ratia- Alika/Bora line(9.10 Kms.)	7.34	January, March 1983 1983	Alika/ Bora	Work-in- progress
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— The site for the proposed sub-station was changed from Alika to Bora as the gram panchayat of village Bora agreed.

1

2

3

4

5

6

7

8

9

to transfer
5.4 acres
of land free
of cost.

The work
on the line
was held
up due to
non-acqui-
sition of
land at
Bora and
uncertain
feeding
arrangement
at 132 KV
sub-station
Ratia.

The newly
elected vill-
age pan-
chayat
backed out
to transfer
the land
and ob-
tained stay
order from
the court.
Finally the
land was
acquired
in village
Baliola (near
village

Bora) and
possession
thereof was
taken in
February
1986. The
work on
the sub-
station co-
mmenced
in Novem-
ber 1986,
was in pro-
gress (De-
cember
1986).

3.1.3. A.C.S.R. conductor

In the following two cases of transmission lines, A.C.S.R. conductor and some other material needed after erection of towers was drawn much in advance of actual requirement and were lying at the site of the work, completion of which had been held up for non completion of certain pre-requisite formalities :

Name of the line	Estimated cost	Month of commencement of work	Value of ACSR conductor and month in which issued	Remarks
	(Rupees in lakhs)		(Rupees in lakhs)	
Double circuit (66 KV) Bijwasan-Maruti line	17.52	December 1983	7.03 (January-May 1984)	An expenditure of Rs. 19.75 lakhs (including cost of A.C.S.R. conductor : Rs. 7.03 lakhs and other material : Rs. 4.73 lakhs) had been incurred but the work had been held up first in April 1984 for want of permission from Civil Aviation Department and Delhi Administration and again in January 1986 due to stay order by the Delhi High Court on the writ petition filed by the land owners of Delhi area.
Double circuit (66KV) Gurgaon-Manesar line	33.02	September 1981	11.99 (October-December 1981)	The work on which an expenditure of Rs. 28.76 lakhs had been incurred could not be completed due to non arrangement of tower structures and non finalisation of route plan. Due to delay in the completion of work, an extra expenditure of Rs. 0.17 lakh on watch and ward staff for guarding material lying at site was incurred and three tonnes of tower material worth Rs. 0.27 lakh was stolen from the site of work.

3.1.4. Double circuit Kosli-Rewari line

The construction of a 26 Kms. long 132 KV single circuit Kosli-Rewari line on double circuit towers was approved in January 1979 at an estimated cost of Rs. 38.57 lakhs and the work was to be completed by January 1980. The work, however, could not be commenced as certain discrepancies were found in the route plan. In July 1981, it was decided to construct a double circuit line and after carrying out fresh survey, detailed route plan was approved in April 1982 and the estimate was revised to Rs. 65.14 lakhs. In the meantime material worth Rs. 42.54 lakhs drawn in February 1979–November 1981 remained unutilised and an expenditure of Rs. 0.47 lakh was incurred on its watch and ward.

The work which commenced in April 1982 was completed in August 1984 at a cost of Rs. 66.85 lakhs. While one circuit was energised in January 1985 the other circuit was still awaiting energisation (November 1986). Executive Engineer, grid construction division, Rohtak stated (June 1986) that the second circuit of the line was pending energisation for want of control and relay panel which was not available with the Board. Thus, the delay in procurement of control and relay panel has resulted in non-utilisation of second circuit of double circuit Kosli-Rewari line since August 1984.

3.1.5. Sub-station, Narwana

Keeping in view the growing load demand and voltage problems, construction of 220 KV sub-station at Narwana was approved in June

1977 at an estimated cost of Rs. 2,04.97 lakhs with completion schedule of two years. Land was acquired in March 1978 and without carrying out any survey, material worth Rs. 1,94.81 lakhs was issued to the work during February 1979 to March 1982. But the work could not be commenced due to change in November 1979 from ordinary foundation which was not considered suitable to pile foundation. Later on in February 1982, the foundation design was again changed by providing spread type foundation by Member (Technical) of the Board. Chief Engineer (planning and construction) of the Board stated (May 1986) that due to change in design of the plinth of sub-station so many times the material drawn could not be used immediately after its drawal from the store. Thus, due to lack of proper planning and control, material worth Rs. 1,94.81 lakhs drawn during February 1979 to March 1982 could not be put to use immediately after its drawal from the store. The work was finally commenced in April 1982 and completed in January 1984. Due to delay in commencement and completion of work and change of design the estimate for the work was first revised to Rs. 3,05.39 lakhs in March 1982 and Rs. 3,92.11 lakhs in May 1983 representing an increase of 91 per cent over the original estimated cost. The increase in cost mainly represented increase in the cost of labour and material.

3.1.6. Delay in energisation of sub-stations

Construction of 33 KV sub-stations at Nangal-Sirohi, Jassia and PH-I Loharu were completed in June-July 1983 at a cost of Rs. 25.94 lakhs

(Nangal-Sirohi : Rs. 8.48 lakhs; Jassia : Rs. 8.83 lakhs and PH-I Loharu : Rs. 8.63 lakhs) but these sub-stations could not be energised due to non availability of 220 Volts batteries and transformers etc. Consequently, these sub-stations remained idle for periods ranging from seven months to one year. The sub-stations were, however, energised in April 1984 (Nangal-Sirohi), March 1984 (Jassia) and July 1984 (PH-I, Loharu). No responsibility for the delay in procurement of the equipment has been fixed by the Board (January 1987).

3.1.7. Infructuous expenditure on setting up of sub-division at Narwana

In March 1979 the Board set up a sub-division at Narwana for execution of 220 KV single circuit Patiala-Narwana line based on the tentative route plan approved by the Chief Engineer (Planning and Construction). Material worth Rs. 41.20 lakhs was drawn from the stores during April 1979-July 1981 and transported to the site of the work.

On the advice of Central Electricity Authority a revised route survey was conducted and the line was proposed (May 1981) to be re-routed via Kaithal (Patiala-Kaithal-Narwana route). In August 1981, the Board decided to construct a double circuit line in place of single circuit line and the route plan was again revised in January 1982. Finally in March 1983, the Power Subcommittee of the Central Electricity Authority did not consider necessary to commission Patiala-Kaithal portion of the line as Punjab State Electricity Board had already planned their system.

The sub-division created in March 1979 for execution of the work was closed in July 1981 after incurring infructuous expenditure of Rs. 2.86 lakhs on the staff salary, watch and ward and maintenance of the sub-division. Out of the material valuing Rs. 41.20 lakhs drawn for the work, material worth Rs. 38.07 lakhs was returned to stores and material worth Rs. 3.09 lakhs was transferred to other works leaving a shortage of Rs. 0.04 lakh. Thus, the Board incurred infructuous expenditure of Rs. 2.90 lakhs due to opening of sub-division much before finalisation of the route plan.

3.1.8. Idle labour on Dadri-Rewari line

The work for construction of 220 KV single circuit Dadri-Rewari line up to Kosli was approved (estimated cost : Rs. 75.02 lakhs) in March 1984 and was scheduled to be completed within two years i.e. in March 1986. Though the workcharged staff was employed in May 1984, the execution of the work could not be taken up as location of some of the towers on the route plan were not found to be in order (July 1984) by the inspection wing of the planning and construction organisation of the Board. A fresh survey was conducted in December 1984 and part of the route plan was revised and approved in October 1985.

In the meantime an expenditure of Rs. 1.06 lakhs was incurred on the workcharged staff between May 1984 and July 1985 which remained idle. Till October 1986 only 39.7 per cent of the work was completed as the whole portion of the route plan had not been finalised as yet

(November 1986). The Executive Engineer entrusted with the execution of the work stated in November 1986 that the work was likely to be completed in March 1987 as against the targeted date of March 1986 due to delay in commencement of work.

3.1.9. Avoidable expenditure

(a) 220 KV sub-station at Narwana completed and commissioned in January 1984 has been provided with two control rooms for controlling the 220 KV side and the 132 KV side. Both the control rooms have been housed in separate buildings and provided with separate staff for their operation and maintenance. The function of both the sides could have been controlled from a single control room thereby avoiding the extra expenditure on the construction of separate control room building (Rs. 2.97 lakhs) and recurring expenditure of Rs. 1.30 lakhs per annum on the operation and maintenance of the second control room. Total expenditure of Rs. 3.37 lakhs had already been incurred during the period from January 1984 (date of commissioning of the second control room) to November 1986.

In January 1986, the Member Technical (Operation) of the Board had advised the design directorate to examine the possibility of combining the two control rooms for achieving efficiency and economy. The Chief Engineer (Planning and Construction) stated (November 1986) that it was not possible to combine the two control rooms as the wall dividing the two control rooms is load bearing having three beams resting on it. Thus, due to lack of proper planning in the

first instance, the Board has to bear a recurring expenditure of Rs. 1.30 lakhs per annum in the maintenance of second control room.

(b) A new 132 KV sub-station at Karnal was commissioned and energised in December 1976 and the local load of Karnal on the existing 66 KV sub-station was shifted to the new sub-station. An estimate for dismantling the existing 66 KV sub-station and shifting the load of 66 KV Indri sub-station to the 132 KV sub-station was sanctioned in 1979-80. Instead of making arrangements for feeding the Indri sub-station directly from the 132 KV sub-station at Karnal, in December 1976, a temporary arrangement (cost : Rs. 2.19 lakhs) was made at the existing 66 KV sub-station by shifting one 16.67 MVA (132/66 KV) rating transformer (cost : Rs. 0.50 lakh) from Panipat and energising the same in March 1977. This temporary arrangement was continued till March 1983 when the feeding arrangement for Indri sub-station was shifted to the new 132 KV sub-station Karnal. The existing 66 KV sub-station was dismantled in June 1983. Had the feeding arrangement for Indri sub-station been shifted to the new 132 KV sub-station alongwith the local load of Karnal, the Board would have saved Rs. 4.18 lakhs incurred on the operation and maintenance staff deployed at the existing 66 KV sub-station from March 1977 to March 1983 apart from an expenditure of Rs. 2.19 lakhs incurred on the temporary arrangement for feeding Indri sub-station.

3.1.10. Purchase of power transformer

One power transformer (45/60 MVA) was purchased in March 1977 from Bharat Heavy

Electricals Limited, Bhopal for Rs. 17.93 lakhs with a warranty period of 12 months from the date of commissioning or 18 months from the date of delivery. The transformer was received in the central store, Panipat in March 1977. When the transformer was being installed in June 1981 at 220 KV sub-station, Gurgaon, it was found in damaged condition. The transformer was, however, repaired in July 1983 by the Board at a cost of Rs. 0.41 lakh.

The transformer was commissioned in December 1983 after a lapse of more than six years from the date of purchase thereby blocking the Board's funds amounting to Rs. 17.93 lakhs and avoidable expenditure of Rs. 0.41 lakh on its repairs.

3.1.11. Idle power transformer

One 4 MVA (66/11 KV) power transformer (cost : Rs. 3.50 lakhs) was shifted from 66 KV sub-station, Rewari for replacing 7.5 MVA (66/11 KV) damaged power transformer at 66 KV sub-station, Pataudi in October 1976. In November 1976, this temporary arrangement was terminated and 4 MVA transformer at Pataudi was replaced by another 7.5 MVA transformer. Since then, the 4 MVA transformer shifted from Rewari is lying idle at Pataudi and has not been used. This was pointed out (May 1984) in audit but the Board has not taken any action to utilise the idle power transformer so far (January 1987).

3.1.12. Staff quarters

In order to accommodate the staff entrusted with the work of operation and maintenance of

sub-stations, the Board also provides a colony adjacent to the respective sub-stations. The operation staff provided with the quarters are not paid house rent allowance and recovery of rent is made at the prescribed rates.

During the course of test check, it was noticed that in the following cases, there was delay ranging from one to three years in taking over the quarters (constructed by the Civil Wing) by the operation wing for allotment to the staff :

Name of the sub-station	Cat-egory of quarters	Number of quarters	Cost (Rupees in lakhs)	Month of completion	Month in which taken over by operation wing	Reasons for delay in taking over the quarters
66 KV sub-station, Sadhopur (Ambala City)	III II I	8 8 4	12.44	November 1983	October 1986	The delay was due to reluctance of the staff to occupy the quarters as there was shortage of drinking water.
33 KV sub-station Tajpur	III II	8 6	5.67	October 1982	September 1985	Four category III quarters and four category II quarters are lying vacant since their take over by operation wing.
33 KV sub-station, Sasroli	III	8	4.30	May 1984	Yet to be taken over (March 1986)	Although the sub-station was energised in July 1985, the quarters were not taken over till March 1986 on account of minor defects.

Thus, the Board incurred an extra expenditure on account of avoidable payment of house rent allowance of Rs. 1.33 lakhs to the employees during the period November 1982 to November 1986 and loss of revenue by way of rent of Rs. 0.47 lakh for the quarters.

The Review was reported to the Board and Government in August 1986; their replies were awaited (January 1987).

CHAPTER IV

4. MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

A—GOVERNMENT COMPANIES

4.1. HARYANA STATE MINOR IRRIGATION AND TUBEWELLS CORPORATION LIMITED

4.1.1. Non-reimbursement of freight charges

The Company is purchasing cement against the authorisations issued by the Cement Controller. The authorisations, *inter alia*, provided that where cement was moved by road instead of rail the purchaser was entitled to claim reimbursement from the cement factory of the freight charges paid provided the claim for refund was preferred within a period of six months from the date of despatch of cement.

During the period from December 1980 to February 1982, cement (1190 tonnes) was purchased under authorisation from the Cement Controller by the Lining Tubewell Divisions at Rohtak, Jind and Fatehabad. The cement was transported by road and freight charges amounting to Rs. 1.37 lakhs were incurred by the Company. The claims for reimbursement of freight charges were, however, preferred with the cement factory during the period from December 1983 to May 1985 i.e. after the expiry of the stipulated period of six months.

Thus, owing to the delay in preferring the claim the Company had to incur a loss of Rs. 1.37 lakhs on account of non-reimbursement of freight charges. Responsibility for the lapse has, however, not been fixed as yet (January 1987).

The matter was reported to Government in March 1986; reply was awaited (January 1987).

4.1.2. Defective lining of water course

The Company executes the work of lining of water courses on behalf of farmers who are treated as shareholders of their respective water courses and the expenditure incurred is recovered from them.

In the following cases, the Company incurred an extra expenditure of Rs. 2.84 lakhs due to defects in execution of works :

Sr. No.	Name of Lining Division	Nature of work done	Cost of work (Rupees in lakhs)	Date of completion	Nature of defect	Cost of rectification of defect (Rupees in lakhs)	Date of rectification of defect	Remarks
1	2	3	4	5	6	7	8	9
1.	Rohtak Lining Division II	Lining of water course from outlet at RD-6595/L of Banyani irrigation channel	2.13	October 1976 to April 1977	Found defective as a result of inspection in January 1979	0.63	Yet to be completed	The Management stated in November 1985 that the explanation of the officials who were responsible for lapse in the execution of work had been called.

1	2	3	4	5	6	7	8	9
2.	Rohtak Lining Division II	Water course at outlet RD-72200/L of Butana distributory	1.26	May 1981 to June 1982	Water course had been constructed at higher level which obstructed flow of water	1.78	May 1985 to January 1986	No responsibility for the loss has been fixed so far.
3.	Tohana Lining Division III	Lining of water course at outlet RD-12173 of Ayalki sub minor canal	1.30	February to November 1980	The water course was constructed in depression and the lands were deprived of water for irrigation	0.43	December 1981 to May 1982	The Management stated in February 1986 that three sub-divisional officers and one junior engineer were held responsible for the defective work. Further developments are awaited.

4.1.3. Non recovery of interest

The Cement Controller, (Government of India) issued instructions in June 1974, under the Cement Control Act, 1967 that cement producers who receive advance payments for supply of cement and do not supply cement within 45 days of the receipt of advance should pay interest at the rate of 8 *per cent* per annum on the money retained for the period in excess of the limit. The rate of interest and the period beyond which interest was payable was revised to 14 *per cent* and 15 days respectively in September 1978.

Subsequently, in February 1982, it was decided that interest was payable only when supplies were not made within 30 days of the receipt of advance.

A test check conducted by Audit in July 1986 revealed that the Company paid advances aggregating Rs. 90.20 lakhs for purchase of 10,000 tonnes of cement to the cement producers during July 1983 to September 1985 against the authorisations issued by Cement Controller. The producers could supply 6,601.61 tonnes of cement of the value of Rs. 63.83 lakhs up to October 1985 and the balance advance of Rs. 26.37 lakhs was refunded, after delays ranging between 48 to 561 days, during June 1984 to November 1985.

Interest amounting to Rs. 2.87 lakhs on Rs. 26.37 lakhs retained by the cement producers beyond 30 days without supply of cement was neither claimed by the Company nor paid by the cement producers (July 1986).

No responsibility for the lapse has been fixed by the Management so far (November 1986).

The Government stated (November 1986) that the factories had not responded to the claim for interest as yet.

4.2. HARYANA AGRO INDUSTRIES CORPORATION LIMITED

4.2.1. Avoidable expenditure

In order to execute an export order for Jam, Juices etc. to U.S.S.R. during June 1982 to January 1983 the Company placed (May 1982)

an order for the import of 4 tonnes of pectin (required for the manufacture of jam) on firm 'A' with the stipulation that one tonne pectin would be supplied by air and remaining three tonnes by sea.

The Company opened a letter of credit in June 1982 for the import of one tonne pectin while the letter of credit for the remaining 3 tonnes was not opened on the suggestion (July 1982) of the General Manager as a lower offer had been received from an indigenous firm. The Company ultimately procured the remaining 3 tonnes of pectin also by air during August, October and December 1982 as the indigenous offer was for a different grade.

Thus, the import of 3 tonnes of pectin by air resulted in an extra expenditure of Rs. 0.64 lakh on air freight being the difference between the sea and air freight.

The Management stated (April 1986) that normally two months were required for procuring the consignment by sea and the Company in its anxiety to execute the order had resorted to import of pectin by air. The reply is not tenable as the Company had contemplated in June 1982 itself import of one tonne of pectin by air and 3 tonnes by sea keeping in view the schedule for execution of export order. Had the Company gone ahead with the initial proposition about 8 months would have been available for obtaining 3 tonnes of pectin by sea especially when the suppliers had offered to make shipment of the entire quantity in one lot.

The matter was reported to Government in

August 1986; reply was awaited (January 1987).

4.2.2. Nugatory expenditure on wages

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

The service of a Store keeper (appointed in November 1969) was terminated in May 1977 for alleged misappropriation of stores worth Rs. 0.17 lakh without holding enquiry. On representation by the workman the case was referred (December 1978) for adjudication to the Labour Court, Chandigarh. The Labour Court in April 1981 ordered the reinstatement of the workman with entire back wages as the termination of the workman was held illegal. The writ petition filed by the Company in Punjab and Haryana High Court against the award was also dismissed by the Court in August 1981. A special leave appeal petition against the judgement of High Court filed in the Supreme Court in December 1981 was also rejected in April 1982 and the Court ordered reinstatement of the workman and payment of full salary including arrears within two months.

Accordingly, wages (including bonus) amounting to Rs. 1.41 lakhs for the period from May 1977

to October 1986 was paid to the workman. Thus, the termination of service of the Store keeper without following the laid down legal procedure and non reinstatement despite judgements of the Labour/Civil Courts in his favour resulted in payment amounting to Rs. 1.41 lakhs (up to October 1986) without gainful employment. Besides, the Company incurred Rs. 0.07 lakh on legal proceedings.

The Management stated (January 1986) that holding a detailed enquiry before termination of service of an employee responsible for shortages was embarrassing and also expensive. The reply is not tenable as the service of an employee could not have been terminated without observing the procedures laid down.

4.3. HARYANA TOURISM CORPORATION LIMITED

4.3.1. Auction of gift shop

In March 1983, the Company put to auction one gift shop at its Dabchik Tourist Complex for a period of three years from 1st April 1983 to 31st March 1986. The highest bid of Rs. 3.11 lakhs from contractor 'A' was accepted by the Company in March 1983 though it was subject to the condition that this should be the only gift shop and the existing shop in the complex should be got vacated. The offers of 'B' and 'C' for Rs. 3.10 lakhs and Rs. 3.05 lakhs which were unconditional were not considered. Though contractor 'A' was required to deposit Rs. 0.78 lakh as per the terms of auction, the Company accepted Rs. 0.10 lakh. The contractor did not take the gift shop at Rs. 3.11 lakhs

offered by him in the auction as the existing shop was not vacated in March 1983 on the expiry of the lease. No efforts were made by the Company to reacquire the gift shop.

However, in August 1983, the Company leased out the gift shop to the same contractor 'A' without executing any agreement for an initial period of three months at the negotiated rent of Rs. 2,000 per month. However, the contractor retained the shop at the same rent up to March 1986 for which *ex-post-facto* sanction of the managing director was accorded in February 1986.

Thus, as a result of acceptance of conditional offer of contractor 'A' who even did not fulfil the initial conditions of auction in preference to the unconditional offer of 'B', the Company sustained a loss of Rs. 2.47 lakhs.

The matter was reported to Government in May 1986; reply was awaited (January 1987).

4.4. HARYANA TELEVISION LIMITED

4.4.1. Non claiming of set-off of excise duty

According to notification issued by the Government of India in June 1979, manufacturers of excisable goods are entitled to claim set-off to the extent of so much of duty of excise leviable thereon as was equivalent to the duty of excise already paid on inputs. The set-off was admissible provided the manufacturer followed the prescribed basic statutory requirements of maintaining records, making specific declaration and furnishing intimation about receipt of inputs along with the evidence of excise duty paid thereon to the Central Excise authorities.

The Company purchased certain duty paid components (capacitors, speakers, tuners and transformers etc.) during April 1983 to March 1985 and used them in the manufacture of television sets on which set-off of excise duty to the extent of Rs. 0.42 lakh was admissible.

The Company failed to comply with the basic statutory requirements of central excise rules for availing set-off of excise duty paid on inputs with the result it had to incur an avoidable expenditure of Rs. 0.42 lakh.

No responsibility for the lapse had been fixed by the Management so far (January 1987).

The matter was reported to the Company and Government in August 1986; their replies were awaited (January 1987).

4.4.2. Avoidable payment of sales tax

Under the provision of Haryana General Sales Tax Act, 1973, when sales are made by one registered dealer to another registered dealer and the sales are supported by the prescribed declaration given by the purchasing dealer, the selling dealer is allowed to exclude such sales in arriving at his taxable turnover. Likewise, under the Central Sales Tax Act, 1956, tax is leviable at concessional rates on inter-state sales made to registered dealers, provided such sales are supported by valid declarations from the purchasing dealers.

The Company is engaged in the manufacture and sale of television sets and is registered under the State as well as Central Sales Tax Act.

During 1981-82, sales valuing Rs. 3.20 lakhs under state sales tax and Rs. 4.30 lakhs under central sales tax were made by the Company to other registered dealers against which prescribed declarations were obtained for sales valuing Rs. 0.61 lakh and Rs. 2.84 lakhs respectively. The assessing authorities levied additional tax of Rs. 0.35 lakh (state sales tax : Rs. 0.26 lakh and central sales tax : Rs. 0.09 lakh) as the sales were not supported by prescribed declarations. Besides this, the assessing authority also imposed (March 1984) penalty and interest of Rs. 0.10 lakh for delays in filing returns and non deposit of tax in time. The Company, however, deposited the additional demand of sales tax along with penalty and interest during February-November 1985.

The loss of Rs. 0.45 lakh could have been avoided had the Company obtained prescribed declarations from the registered dealers before allowing them exemption/concession and filed the returns/deposited tax in time.

No responsibility for the loss has been fixed by the Management so far (January 1987).

The matter was reported to the Company and Government in August 1986; their replies were awaited (January 1987).

4.5. HARYANA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

4.5.1. Non recovery of interest

The Cement Controller to the Government of India issued instructions in June 1974 under the

Cement Control Act, 1967 that cement producers who receive advance payments for supply of cement and do not supply cement within 45 days of the receipt of the advances should pay interest at 8 *per cent* per annum on the money retained for the period in excess of this time limit (revised to 14 *per cent* and 15 days in September 1978 and to 30 days in February 1982).

The Company made advance payments aggregating Rs. 23.47 lakhs to three cement factories during November 1980 to June 1985 for the supply of 3,950 tonnes of cement against the authorisation issued by the Cement Controller. The factories could supply only 2,751 tonnes of cement valuing Rs. 14.96 lakhs during January 1981 to September 1985 and no supplies were made thereafter. Out of the balance amount of Rs. 8.51 lakhs, Rs. 8.19 lakhs were refunded by the cement factories during April 1982 to May 1986 after delays ranging from 30 to 1,953 days. However, neither the cement factories paid interest on the delayed refunds nor the Company claimed the interest from them in terms of instructions of Cement Controller on the ground that it was not aware of such orders.

The interest recoverable on the amounts retained by the cement factories beyond 30 days without supplying the cement (calculated at 14 *per cent* per annum on the basis of instructions of Cement Controller) works out to Rs. 1.99 lakhs.

The matter was reported to Government in March 1986; reply was awaited (January 1987).

4.6. HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED

4.6.1. Loss in sale of cotton seed

The procurement and distribution of certified

cotton seed is one of the activities of the Company. The raw cotton seed after ginning/delinting by private ginners under the supervision of the Company's representative is purchased by the Company, processed at its plant and sold after certification by the State Seed Certification Agency. In the raw cotton seed the defective seed, i.e. damaged, immature, undeveloped/under sized seed, should not be more than 7 per cent.

In Kharif 1982, the Company purchased 10,965.06 quintals of raw cotton seed valuing Rs. 28.33 lakhs through a purchase Committee consisting of 4 Officers (Regional Manager, Assistant Marketing Officer, Assistant Accounts Officer and Joint Director (Cotton), Agriculture Department). After processing at Hissar plant during January 1983 to April 1983, the Company obtained 8,112.30 quintals of graded seed (74.0 per cent) and 2,603.58 quintals (23.7 per cent) under sized seed while the balance quantity of 249.18 quintals of seed (2.3 per cent) was lost during processing. Out of the 8,112.30 quintals of graded seed, only 3,757.50 quintals (46.3 per cent) could meet the certification standards and the remaining 4,354.80 quintals (53.7 per cent) was declared defective.

The Company could sell 3,757.50 quintals of certified seed for Rs. 19.91 lakhs (at Rs. 530 per quintal) while the remaining 6,958.38 quintals of undersized and defective seeds were sold for Rs. 20.25 lakhs (1,938 quintals at Rs. 400 per quintal; 2,416.80 quintals at Rs. 278 per quintal and 2,603.58 quintals at Rs. 222 per quintal). Thus, against the cost of Rs. 46.87 lakhs the Company could realise Rs. 40.16 lakhs and incurred loss of Rs. 6.71 lakhs due to procurement of poor quality of raw cotton seed.

The Joint Director (Cotton), Agriculture Department, who enquired into the large scale failure of seed involving heavy loss to the Company, reported in January 1985 that the cotton produce purchased was from third and last pickings and as such considered to be of very poor quality which could not meet certification standards. However, as the Joint Director (Cotton) who held the enquiry was himself associated with the purchase, the matter was referred to Director (Farm), Haryana Agriculture University for investigation. The Director (Farm) in his report (March 1986) observed that heavy rejection and failure of seed in germination test was due to purchase of immature seed.

No responsibility for the loss has been fixed by the Management so far (January 1987).

4.6.2. Disposal of wheat seed

With a view to minimise the cost and losses the Company in September 1982 issued instructions that the stocks carried over from the previous season should be disposed of first and the fresh stocks sold after the carried over stocks were exhausted.

At the close of *Rabi* 1984-85, the Company had a stock of 2,80,500 quintals of wheat seed (value : Rs. 8,07.25 lakhs) which included 33,417 quintals (value : Rs. 96.17 lakhs) carried over from previous seasons. During the sowing season of *Rabi* 1985-86, the field offices of the Company sold 2,03,483.75 quintals from fresh stock while only 19,187.66 quintals of carry over stock was disposed of leaving a balance of 14,229.34 quintals of seed of previous seasons unsold. In view of impending arrival of new crop, the Company decided in February 1986 to dispose of 14,229.34 quintals of wheat seed as 'grain'

through tenders. However, 13,378.26 quintals of seed was sold in March 1986 at negotiated rates ranging between Rs. 174 and Rs. 180.25 per quintal as against the cost (including processing, certification, storage charges etc.) of Rs. 286 to Rs. 351.70 per quintal. The balance 851.08 quintals of seed (value : Rs. 2.45 lakhs) was awaiting disposal (December 1986).

Thus, the non disposal of carry over stock of wheat seed in violation of standing instructions resulted in loss of Rs. 14.83 lakhs. Responsibility against the officials concerned, though contemplated in February 1986, had not been fixed by the Management so far (January 1987).

The matter was reported to the Company and Government in August 1986 ; their replies were awaited (January 1987).

4.7. HARYANA ECONOMICALLY WEAKER SECTIONS KALYAN NIGAM LIMITED

4.7.1. Avoidable expenditure on rent

The staffing pattern at head office of the Company approved in May 1982 by the Board of Directors provided for 40 posts of various categories, besides the Managing Director and the Chairman.

On the basis of sanctioned strength, the Company hired in July 1982 for its use a building at Chandigarh with carpet area of 4,929 square feet at Rs. 10,104.45 per month for a period of three years. Against the total sanctioned strength of 40 persons, the Company employed 15 to 25 persons during 1982-83 to 1986-87 (up to October 1986) and as such the space hired was much in excess of actual requirement. On being

pointed out in audit in October 1984 the actual requirement of space was reassessed in April 1986 by the Company at 3,570 sq. ft.

The Board of Directors in May 1985 and also the State Government in August 1985 directed the Company to let out the surplus space to any other Government organisation to reduce the liability on rent. The Company neither let out nor vacated the surplus space and was paying the rent for the entire space (October 1986).

Thus, as a result of hiring accommodation in excess of actual requirement, the Company had incurred an avoidable expenditure of Rs. 1.45 lakhs on rent of the surplus space for the period from July 1982 to October 1986.

The Management stated (April 1986) that due to financial stringencies, the expected increase in staff did not take place and as such about 1,359 sq. ft. space remained unutilised. The contention is not valid as the Company was aware (May 1982) of the financial stringencies even before hiring the accommodation and had accordingly limited its activities in the action plans for 1982-83 to 1984-85.

The matter was reported to Government in June 1986; reply was awaited (January 1987).

B—STATUTORY CORPORATIONS

4.8. HARYANA STATE ELECTRICITY BOARD

4.8.1. Delay in claiming refunds

(a) The Board in July 1969 issued detailed instructions regarding the procedure to be followed in depositing funds with the Director General of Supplies and Disposals (D.G.S. & D.) towards value of supplies to be effected and for issuing cancellation orders and obtaining refunds of such deposits. A register showing complete record of payments made to D.G.S. & D. was also to be maintained. However, it was noticed in audit (November 1985) that the register was not reviewed periodically. In 15 out of 32 cases relating to advance payments of Rs. 57.47 lakhs towards cost of cement, orders for which were placed during the years 1983-84 and 1984-85 cancellation orders were issued after the expiry of the validity periods and there was delay of 1 to 14 months in issuing the cancellation orders resulting in belated processing of the claims for refunds of deposits made. The overall delay in claiming refunds in excess of 3 months (considered to be necessary for processing the refund cases) reckoned from the expiry of authorisation periods to dates of claiming refunds in 12 cases ranged from 1 to 23 months and resulted in blockade of funds to the tune of Rs. 39.89 lakhs. The amount, if realised in time would have helped in reduction of the overdraft from banks to that extent and consequent saving of interest amounting to Rs. 3.25 lakhs thereon.

(b) Besides, in respect of two supply orders, placed (January–August 1984) direct on a cement manufacturer, the Board was to obtain refund.

of Rs. 0.65 lakh on account of freight, as the cement was transported by the Board while the rates were on f. o. r. destination basis. But the Board could not obtain the refund as the claims were not lodged within six months of the execution of the supply orders and these had become time-barred.

The matter was reported to the Board and Government in February 1986; their replies were awaited (January 1987).

4.8.2. Shortage of material

A Junior Engineer of the Board working under Construction Division (system improvement), Karnal during September 1979 to July 1982, did not submit monthly accounts (as required under the rules of the Board) of the materials, drawn from store and material-at-site account in respect of 79 works executed by him. But no action was taken against the official for non-submission of accounts. On the basis of a complaint received in October 1981 the Chief Engineer (Operation) asked the Executive Engineer, Construction Division (system improvement), Karnal in October 1981 to investigate the allegations levelled against the official in the complaint.

The official submitted MAS accounts in April 1982 in respect of 59 works. In July 1982 the official was transferred to another division without getting the pending MAS accounts completed. However, the official submitted the remaining 20 accounts in November 1982. A checking of the accounts in December 1982 by a committee of two sub-divisional officers revealed shortage of materials worth Rs. 4.62 lakhs and that there was surplus materials worth Rs. 1.47 lakhs.

Subsequently, in March 1986, the final shortage valuing Rs. 3.17 lakhs and surplus valuing Rs. 1.22 lakhs was worked out against the official. Though a period of more than four years had elapsed the Board was yet to ascertain the source of receipt of surplus material and finally decide about its adjustment (November 1986). Moreover, neither an FIR was lodged with the Police nor any action taken against the official for making good the shortages so far (January 1987).

The matter was reported to the Board and Government in August 1986; their replies were awaited (January 1987).

4.8.3. Avoidable payment of compensation

Under the provisions of the Motor Vehicles Act, 1939 the Board is required to get its vehicles insured against third party risk.

In the following cases the vehicles of the Board met with accidents resulting in deaths and the Accident Claim Tribunal awarded compensations aggregating to Rs. 0.92 lakh to the heirs of the deceased.

Srial Number	Name of the vehicle and Registration Mark	Date up to which insurance cover was taken	Uncovered period of insurance	Date of accident	Amount of compensation paid (Rupees in lakhs)	Date of payment	Remarks
1	2	3	4	5	6	7	8
1.	Pick-up van (HRG-6040)	21st December 1978	22-12-1978 to 16-1-1985	15-7-1981	0.41	February 1984	The Accident Claim Tribunal held in August 1986 that the accident was caused due to rash and negligent driving.

1	2	3	4	5	6	7	8
2.	Truck (HRR-588)	29th April 1982	30-4-1982 to 6-5-1982	6-5-1982	0.51	Feb- ruary 1985	The Acci- dent Claim Tribunal held in December 1984 that the driver was res- ponsible for rash and negli- gent driv- ing.

The Board has neither fixed the responsibility for the loss nor the amount had been recovered from the defaulting officials so far (January 1987).

4.8.4. Loss due to setting of cement

The Board placed orders in January and February 1983 on two suppliers of Delhi and Madras for supply of 3,600 tonnes (72,000 bags) of ordinary portland cement (Value : Rs. 25.19 lakhs) for Panipat thermal project. As transit insurance cover was to be arranged by the Board, the Panipat thermal project authorities approached on 21-22nd July 1983 an insurance company for assuming transit risk of 1,920 tonnes of cement. But payment of Rs. 0.25 lakh on account of insurance premium was not made to the insurance company immediately.

31,677 cement bags which were received on 22-23rd July 1983 were stored in open as no covered shed was available at the project railway siding. On 23-24th July 1983 rains caused damage to 8,610 bags (430.5 tonnes) resulting in damage to cement valuing Rs. 2.64 lakhs. Two cheques for Rs. 0.25

lakh on account of insurance premium were despatched on 26th July 1983 to the insurance company. Although the insurer could not have assumed risk due to belated receipt of premium, two claims for Rs. 2.64 lakhs were lodged on 27th July 1983 with the insurance company which were neither accepted nor rejected by it so far (November 1986). It was, however, observed in audit that subsequent consignments of cement were diverted by the project authorities to the Panipat Railway Goods shed where covered space was available.

Owing to failure to provide insurance cover in time and failure to store the consignment in the covered accommodation the Board had to sustain an avoidable loss of Rs. 2.64 lakhs due to setting of 8,610 cement bags.

The Board has not fixed the responsibility of the concerned officials for the lapses resulting in loss to it so far (January 1987).

The matter was reported to the Board and Government in June 1986; their replies were awaited (January 1987).

4.8.5. Non Clubbing of connections

As per the tariff schedule relating to supply of energy to industrial consumers, the rates applicable to consumers having connected loads not exceeding 100 KW (medium supply) are lower than the rates applicable to consumers having connected loads above 100 KW (large supply). The Chief Engineer (Operation) issued instructions in January 1981, with a view to avoid loss of revenue to the Board due to application of lower tariff rates to the consumers having more than one medium

supply connection in the same premises to club all such cases after giving three months notice. These instructions were reiterated in July 1981, June 1983, October and November 1984.

During test audit of accounts of operation sub-division, Uklana it was noticed in June 1984 that the connected loads of a consumer having two medium supply connections with 67.620 KW and 97.570 KW in the same premises were not clubbed for billing and consequently the Board suffered loss of revenue to the tune of Rs.0.80 lakh during April 1981 to November 1986. The loss would further increase as the connection has not been clubbed so far (January 1987).

Although the matter was reported to the Board in June 1984 no action has so far been taken to fix responsibility (January 1987).

The matter was reported to the Board and Government in May 1986; their replies were awaited (January 1987).

4.8.6. Avoidable payment of project allowance

The Board based on the recommendations of Pay Commission sanctioned with effect from November 1979 project allowance of ten *per cent* and five *per cent* to the engineers and staff who were directly or indirectly connected with the working of planning and construction works.

The Board, however, did not categorise as to who were directly and indirectly connected with the planning and construction works.

The staff of Dhulkote circle workshops of the

Board demanded project allowance on the ground that the workshop was a part of planning and construction organisation.

The demand was rejected by the Whole-Time-Members of the Board in December 1981 on the ground that the workshop staff could not be equated with the project staff. Against the decision of the Whole-Time-Members, some employees of the workshop moved the Labour Court, Ambala in January 1982 for the grant of project allowance. The Labour Court on the basis of an appeal filed in January 1982 against the decision of the Whole-Time-Members decided in December 1983 that as Dhulkote workshop was a part of planning and construction organisation, its staff was entitled to project allowance. The appeal filed by the Board in February 1984 against the decision in the Court was rejected (October 1984) on the ground that the original order (February 1981) to grant project allowance was issued with the approval of the full Board but the clarification regarding admissibility thereof was issued with the approval of Whole-Time-Members and no reasons had been spelt out in the order that the allowance was not admissible to the workshop staff.

Accordingly, an amount of Rs. 9.70 lakhs was paid (February-December 1985) as project allowance to the workshop staff.

Thus, the issue of ambiguous order by the Board and failure to seek approval of the full Board before issuing clarification resulted in avoidable expenditure of Rs. 9.70 lakhs on project allowance paid to the workshop staff.

Government stated (September 1986) that in view of the decision of two lower courts revision

petition against the judgement was not filed in the High Court on the advice of legal department and the Whole-Time-Members decided that the staff who had obtained decree against the Board and similarly placed staff be paid project allowance till such time the workshop remained attached with P & C organisation i.e. from 1st November 1979 to 8th June 1983.

4.8.7. Misappropriation of cement

An order for supply of 310 tonnes of cement was placed by the Board in July 1984 on a cement factory of Damoh (Madhya Pradesh) through D.G.S. & D. The cost of cement was to be adjusted against the outstanding amount of Rs. 2.74 lakhs lying with the D.G.S. & D. since November 1983.

Owing to shortage of railway wagons and urgent requirement for cement the Board allotted in July 1984 the work of transportation of 310 tonnes of cement to a transporter of Chandigarh. As per terms of the work order, the transporter was required to deliver 310 tonnes of cement by 9th October 1984, give advance telegraphic intimation to the consignee before the start of the truck from cement factory and to furnish to the Board monthly statement showing the quantity of cement lifted. Deduction at Rs. 100 per bag found short and damaged at destination was to be made by the consignee from the freight bills. Neither these intimations/statements were furnished by the transporter nor the details of supplies were obtained by the Board from the cement factory till October 1984. The transporter lifted 196 tonnes of cement (value : Rs. 1.50 lakhs) during the period 24th September to 3rd October 1984 but delivered only 97 tonnes of cement (value Rs. 0.74 lakh) till the end of February 1985. An amount of Rs. 0.23

lakh was paid as transportation charges in January-February 1985 for 69 tonnes despite the fact that the short delivery of cement had come to the notice of the Board in November 1984.

A report regarding misappropriation of 99 tonnes of cement (value : Rs. 0.76 lakh) by the transporter was lodged by the Board with the police only in March 1985. The results of police investigation were awaited (January 1987).

The Board is yet to recover/adjust a sum of Rs. 1.24 lakhs (after adjusting freight charges) lying with the D.G.S. & D. since November 1983 due to non-lifting of remaining 144 tonnes of cement. Moreover, effective control was not exercised by the Board over the handling of cement consignments by the transporter with the result the transporter managed to withhold 99 tonnes of cement valuing Rs. 0.76 lakh.

The matter was reported to the Board and Government in March 1986; their replies were awaited (January 1987).

4.8.8. Loss due to delay in checking of meters

Under Sales Manual of the Board, the sub-divisional officer, Maintenance and Protection (M&P), is required to check all meters of large/medium supply consumers (above 70 KW) once in every six months. It was observed in audit that in the case of following medium supply consumers under Faridabad division, there was delay of 25 to 30 months in inspection of the meters.

Name of the Consumer	Date of inspection	Extent to which meters were found running slow (in <i>per cent</i>)	Period for which bills required to be raised (months)	Period for which bills raised/charged for last six months	Period of short-fall (months)	Amount under charged SOP	E.D.
1	2	3	4	5	6	7	8

(Rupees in lakhs)

A (A/c No. AMS-24)	14-5-85	58.4	11/82-4/85 (30)	11/84-4/85	11/82-10/84(24)	0.72	0.17
B (A/c No. NMS-16)	7-6-85	33.0	3/83-6/85 (28)	1/85-6/85	3/83-12/84(22)	0.32	0.07
C (A/c No. MS-14/297)	5-8-83	17.0	7/81-7/83 (25)	2/83-7/83	7/81-1/83(19)	0.22	0.06
D (A/c No. MS-213/14)	24-7-84	33.3	2/82-7/84 (30)	2/84-7/84	2/82-1/84(24)	0.33	0.08

1.59

0.38

The inspection conducted during the period from August 1983 to June 1985 revealed that energy meters of these consumers were running slow by 17 per cent to 58.4 per cent.

The Board could, however, raise additional demands against these consumers only for a period of six months preceding the date of inspection. The demand for the period beyond six months could not be raised in view of Section 26(6) of Indian Electricity Act, 1910 which *inter-alia* provides that billing can be made against the consumer for a period not exceeding six months.

Thus, due to delay in inspection of meters, the Board could not raise the bills against these consumers which resulted in loss of revenue of Rs. 1.97 lakhs (energy charges : Rs. 1.59 lakhs ; electricity duty: Rs. 0.38 lakh).

No responsibility for the loss of revenue and delay in checking of the meters had been fixed by the Board so far (January 1987).

The matter was reported to Government/Board in June 1986 ; their replies were awaited (January 1987)..

4.8.9. Abandonment of civil work

The Board invited tenders (March 1979) for construction of 10 staff quarters at 132 KV sub-station Cheeka in anticipation of acquisition of land. The work was allotted in July 1979 to firm 'A' for Rs. 3.28 lakhs and was to be completed within 10 months from the date of commencement.

The land was, however, acquired in September 1979. Consequently, the contractor refused to undertake the work due to delay in acquisition of

land. The Board, therefore, reinvited the tenders in November 1979 and awarded the work to firm 'B' at Rs. 3.94 lakhs in April 1980. As per agreement, cement and steel were to be supplied by the Board and the work to be completed within eight months.

The contractor after executing the work for Rs. 1.41 lakhs (35.79 *per cent* of the total work) left the work in July 1981 as the Board failed to supply the steel due to late submission (October 1981) of indent for requirement of steel with the circle office.

Due to heavy rains during July/August 1981 the sub-station was flooded with water resulting in damage to main walls of these unfinished quarters. The loss on the basis of remeasurement taken in December 1982 was assessed at Rs. 0.12 lakh.

Although the sub-station for whose staff these quarters were to be constructed was commissioned in June 1981 the work could be put to tender in July 1986 (work re-alloted in November 1986) due to late approval of the N.I.T.

Thus, the failure on the part of Board to acquire land before invitation of tenders and to supply the material as per agreement, resulted in abandonment of the work. Besides, delay in invitation of tenders also resulted in blockade of funds to the tune of Rs. 1.41 lakhs for five years (August 1981 to July 1986).

No responsibility for the lapses has been fixed by the Board (January 1987).

The matter was reported to Government in January 1986; reply was awaited (January 1987).

4.8.10. Irregularities in accounts

In order to curb the tendency of misappropriation of Board's money/cheating of consumers by its employees, the Board in June 1982 prescribed *inter alia* the following checks :

(i) The ledger clerk should post the cash realisations made from the consumers to their respective accounts in consumers ledgers from the duplicate copies of receipts issued and this posting should be checked *cent per cent* by UDC (Revenue) and to the extent of 10 *per cent* by the sub-divisional officer/junior engineer ;

(ii) The sub-divisional officer/junior engineer should ensure that the total monthly realisations of cash as posted in the consumers ledgers agree with the total monthly receipts as per revenue cash book ;

(iii) The sub-divisional officer/junior engineer should verify from consumers ledgers that the total of column "Net amount payable" *plus* total of column "Surcharge levied" *minus* total of column "Realisation" is equal to total of column "Balance" of the current month to be carried forward to next month;

(iv) If unpaid balance of a month is carried forward to the next month, a line should be drawn in the "Realisation" column against the consumer from whom no recovery has been made so that any entries made subsequently in that column are easily detected. The UDC (Revenue) should exercise 100 *per cent* check over the balance brought forward by ledger clerk and in token of this he should append his dated initials at the bottom of each page of the consumers ledger.

On receipt of a complaint (April 1985) that various types of irregularities were being committed by the staff of Hassanpur Sub-Office (under operation sub-division, Palwal), a detailed checking of accounts, of the sub-office for the period 1981-82 to 1984-85 was got conducted (June-September 1985) by the Board.

During the detailed checking, 881 cases of fictitious credits, unauthorised refunds, omissions to carry forward outstanding balances etc. involving a total amount of Rs. 3 lakhs were noticed. The entire amount of Rs. 3 lakhs was charged to consumers in the ledgers, out of which the Board could realise to the extent of Rs. 1.10 lakhs only from them so far (December 1986) as detailed below :

	Amount charged in consumers ledgers		Amount realised from consumers		Amount still recoverable	
	Items (Numbers)	Amount (Rupees in lakhs)	Items (Numbers)	Amount (Rupees in lakhs)	Items (Numbers)	Amount (Rupees in lakhs)
(a) Fictitious credits	37	0.22	36	0.21	1	0.01
(b) Unauthorised refunds	61	0.83	33	0.44	28	0.39
(c) Failure to carry forward outstanding balances	476	1.76	324	0.32	152	1.44
(d) Other cases	307	0.19	227	0.13	80	0.06
	881	3.00	620	1.10	261	1.90

Out of the remaining amount of Rs. 1.90 lakhs, recovery of Rs. 1.28 lakhs from consumers appeared doubtful because the consumers had been permanently disconnected and treated as defaulters.

These irregularities could not be initially detected as the supervisory staff failed to exercise checks prescribed by the Board in June 1982 and the post of UDC (Revenue) was kept vacant from August 1981 to May 1985.

The Board stated (August 1986) that the ledger clerk was suspended in June 1985 and a case was registered against him with the police in July 1985. The junior engineer was transferred out of the circle and a charge sheet was served on him. However, the report of police investigation and further action against the officials was awaited (January 1987).

The matter was reported to Government in August 1986; reply was awaited (January 1987).

4.8.11. Non installation of capacitors

Under the terms and conditions for supply of power, industrial and agricultural consumers are required to maintain a power factor of not less than 85 per cent.

The Board decided (July 1981) that in order to improve and maintain the requisite power factor, new industrial connections would not be released until capacitors of requisite sizes were installed on the motor terminals. However, the existing consumers should be served with 2 months notice to install the capacitors failing which the additional surcharge of Rs. 4 per KW of connected load and Rs. 5 per BHP was to be levied on the industrial and agricultural consumers respectively. If the omission still persisted even after the levy of additional surcharge, the supply of power was to be disconnected after the expiry of 4 months period (May 1985).

During test check in audit (in 1985-86) of 13 sub-divisions (out of 157 sub-divisions), it was observed that notices were not served on 25,176 consumers (agricultural : 22,390; industrial : 2,786) till June 1985 with the result capacitors were not installed by these consumers. In the absence of notices, the Board could not levy additional surcharge on these consumers after 2 months and disconnect their supply of power after 4 months.

Thus, the failure on the part of the Board officers to serve notices on these consumers resulted in;

- (i) non installation of capacitors by the consumers to improve and maintain the power factor,
- (ii) non levy of additional surcharge on these consumers for 2 months amounting to Rs. 13.98 lakhs (agricultural: Rs. 11.75 lakhs; industrial: Rs. 2.23 lakhs),
- (iii) non disconnection of their power supply after the expiry of a period of 4 months.

The Board has not yet investigated the matter and fixed the responsibility for the lapses resulting in loss to it (January 1987).

The matter was reported to Government in July 1986; reply was awaited (January 1987).

4.9. HARYANA FINANCIAL CORPORATION

4.9.1 Irregular disbursement of loan

The Corporation sanctioned in August 1977 a loan of Rs. 2.00 lakhs to an entrepreneur for setting up a Hawai Chappal manufacturing unit at Pinjore. The loan was sanctioned on the ground that there was good scope for the product in spite of the fact that the Technical Officer of the Corporation had pointed out in June 1977 that it would be difficult for the unit to compete in the market due to locational disadvantage. The terms and conditions of loan *inter-alia* provided that the loanee should furnish a letter of consent signed by the guarantors followed by execution of formal guarantee. Before disbursement of the loan, the Corporation was to satisfy itself about the credit worthiness of the loanee from his banker. The loanee was also required to furnish from his bank a letter of commitment for sanction of cash credit and no lien letter certifying that the bank would not claim lien on the amount of the loan kept in the account with it.

The loanee arranged all the documents from "Vijay Bank Limited, Pinjore" though no such bank existed. Even the letter dated 22nd November 1977 addressed to the bank enquiring the credit worthiness of the loanee, instead of sending directly to the bank, was handed over to the loanee for delivering to the bank. A forged credit worthiness report from a non-existent bank was submitted on 5th December 1977 by the loanee. The Corporation, did not even obtain the required letter of consent signed by any guarantor followed by execution of formal guarantee.

The Corporation disbursed Rs. 1.40 lakhs out of a sanction of Rs. 2.00 lakhs to the loanee during March-August 1978. The balance loan was cancelled in June 1980 when the Corporation became aware of the non existence of the bank from which the loanee produced the forged documents. The Corporation could not effect recovery of the loan amounting to Rs. 3.80 lakhs (including interest Rs. 2.21 lakhs and miscellaneous expenses Rs. 0.19 lakh) up to March 1986 as the loanee did not own any property and no machinery was available in the factory as per the report of the Collector, Ambala (January 1984). The claim filed in February 1985 by the Corporation with the Deposit Insurance and Credit Guarantee Corporation was also rejected on the ground that disbursement of loan was reported to them in September 1979 after the loan was recalled in July 1979.

The action of the Corporation in sanctioning loan to a unit which was not commercially viable, disbursement of the amount without obtaining third party guarantee and accepting the forged documents from a non existent bank resulted in non recovery of Rs. 3.80 lakhs (March 1986).

The Management stated (May 1986) that the whereabouts of the loanee were not known; the matter was under investigation with the police and enquiry for fixing the responsibility would be instituted after completion of police investigation. The reply is not tenable as the police investigation is not an impediment in departmental enquiry for fixing responsibility for the lapses committed by the officers of the Corporation.

The matter was reported to Government in July 1986; reply was awaited (January 1987).

4.10. HARYANA WAREHOUSING CORPORATION

4.10.1. Non recovery of Interest

The Cement Controller, (Government of India) issued instructions in June 1974, under the Cement Control Act, 1967 that cement producers who receive advance payments for supply of cement and do not supply cement within 45 days of the receipt of advance should pay interest at 8 *per cent* per annum on the money retained for the period in excess of the limit. The rate of interest and the period beyond which interest was payable was revised to 14 *per cent* and 15 days and 30 days respectively in September 1978 and February 1982.

The Corporation made advance payments aggregating Rs. 42.07 lakhs to eight cement producers during May 1980 to June 1985 for the supply of cement against the authorisations issued from time to time by Cement Controller. The producers could supply cement valuing Rs. 35.72 lakhs and refunded Rs. 6.29 lakhs during August 1981 to April 1986 after delays ranging between 84 and 592 days. The balance Rs. 0.06 lakh was yet to be refunded by the producers.

Interest amounting to Rs. 0.86 lakh on Rs. 6.29 lakhs retained by the cement producers beyond 30 days without supply of cement, was neither claimed by the Corporation nor paid by the supplier.

The Management stated (November 1986) that the Regional Development Commissioner for cement industries was being approached to direct the cement companies to supply the cement within

30 days of the deposit of the advance or pay interest as per Government instructions.

The matter was reported to Government in August 1986; reply was awaited (January 1987).

4.10.2. Avoidable payment of wages

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

The services of a godown-attendant and a godown-keeper, who were appointed in August 1971 and June 1977 on temporary basis, were terminated in August 1978 and December 1982 by the Managing Director of the Corporation without assigning any reason.

On representation from the workmen, the State Government (Labour Department) referred, in July 1981 and June 1983 the disputes to the labour court, Rohtak for adjudication who in October 1984-May 1986 ordered the reinstatement of the workmen with continuity of service and full back wages. The appeal filed in February 1985 by the Corporation against the decision of the labour court in one case (godown-keeper) was dismissed in April 1985 by the Punjab and Haryana High Court and the workman was taken back in service on 29th June 1985. The other workman (godown-attendant) was

also reinstated on 29th August 1986. The Corporation accordingly, made payment amounting to Rs. 0.59 lakh representing arrears of back wages to godown-keeper (September 1985) while the amount payable to the godown-attendant reinstated on 29th August 1986 is yet to be worked out and paid (November 1986).

Thus, the termination of services of the workmen without following the laid down procedure resulted in avoidable payment of wages amounting to Rs. 0.59 lakh to the godown-keeper by the Corporation which would further increase when the payment of back wages to the godown-attendant is made.

The Management/Government stated (April/July 1986) that as the work and conduct of the godown-keeper was not satisfactory it was considered imperative to get rid of him straightaway but he had to be taken back in service on the orders of the Chairman of the Corporation and subsequently on the directive of the Chief Minister and that arrears of back wages had been paid to him as per court decision.

(b) Similarly, the service of another workman, appointed as peon in April 1976, was terminated in November 1977 without giving him one month notice or basic pay in lieu thereof as required under Haryana Warehousing Corporation Staff Regulation Rules, 1969. The termination orders were held illegal, null and void by the Civil Court in March 1983 on the ground that these were issued by the Corporation without following the prescribed procedure. The workman was ordered to be deemed

in continuous service with all benefits including full back wages to be paid with interest at 6 *per cent* per annum. Accordingly, the workman was taken back in service in April 1983 and the Corporation paid Rs. 0.36 lakh (including interest of Rs. 0.06 lakh) on account of back wages without his gainful employment.

4.10.3. Loss due to quality cut

The Corporation functions as one of the State agencies for the procurement of wheat for the central pool. Wheat procurement policy, prescribed by the Government of India for *Rabi* 1984, envisaged procurement of wheat in two grades (Rs. 152 per quintal for grade I and Rs. 150 per quintal for grade II). The State Government directed (April 1984) the Corporation that procurement should be made in single grade at the rate of Rs. 152 per quintal and should conform to the specifications laid down by the Government of India for grade I.

The Corporation purchased 8.96 lakh quintals of wheat during 1984-85 as grade I at the uniform rate of Rs. 152 per quintal after visual inspection. The Food Corporation of India, accepted 0.49 lakh quintals of wheat as grade II at Rs. 150 per quintal on the basis of laboratory analysis.

Thus, due to purchase of wheat which was not conforming to the prescribed specifications, the Corporation sustained a loss of Rs. 0.98 lakh.

The matter was reported to Government in June 1986; reply was awaited (January 1987).

D. C. Sahoo

CHANDIGARH.

(D. C. SAHOO)

The 25 MAY 1987 Accountant General (Audit),
Haryana.

Countersigned

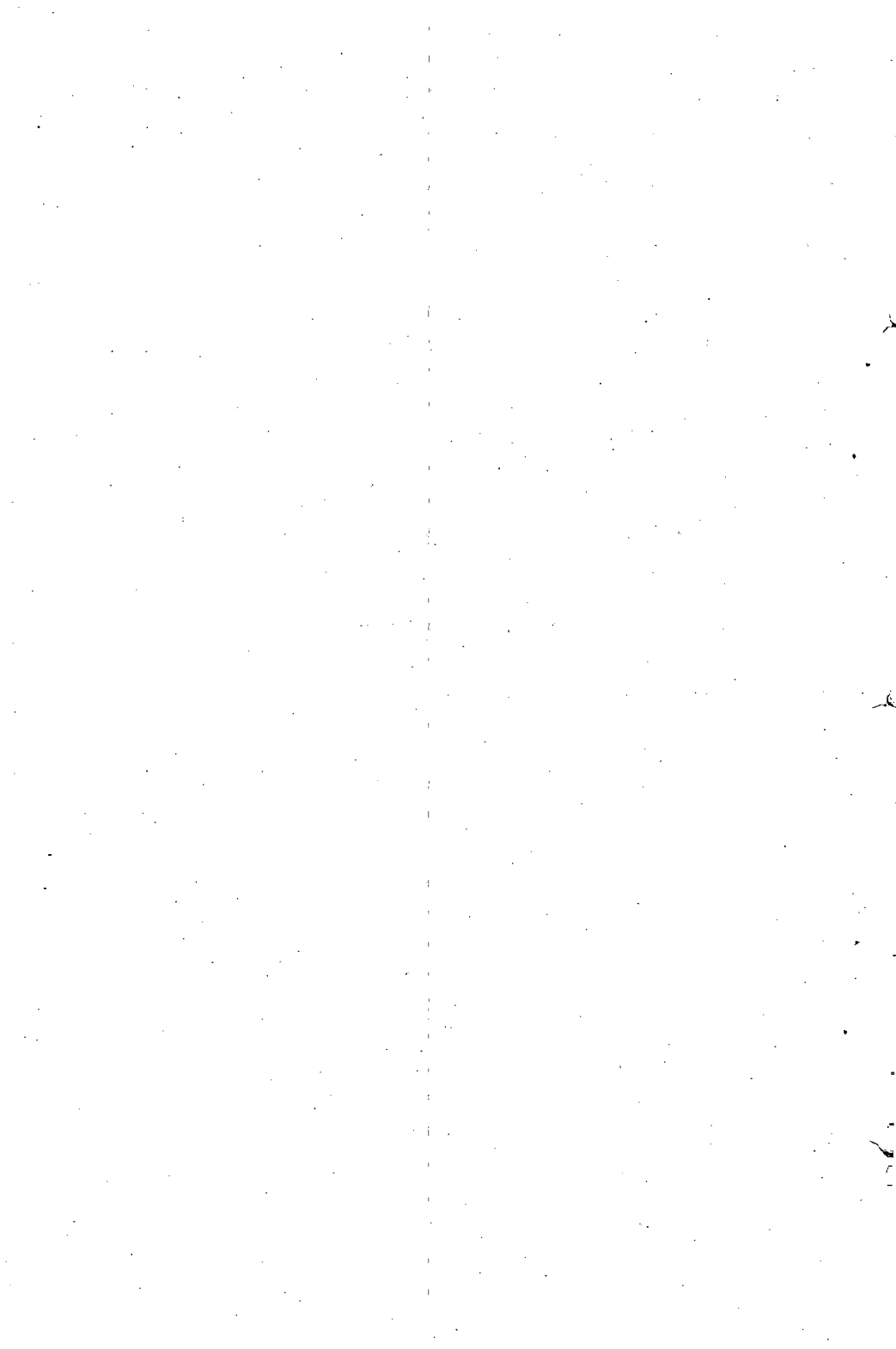
T. N. Chaturvedi

NEW DELHI.

(T. N. CHATURVEDI)

The 2 JUN 1987 Comptroller and Auditor
General of India.

ANNEXURES



ANNEXURE—I

LIST OF COMPANIES IN WHICH GOVERNMENT'S INVESTMENT
WAS MORE THAN Rs. 10 LAKHS.*(Referred to in paragraph 3 of preface)*

Serial Number	Name of Company	Total investment up to 1985-86
		(Rupees)
1.	M/s Haryana Steel and Alloys Limited, Murthal	12,89,000
2.	M/s Sehgal Papers Limited, Dharuhera	25,00,000
3.	M/s Indo Swiss Time Limited, Gurgaon	15,00,000
4.	M/s Rama Fibers Limited, Hissar	19,50,000
5.	M/s East India Syntex Limited, Dharuhera	15,40,000
6.	M/s Pashupati Spinning and Weaving Mills Limited, Dharuhera	20,00,000
7.	M/s Victor Cables Limited, Dharuhera	12,75,000
8.	M/s Uni Product Limited, Ladawas (Mohindergarh)	19,00,000

ANNEXURE—

STATEMENT SHOWING PARTICULARS OF UP TO DATE PAID-UP
BY GOVERNMENT AND AMOUNTS OUTSTANDING THERE
COMPANIES

(Referred to in paragraph

Serial Number	Name of Company	Paid-up capital as at the end of current year				Loans out- stand- ing at the close of the current year
		State Govern- ment	Central Govern- ment	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	4
		(Figures in columns 3 to 6(b to d))				
1.	Haryana Harijan Kalyan Nigam Limited	7,17.60	—	—	7,17.60	1,08.94
2.	Haryana State Minor Irrigation and Tube- wells Corporation Limited	10,89.10	—	—	10,89.10	1,19,67.05
3.	Haryana Tourism Corporation Limited (HTC)	3,22.30	—	—	3,22.30	2,40.00
4.	Haryana Backward Classes Kalyan Nigam Limited	2,65.00	—	—	2,65.00	—
5.	Haryana Agro Industries Corpo- ration Limited	1,19.83	94.83	—	2,14.66	—
6.	Haryana Economi- cally Weaker Sec- tions Kalyan Nigam Limited	76.00	—	—	76.00	—
7.	Haryana State Small Industries and Export Corporation Limited	60.75	10.00	—	70.75	15.66
8.	Haryana Land Reclamation and Development Cor- poration Limited	1,36.64	—	19.66	1,56.30	53.68
9.	Haryana Seeds Development Cor- poration Limited	*1,15.87	90.35	26.79	2,33.01	4,32.58
10.	Haryana State Handloom and Handicrafts Cor- poration Limited	1,61.00	—	—	1,61.00	70.41

²
CAPITAL, OUTSTANDING LOANS, AMOUNT OF GUARANTEES GIVEN
AGAINST UP TO DATE, WORKING RESULTS ETC. OF ALL THE

1.2.2 : Page—1)

Amount of gua- rantee given	Amount of gua- rantee outstan- ding at the close of the current year	Outstan- ding guarantee commis- sion pay- able at the close of the current year	Position at the end of the year for which accounts were finalised			
			Year for which ac- counts were fina- lised	Paid-up capital at the end of the year	Accumu- lated Profit (+) Loss (-)	Any excess of loss over paid- up capital
5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
are in lakhs of Rupees)						
—	—	—	1979-80	2,64.50	(—)4.25	—
1,70,48.39	72,87.00	—	1980-81	6,89.94	(—)80.54	—
—	—	—	1983-84	2,55.60	(—)47.98	—
—	—	—	1983-84	1,90.00	(—)36.53	—
—	—	—	1984-85	2,14.66	(—)6,20.93	(—)4,06.27
—	—	—	1984-85	46.00	(—)32.72	—
—	—	—	1985-86	70.75	(+)98.70	—
71.63	53.68	—	1985-86	1,56.30	(—)1,43.51	—
87.64	1,09.22	—	1985-86	2,33.74	(—)93.79	—
—	—	—	1985-86	1,61.00	(—)78.74	—

1	2	3(a)	3(b)	3(c)	3(d)	4
11.	Haryana State Industrial Development Corporation Limited (HSIDC)	14,52.58	—	—	14,52.58	4,47.41
12.	Haryana Dairy Development Corporation Limited	2,57.35	—	—	2,57.35	3,06.44
13.	Haryana State Electronics Development Corporation Limited	1,45.00	—	—	1,45.00	28.00
SUBSIDIARIES :						
14.	Haryana Television Limited (Holding Company HSIDC)	—	—	19.40	19.40	1,12.56
15.	Haryana Hotels Limited (Holding Company HTC)	—	—	80.00	80.00	—
16.	Haryana Matches Limited (Holding Company HSIDC)	—	—	12.50	12.50	6.65
17.	Haryana Tanneries Limited (Holding Company HSIDC)	63.75	—	71.40	1,35.15	56.75
18.	Haryana Concast Limited (Holding Company HSIDC)	50.00	—	2,60.85	3,10.85	4,13.26
19.	Haryana Breweries Limited (Holding Company HSIDC)	11.15	—	1,10.03	1,21.18	1,42.57
20.	Haryana Minerals Limited (Holding Company HSIDC)	—	—	24.04	24.04	—
Total :		50,43.92	1,95.18	6,24.67	58,63.77	1,44,01.96

*This does not include Rs. 20 lakhs received by the Company in April

5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
—	—	—	1985-86	14,52.58	(+)59.78	—
5,29.00	3,40.82	—	1985-86	2,57.35	(—)5,40.20	(—)2,82.85
—	—	—	1985-86	1,45.00	(—)6.03	—
—	—	—	1978-79	19.40	(—)64.78	(—)45.38
—	—	—	Company has not prepared any account after incorporation in April 1983.			
—	—	—	1984-85	12.50	(—)18.14	(—)5.64
30.00	1,09.14	—	1984-85	1,26.40	(—)3,73.15	(—)2,46.75
—	—	—	1985-86	3,10.85	(—)2,18.57	—
20.00	7.43	—	1985-86	1,21.18	(+)41.08	—
—	—	—	1985-86	24.04	(+)11.83	—
1,77,86.66	79,07.29	—	—	—	—	—

1986 towards share capital from the State Government.

ANNEXURE—

SUMMARISED FINANCIAL RESULTS OF ALL THE GOVERNMENT
WERE FINALISED*(Referred to in paragraph*

Serial Number	Name of Company	Name of Department	Date of incorpora- tion	Period of accounts	Year in which finalised
1	2	3	4	5	6
1.	Haryana Harijan Kalyan Nigam Limited	Social Welfare	2nd January 1971	1978-79 (July-June) 1979-80 (July-June)	1985 1986
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	Irrigation	9th January 1970	1979-80 (April-March) 1980-81 (April-March)	1986 1987
3.	Haryana Tourism Corporation Limited	Tourism	1st May 1974	1982-83 (April-March) 1983-84 (April-March)	1986 1986
4.	Haryana Backward Classes Kalyan Nigam Limited	Social Welfare	10th Decem- ber 1980	1982-83 (April-March) 1983-84 (April-March)	1986 1986
5.	Haryana Agro Industries Corporation Limited	Agriculture	30th March 1967	1984-85 (July-June)	1986
6.	Haryana Economically Weaker Sections Kalyan Nigam Limited	Social Welfare	31st March 1982	1984-85 (April-March)	1986
7.	Haryana State Small Industries and Export Corporation Limited	Industries	10th Septem- ber 1967	1984-85 (July-June) 1985-86 (July-June)	1986 1986

3

COMPANIES FOR THE LATEST YEAR FOR WHICH ACCOUNTS

1.2.3 : Page-3)

Total capital invested at the end of year of account (A)	Profit (+) Loss (-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (8+10)	Capital employed (B)	Total return on capital employed (8+9)	Percentage of total return on capital invested	Percentage of total return on capital employed
7	8	9	10	11	12	13	14	15
(Figures in columns 7 to 15 are in lakhs of Rupees)								
2,43.13	(-) 0.04	0.28	0.28	0.24	2,43.13	0.24	0.10	0.10
3,30.30	(-) 4.57	0.26	0.26	(-) 4.31	3,27.14	(-) 4.31	—	—
44,46.31	(+) 4.55	2,50.38	2,50.38	2,54.93	44,08.35	2,54.93	5.73	5.78
58,88.33	(-) 6.29	4,43.25	4,43.25	4,36.96	74,97.79	4,36.96	7.42	5.83
4,71.53	(+) 1.26	1.64	1.64	2.90	1,68.89	(+) 2.90	0.62	1.72
5,50.19	(-) 21.08	1.40	1.40	(-) 19.68	4,33.75	(-) 19.68	—	—
1,60.00	(-) 12.00	—	—	(-) 12.00	1,35.21	(-) 12.00	—	—
1,90.00	(-) 11.94	—	—	(-) 11.94	1,53.33	(-) 11.94	—	—
12,14.66	(-) 1,51.82	92.26	—	(-) 1,51.82	3,63.30	(-) 59.56	—	—
46.00	(-) 15.00	0.41	—	(-) 15.00	23.00	(-) 14.59	—	—
1,65.23	(+) 47.34	21.25	1.91	49.25	5,02.60	68.59	29.81	13.65
1,99.79	(+) 29.99	29.61	1.55	31.54	6,99.47	59.60	15.79	8.52

1	2	3	4	5	6
8.	Haryana Land Reclamation and Development Corporation Limited	Agriculture	27th March 1974	1984-85 (April-March) 1985-86 (April-March)	1986 1986
9.	Haryana Seeds Development Corporation Limited	Agriculture	12th September 1974	1984-85 (July-June) 1985-86 (July-June)	1985 1986
10.	Haryana State Handloom and Handicrafts Corporation Limited	Industries	20th February 1976	1984-85 (April-March) 1985-86 (April-March)	1985 1987
11.	Haryana State Industrial Development Corporation Limited	Industries	8th March 1967	1985-86 (April-March)	1986
12.	Haryana Dairy Development Corporation Limited	Animal Husbandry	3rd November 1969	1984-85 (April-March) 1985-86 (April-March)	1985 1986
13.	Haryana State Electronics Development Corporation Limited	Industries	15th May 1982	1984-85 (April-March) 1985-86 (April-March)	1986 1986
SUBSIDIARIES					
14.	Haryana Television Limited	Industries	18th March 1977	1978-79 (April-March)	1984
15.	Haryana Hotels Limited	Tourism	11th April 1983		
16.	Haryana Matches Limited	Industries	17th June 1970	1981-82 (April-March) 1982-83 (April-March) 1983-84 (April-March) 1984-85 (April-March)	1986 1986 1986 1986
17.	Haryana Tanneries Limited	Industries	12th September 1972	1983-84 (April-March) 1984-85 (April-March)	1985 1986
18.	Haryana Concast Limited	Industries	20th November 1973	1985-86 (April-March)	1986

7	8	9	10	11	12	13	14	15
2,00.87	(-) 1.86	13.08	4.20	2.34	1,32.09	(+) 11.22	1.16	8.49
2,29.15	(-) 9.61	17.87	5.53	(-) 4.08	2,00.98	(+) 8.26	—	4.11
7,10.51	(+) 5.13	53.70	—	(+) 5.13	10,19.13	(+) 58.83	0.72	5.77
6,66.35	(-) 1,21.85	1,01.12	—	(-) 1,21.85	11,21.53	(-) 20.73	—	—
1,88.66	(-) 11.14	5.66	—	(-) 11.14	1,51.05	(-) 5.48	—	—
3,09.16	(-) 16.38	10.17	—	(-) 16.38	2,55.87	(-) 6.21	—	—
—	(+) 65.36	70.05	—	(+) 65.36	(C) 2,518.75	(D) (+) 1,35.41	—	5.38
5,96.90	(-) 52.20	39.34	39.34	(-) 12.86	2,64.91	(-) 12.86	—	—
6,10.58	(-) 44.97	42.91	42.91	(-) 2.06	2,33.62	(-) 2.06	—	—
80.00	(-) 6.16	—	—	(-) 6.16	102.98	(-) 6.16	—	—
1,45.00	(+) 1.51	—	—	(+) 1.51	1,74.01	(+) 1.51	1.04	0.87
72.36	(-) 12.29	5.79	1.60	(-) 10.69	28.16	(-) 6.50	—	—
The company has not prepared any accounts after incorporation in April 1983								
17.86	(-) 1.87	0.27	0.27	(-) 1.60	1.86	(-) 1.60	—	—
17.86	(-) 1.24	0.30	0.30	(-) 0.94	0.62	(-) 0.94	—	—
18.95	(-) 0.65	0.31	0.31	(-) 0.34	1.08	(-) 0.34	—	—
19.42	(-) 0.30	0.32	0.32	(+) 0.02	1.25	(+) 0.02	0.10	1.6
2,16.69	(-) 67.01	38.53	—	(-) 67.01	(-) 51.00	(-) 28.48	—	—
2,24.68	(-) 60.23	41.29	—	(-) 60.23	(-) 97.33	(-) 18.94	—	—
10,44.03	(+) 1,36.54	56.35	34.40	(+) 1,70.54	10,70.24	1,92.89	16.37	88.02

1	2	3	4	5	6
19.	Haryana Breweries Limited	Industries	14th September 1970	1984-85 (April-March) 1985-86 (April-March)	1985 1986
20.	Haryana Minerals Limited	Industries	2nd December 1972	1984-85 (April-March) 1985-86 (April-March)	1985 1986

Note : (A) Capital invested represents paid-up capital *plus* long term

(B) Capital employed represents net fixed assets (excluding capital

(C) Represents mean capital employed i.e. mean of aggregate and surplus and (iii) borrowings.

(D) Represents net profit before charging interest, tax provi

7	8	9	10	11	12	13	14	15
	(+)			(+)		(+)		
1,60.50	42.81	14.24	—	42.81	1,89.81	57.05	26.67	30.06
	(+)			(+)		(+)		
1,40.55	54.02	31.32	—	54.02	4,40.32	85.34	38.43	19.38
	(+)			(+)		(+)		
43.69	13.36	0.72	—	13.36	30.43	14.08	30.58	46.27
	(+)			(+)		(+)		
44.83	5.30	0.68	—	5.30	49.50	5.98	11.82	12.08

loans and free reserves.

work-in-progress) *plus* working capital.

of opening and closing balances of (i) paid-up capital (ii) reserves

sions and revenues under Section 36(i) (viii) of the Income Tax Act, 1961.

ANNEXURE-

SUMMARISED FINANCIAL RESULTS OF STATUTORY CORPORATIONS

(Referred to in

Serial Number	Name of Corporation/Board	Name of department	Date of incorporation	Period of accounts
1	2	3	4	5
1.	Haryana State Electricity Board	Irrigation and Power	3rd May 1967	1985-86
2.	Haryana Financial Corporation	Industries	1st April 1967	1985-86
3.	Haryana Warehousing Corporation	Agriculture	1st November 1967	1985-86

1. Capital invested represents paid-up capital *plus* long term loans and
2. Capital employed (except in the case of Haryana Financial Corporation *plus* working capital.
3. In case of Haryana Financial Corporation capital employed re-up capital (ii) bonds and debentures (iii) reserves (iv) borrow-

FOR THE LATEST YEAR FOR WHICH ACCOUNTS WERE FINALISED

paragraph 1.3.4 : Page—12)

Total capital invested	Profit (+) Loss (-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on cap- ital in- vested (7+9)	Capital emplo- yed	Total return on capi- tal em- ployed (7+8)	Percent- tage of total return on capi- tal in- vested	Percent- tage of total return on capi- tal em- ployed
6	7	8	9	10	11	12	13	14
(Figures in column 6 to 12 are in crores of Rupees)								
1144.24	(-) 13.01	51.81	34.82	21.81	714.52	38.80	1.91	5.43
66.21	(+) 0.83	4.13	4.13	4.96	62.73	4.96	7.49	7.91
13.49	(+) 3.36	0.16	0.16	3.52	12.14	3.52	26.09	29.00

free reserves.

ration) represents net fixed assets (excluding capital work-in-progress)

presents mean of aggregates of opening and closing balances of (i) Paid-
ings including refinance and (v) deposits.

ANNEXURE-5

SUMMARY OF FINANCIAL POSITION OF HARYANA STATE ELECTRICITY BOARD FOR THREE YEARS UP TO 1985-86

(Referred to in paragraph 1.4.2 : Page-14)

A.	Liabilities	1983-84	1984-85	1985-86
		(Rupees in crores)		
1.	Loans from Government	5,83.79	6,59.61	7,66.25
2.	Other long term loans (including bonds and consumer's contributions)	2,94.86	3,20.85	3,45.71
3.	Deposits from public	19.79	26.86	28.20
4.	Reserves and Reserve funds	17.36	4.76	4.16
5.	Current Liabilities	2,94.08	2,67.37	3,08.26
	TOTAL-A	12,09.88	12,79.45	14,52.58
B.	Assets			
1.	Gross fixed assets	6,92.81	7,51.97	7,93.82
2.	Less depreciation	51.24	51.24	51.24
3.	Net fixed assets	6,41.57	7,00.73	7,42.58
4.	Capital work-in-progress	3,07.89	3,46.60	4,29.80
5.	Current assets	2,60.42	2,32.12	2,80.20
	TOTAL-B	12,09.88	12,79.45	14,52.58
C.	Capital employed*	6,07.91	6,65.48	7,14.52
D.	Capital invested**	9,15.71	10,11.99	11,44.24

*Capital employed represents net fixed assets (excluding work-in-progress) plus working capital.

**Capital invested represents long term loans plus free reserves.

ANNEXURE-6

STATEMENT OF PHYSICAL PERFORMANCE OF HARYANA STATE
ELECTRICITY BOARD FOR THREE YEARS UP TO 1985-86

(Referred to in paragraph 1.4.2 : Page-14)

Particulars	1983-84	1984-85	1985-86
	(M.W.)		
1. Installed capacity			
—Thermal	477.5	477.5	587.5
—Hydel	818.0	830.0	831.0
—Others	3.9	3.9	3.9
Total	1,299.4	1,311.4	1,422.4
2. Power generated	(Mkwh)		
—Thermal	1,376.14	1,604.31	1,634.09
—Hydel	3,251.99	2,937.69	3,142.64
—Others	—	—	—
Total	4,628.13	4,542.00	4,776.73
3. Auxiliary consumption	219.78	219.40	216.20
4. Net Power generated(2—3)	4,408.35	4,322.60	4,560.53
5. Power purchased/procured from other sources	288.45	284.58	595.99
6. Total power available for sale(4+ 5)	4,696.80	4,607.18	5,156.52
7. Normal maximum demand	959.0	913.0	967.0
8 (a) Power sold	3,954.67	3,725.25	4,256.39
(b) Free supply to own works	12.4	7.8	14.7
9. Transmission and distribution losses	742.13	881.93	900.13
10. Load factor	46.5	(per cent) 50.1	36.7
11. Percentage of transmission and distribution losses to total power available for sale	15.8	19.1	17.5
12. Number of units generated per KW of installed capacity	3,562	(kwh) 3,463	3,358
13. Number of villages/towns electrified	7,073	7,073	7,673

Particulars	1983-84	1984-85	1985-86
14. Number of pump sets/wells energised	2,61,450	2,70,649	2,77,327
—awaiting energisation	38,192	40,694	41,641
15. Number of sub-stations (33 KV and above)	252	272	278
16. Transmission/distribution lines(Kms.)			
(i) High/Medium voltage	45,735	46,509	48,121
(ii) Low voltage	76,689	78,139	79,850
17 (i) Connected load(M.W.)	2,899.45	3,034.02	3,187.97
(ii) Load awaiting energisation(M.W.)	43.56	42.03	48.94
18. Number of consumers	15,26,667	16,24,936	17,26,346
19. Number of employees	33,484	34,103	36,664
20. Total expenditure on staff (Rupees in lakhs)	42,90.93	47,08.68	51,92.27
21. Percentage of expenditure on staff to total revenue expenditure	31.88	30.76	28.78
22. Break up of sale of energy according to category of consumers		(Mkwh)	
(a) Agriculture	1,301.38	1,375.22	1,366.49
(b) Industrial	1,342.85	1,147.16	1,322.46
(c) Commercial	96.26	94.61	112.65
(d) Domestic	377.98	400.89	486.06
(e) Others*	836.20	707.37	968.73
Total	3,954.67	3,725.25	4,256.39
		(in paisa)	
23 (a) Revenue per Kwh**	41.75	43.87	46.81
(b) Expenditure per Kwh***	52.05	64.19	65.81
(c) Profit(+) Loss(-) per Kwh	(-)10.30	(-)20.32	(-)19.00

*Includes free supply to Board's staff and offices.

**The revenue per Kwh sold has been arrived at after excluding subsidy from State Government on account of rural electrification losses.

***This includes charges on account of depreciation and interest.

ANNEXURE—7

SUMMARY OF FINANCIAL POSITION OF HARYANA FINANCIAL CORPORATION FOR THREE YEARS UP TO 1985-86.

(Referred to in paragraph 1.5.3 : Page-17)

A. Liabilities	1983-84	1984-85	1985-86
(Rupees in lakhs)			
1. Paid-up capital	5,04.07	5,21.07	5,51.07*
2. Reserve fund, other reserves and surplus	8,37.93	9,08.28	9,46.46
3. Borrowings :			
(i) Bonds and debentures	18,70.00	17,05.00	20,67.50
(ii) Others	22,53.37	29,81.69	32,47.69
4. Other liabilities and provisions	7,51.20	9,11.49	9,75.70
Total—A	62,16.57	70,27.53	77,88.42
B : Assets			
1. Cash and Bank Balances	55.37	32.49	1,54.22
2. Loans and advances	58,27.69	65,91.86	71,71.36
3. Net fixed assets	20.39	20.81	20.66
4. Other assets	3,13.12	3,82.37	4,42.18
Total—B	62,16.57	70,27.53	77,88.42
C. Capital employed**	49,39.76	56,06.62	62,72.80
D. Capital invested***	52,88.83	59,24.46	66,21.14

*Includes Rs. 30.00 lakhs of share application money.

**Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, bonds and debentures, reserves, borrowings and deposits.

***Capital invested represents paid-up capital *plus* long term loans *plus* free reserves.

ANNEXURE—9

SUMMARY OF FINANCIAL POSITION OF HARYANA WAREHOUSING CORPORATION FOR THREE YEARS UP TO 1985-86

(Referred to in paragraph 1.6.2.: Page-19)

A. Liabilities	1983-84	1984-85	1985-86
	(Rupees in lakhs)		
1. Paid-up capital	4,38.07	4,88.07	5,06.07
2. Reserves and surplus	1,75.91	3,45.50	6,73.27
3. Borrowings	1,86.39	1,85.83	1,89.93
4. Trade dues and other current liabilities	1,32.38	13,47.35	12,24.81
Total—A	9,32.75	23,66.75	25,94.08
B. Assets			
1. Gross block	8,26.56	9,81.71	11,71.69
2. Net fixed assets	7,05.10	8,36.83	10,01.26
3. Capital work-in-progress	58.10	50.44	1,53.97
4. Investment	1.00	1.00	1.00
5. Current assets, loans and advances	1,68.55	14,78.48	14,37.85
Total—B	9,32.75	23,66.75	25,94.08
C. Capital employed*	7,41.27	9,67.96	12,14.30

*Capital employed represents net fixed assets (excluding work-in-progress) plus working capital.

ANNEXURE—10

STATEMENT OF PHYSICAL PERFORMANCE OF HARYANA WAREHOUSING CORPORATION FOR THREE YEARS UP TO 1985-86

(Referred to in paragraph 1.6.2 : Page-19)

Serial Number	1983-84	1984-85	1985-86
1. Number of stations covered	68	79	79
2. Storage capacity created up to the end of the year (tonnes in lakhs)			
(a) Owned	2.78	3.04	3.66
(b) Hired	2.12	3.82	3.86
Total :	4.90"	6.86	7.52
3. Average storage capacity utilised* during the year (tonnes in lakhs)	4.11	7.12	8.44
4. Percentage of utilisation of average capacity	83.9	103.2	112.2
		(Rupees)	
5. Average expenses per tonne	49.33	37.28	36.27
6. Average income per tonne	62.75	62.09	76.07

*Including that of godowns closed during respective year.

ANNEXURE—11

FINANCIAL POSITION OF HARYANA BREWERIES LIMITED FOR FIVE YEARS UP TO 1985-86

(Referred to in paragraph 2.1.4 : Page-21)

1. Liabilities	1981-82	1982-83	1983-84	1984-85	1985-86
	(Rupees in lakhs)				
(a) Paid-up capital	1,20.08	1,20.08	1,20.08	1,20.10	1,21.18
(b) Reserves and surplus	18.53	18.53	18.53	19.06	41.09
(c) Borrowings	1,34.35	1,08.81	74.02	68.13	2,75.70
(d) Trade dues and other current liabilities (including provision)	90.25	91.04	1,06.67	1,55.85	2,41.47
	3,63.21	3,38.46	3,19.30	3,63.13	6,79.44
2. Assets					
(a) Gross Block	1,92.90	1,92.99	1,94.23	2,04.42	2,79.50
(b) Less depreciation	49.83	55.82	64.25	73.83	87.29
(c) Net fixed assets	1,43.07	1,37.17	1,29.98	1,30.59	1,92.21
(d) Capital work-in-progress	0.25	0.25	7.35	18.51	0.44
(e) Investment	0.40	0.40	0.40	0.40	0.40
(f) Current assets, loans and advances	1,69.07	1,51.37	1,47.75	2,12.86	4,86.39
(g) Miscellaneous expenditure	3.10	2.32	1.55	0.77	—
(h) Accumulated losses	47.32	46.95	32.27	—	—
	3,63.21	3,38.46	3,19.30	3,63.13	6,79.44
*Capital employed	2,21.89	1,97.50	1,72.47	1,87.60	4,37.13
**Net worth	88.19	89.34	1,04.79	1,38.39	1,62.27

*Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital.

**Net worth represents paid-up capital plus reserve less intangible assets.

ANNEXURE—

STATEMENT SHOWING EXCESS CONSUMPTION OF

(Referred to in paragraph

Year	1980-81	1981-82
1. Wort collected (HLs.)	62,480	53,240
2. Total consumption of		
(a) Barley malt (kgs.)	10,33,760	8,80,880
(b) Maize flakes (kgs.)	—	—
(c) Sugar (kgs.)	1,28,925	1,08,900
(d) Hops (kgs.)	5,336	4,742
3. Consumption per HL of wort of		
(a) Barley malt (kgs.)	16.545	16.545
(b) Maize flakes (kgs.)	—	—
(c) Sugar (kgs.)	2.063	2.045
(d) Hops (kgs.)	0.085	0.089
4. Consumption per HL of wort as per norms		
(a) Barley malt (kgs.)	13.200	13.200
(b) Maize flakes (kgs.)	—	—
(c) Sugar (kgs.)	0.504	0.504
(d) Hops (kgs.)	0.180	0.180
5. Excess consumption per HL of wort w.r. to norms		
(a) Barley Malt (kgs.)	3.345	3.345
(b) Sugar (kgs.)	1.559	1.541
6. Total excess consumption		
(a) Barley malt (kgs.)	2,08,996	1,78,088
(b) Sugar (kgs.)	97,406	82,043
7. Value of excess consumption		
(a) Barley malt	5.76	5.82
(b) Sugar	6.39	5.60
Total (A)	12.15	11.42

Note : 1. For comparison purposes, hops extract consumed during 1983-84 to tract to 5 kg. of hops.

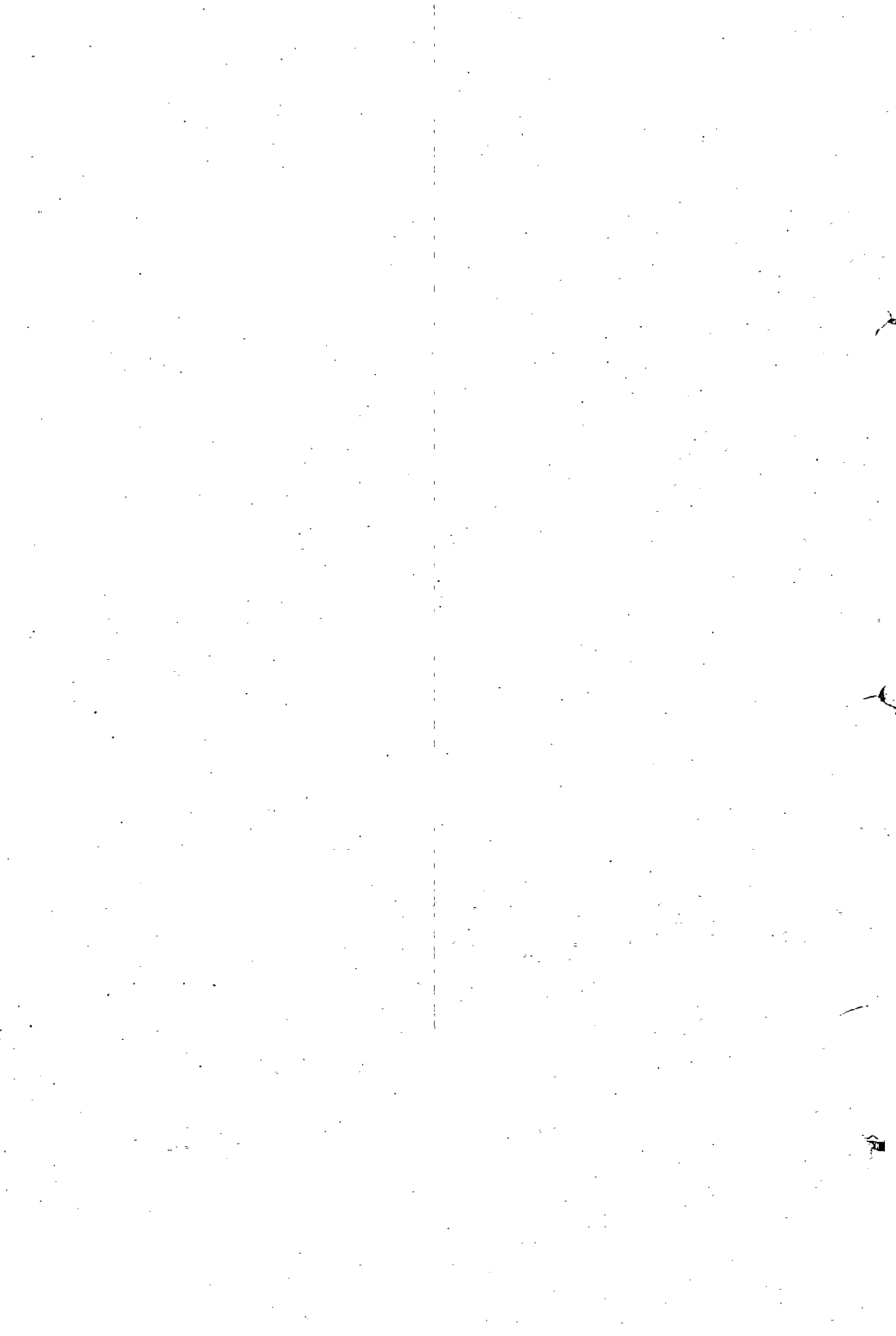
2. For comparison, maize flakes consumed during 1984-85 and 1985-86. maize flake to 525 kg. of malt.

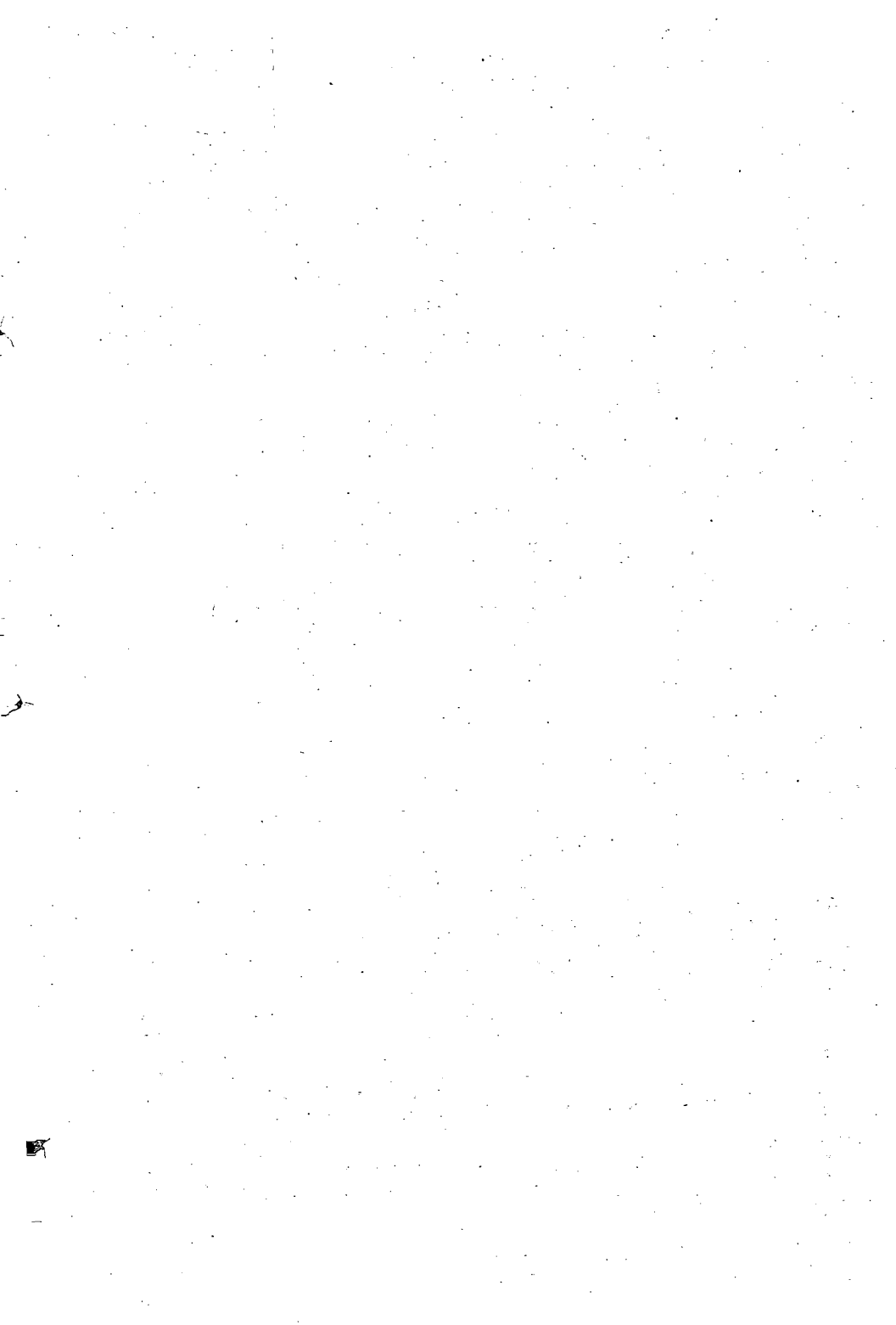
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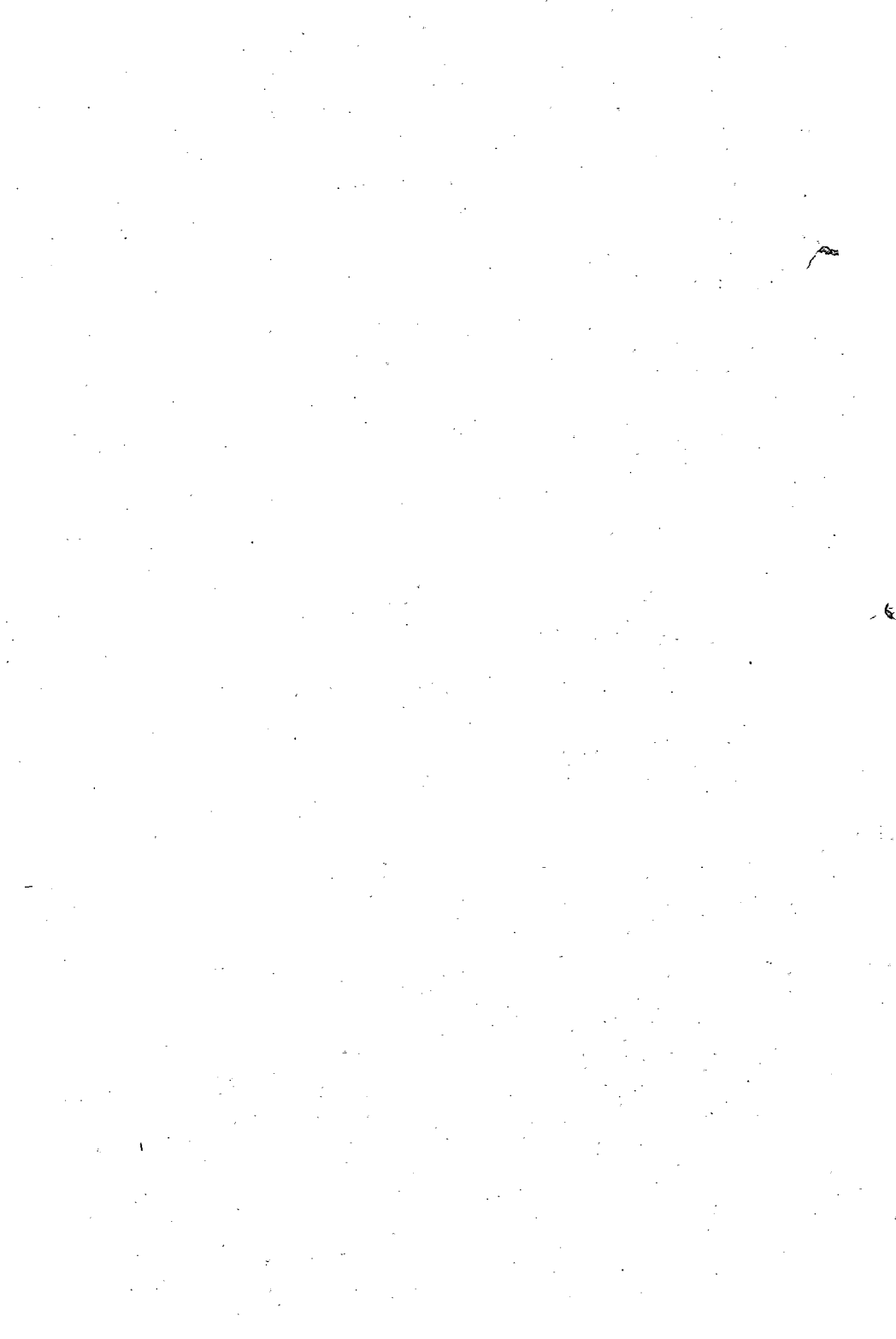
RAW MATERIAL IN THE MANUFACTURE OF MILD BEER
2.1.5.3 : Page-26)

1982-83	1983-84	1984-85	1985-86
41,360	42,460	66,983	91,371
6,64,530	6,50,985	8,83,110	11,73,000
—	—	64,435	1,16,550
84,600	84,750	1,21,100	1,65,650
3,570	3,714	6,115	7,879
16.067	15.332	13.184	12.838
—	—	0.962	1.276
2.045	1.996	1.808	1.813
0.086	0.087	0.091	0.086
13.200	13.200	13.200	13.200
—	—	—	—
0.504	0.504	0.504	0.504
0.180	0.180	0.180	0.180
2.867	2.132	1.296	1.378
1.541	1.492	1.304	1.309
1,18,579	90,525	86,810	1,25,909
63,736	63,350	87,346	1,19,605
(Rupees in lakhs)			
3.71	2.66	3.02	4.82
3.09	3.05	4.41	6.91
6.80	5.71	7.43	11.73
= Rs. 55.24 lakhs			

1985-86 have been converted into hops by equating 1 kg. of hops ex-
have been converted into barley malt by equating 385 kgs. of







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