REPORT

OF THE

Comptroller and Auditor General of India

for the year 1984-85

(COMMERCIAL)

Government of Haryana

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PREFACE

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(i) Government Companies ;

(ii) Statutory Corporations ; and

(iii) Departmentally-managed Commercial Undertakings.

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

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CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.01. Introduction

There were 20 Government companies (including seven subsidiaries) in the State as on 31st March 1985.

1.02. Compilation of accounts

Two companies finalised their accounts for the year 1984-85. In addition seven companies (including one subsidiary) finalised their accounts for the earlier years. A synoptic statement showing summarised financial results of nine companies based on the latest available accounts is given in Appendix 'B'. The accounts of the following 15 companies (including six subsidiaries) were in arrears for the period noted against each :

Serial number	Name of company	Extent of arrears
1.	Haryana Harijan Kalyan Nigam Limited	1979-80 to 1983-84
2.	Haryana State Minor Irrigation (Tube-wells) Corporation Limited	1979-80 to 1984-85
3.	Haryana Television Limited*	1979-80 to 1984-85
4.	Haryana Matches Limited*	1981-82 to 1984-85
5.	Haryana Backward Classes Kalyan Nigam Limited.	1982-83 to 1984-85
6.	Haryana Tourism Corporation Limited.	1982-83 to 1984-85
7.	Haryana Tanneries Limited*	1983-84 to 1984-85
8.	Haryana Hotels Limited*	1983-84 to 1984-85
9.	Haryana Economically Weaker Sections Kalyan Nigam Limited	1984-85

*Subsidiaries

Serial number	Name of company	Extent of arrear:
10.	Haryana State Handloom and Handicrafts Corporation Limited	1984-85
11.	Haryana Land Reclamation and Development Corporation Limited	1984-85
12.	Haryana Dairy Development Corporation Limited.	1984-85
13.	Haryana State Electronics Development Corporation Limited	1984-85
14.	Haryana Minerals Limited*	1984-85
15.	Haryana Breweries Limited*	1984-85

1.03. Paid-up capital

As against aggregate paid-up capital of Rs. 48,23.78 lakhs i Government companies (including 7 subsidiaries) as on 31st March the aggregate paid-up capital in 20 Government companies (includ subsidiaries) increased to Rs. 54,07.70 lakhs as detailed below :

Investment made by

Particulars	Number of companies	State Government	Central Government	Others	
		(Rupees in lakhs)			
1. Companies wholly owned by the State Government	9	40,95.93	..	..	40,
2. Companies jointly owned by the Central and State Government and others	4	3,97.09	1,88.71	41.98	6,
3. Subsidiary companies	7	1,16.15	..	5,67.84	6,
Total	20	46,09.17	1,88.71	6,09.82	54,

*Subsidiaries

1.04. Loans

The balance of long term loans outstanding in respect of 17 companies (including 5 subsidiaries) as on 31st March 1985 was Rs. 1,29,96.48 lakhs (State Government: Rs. 66,14.77 lakhs, other parties: Rs. 63,37.88 lakhs, deferred payment credit: Rs. 43.83 lakhs) as against Rs. 1,15,42.06 lakhs as on 31st March 1984.

1.05. Guarantees

The State Government had guaranteed the repayment of loans (and payment of interest thereon) raised by five companies. The total amount guaranteed and outstanding was Rs. 1,65,71.53 lakhs and Rs. 57,61.54 lakhs respectively as detailed below:

Serial number	Name of company	Amount guaranteed	Amount outstanding as on 31st March 1985
		(Rupees in lakhs)	
1.	Haryana Dairy Development Corporation Limited	5,29.00	2,98.68
2.	Haryana Land Reclamation and Development Corporation Limited	71.63	59.06
3.	Haryana State Minor Irrigation (Tubewells) Corporation Limited	1,59,20.90	53,00.74
4.	Haryana Tanneries Limited	30.00	93.16*
5.	Haryana Breweries Limited	20.00	9.90
	Total	1,65,71.53	57,61.54

*Includes interest on the principal amount guaranteed (Rs. 30 lakhs).

1.06. The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directives to the auditors of the Government Companies in regard to the performance of their functions under section 619(3) of the companies Act, 1956. In pursuance of the directives so issued special reports of the Company auditors on the accounts for the year 1983-84 have been receieved in respect of three companies. Important defects noticed in those reports are summarised below :

Nature of defects	Number of companies where defects were noticed	Reference to item number in appendix 'B'
—Imperfect accounting system	2	3 and 4
—Absence of adequate budgeting system	3	3, 4 and 9
—Absence of internal audit manual	2	3 and 9
—Absence of internal audit system	1	3
—Internal audit system not commensurate with the nature and size of business	2	3 and 9
—Non-maintenance/defective maintenance of property/land/assets registers	3	3, 4 and 9
—Absence of tender system	1	9
—Non-fixation of norms for manpower	1	9

1.07. Performance of the companies

1.07.1. The following table gives the details of two companies which earned profit during the year 1984-85 with comparative figures for the previous year :

Serial number	Name of company	*Paid-up capital*		*Profit*(+)/ *Loss*(—)	
		1983-84	1984-85	1983-84	1984-85
		(Rupees in lakhs)			
1.	Haryana State Industrial Development Corporation Limited	11,03.58	12,82.58	(+)28.84	(+)64.97
2.	Haryana Concast Limited	3,10.85	3,10.85	(—)24.94	(+)1,23.16

1.07.2. The working results of 7 companies (including one subsidiary) which had finalised their accounts for earlier years are analysed in the table given below :

Serial number	Name of company	Year of accounts	Paid-up capital	Profit(+)/ Loss(—)
			(Rupees in lakhs)	
1.	Haryana Tourism Corporation Limited	1981-82	1,95.03	(+) 8.15
2.	Haryana Dairy Development Corporation Limited	1983-84	2,57.35	(—)43.91
3.	Haryana Land Reclamation and Development Corporation Limited	1983-84	1,25.30	(—)58.37
4.	Haryana Agro Industries Corporation Limited	1983-84	2,09.66	(—)1,46.56
5.	Haryana State Electronics Development Corporation Limited	1983-84	25.00	(+)0.44
6.	Haryana Economically Weaker Sections Kalyan Nigam Limited	1983-84	41.00	(—)12.64
Subsidiary				
7.	Haryana Matches Limited	1980-81	12.50	(—)1.50

1.07.3. The accumulated losses in respect of 8 companies (including two subsidiaries) amounted to Rs. 14,39.70 lakhs against their paid-up capital of Rs. 11,76.69 lakhs. Particulars of 5 companies (including two subsidiaries) the accumulated losses of which had exceeded their paid-up capital are given below :

Name of company	Year of accounts	Paid-up capital	Accumulated loss
		(Rupees in	lakhs)
Haryana Matches Limited	1980-81	12.50	14.08
Haryana Dairy Development Corporation Limited	1983-84	2,57.35	4,43.02
Haryana Land Reclamation and Development Corporation Limited	1983-84	1,25.30	1,32.03
Haryana Agro Industries Corporation Limited	1983-84	2,09.66	4,53.90
Haryana Concast Limited	1984-85	3,10.85	3,49.35
Total		9,15.66	13,92.38

1.08. Under section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon and supplement the audit reports of the Company auditors. Under this provision a review of the annual accounts of Government companies was conducted in selected cases. Some of the important errors/omissions, *etc.*, noticed in the course of review of the accounts are indicated below :

(*1*) *Haryana Tourism Corporation Limited—1980-81*

The net profit of Rs. 0.79 lakh is subject to the following :

(i) Short provision of depreciation on air-conditioning plant	Rs. 5.10 lakhs
(ii) Non-provision of liabilities towards expenses	Rs. 0.59 lakh
	Rs. 5.69 lakhs

(*2*) *Haryana Concast Limited—1983-84*

(i) Raw material valuing Rs. 46.65 lakhs includes cost of unserviceable/unusable raw materials (Rs. 5.24 lakhs).

(ii) The net loss of Rs. 24.94 lakhs was understated to the extent of Rs. 1.31 lakhs on account of non-provision of depreciation (Rs. 0.25 lakh) and under charge of depreciation on factory building (Rs. 1.06 lakhs).

SECTION II

HARYANA LAND RECLAMATION AND DEVELOPMENT CORPORATION LIMITED

2.01. Introduction

The Haryana Land Reclamation and Development Corporation Limited (HLRDC) was incorporated on 27th March 1974 with the main objects to :

—undertake and promote measures for land development, reclamation, conservation and improvement of soil and water resources ;

—carry on the business of farmers, quarry owners and any other operations connected directly or indirectly to the development of land for agricultural purposes;

—construct, operate and superintend works conducive to the development of land and water resources; and

—purchase or to take on lease machinery, tools and plants for the development, improvement and exploitation of the land for making it culturable or utilising it for agriculture purposes.

In pursuance of these objects the Company had undertaken the activities of :

—reclamation of saline and alkaline soils;

—land levelling, shaping and grading;

—horticulture development in sub-mountaineous areas of Ambala district;

—production of quality seeds of high yielding varieties;

—purchase and sale of gypsum, fertilizers and weedicides ; and

—management of panchayat land project farms.

2.02. Organisational set up

The Management of the Company is vested in a Board of Directors headed by a Chairman. The Managing Director acts as chief executive of the Company and is assisted by a Secretary and a Chief Technical Officer. In order to have a proper check on the finances of the Company, a post of Chief Accounts Officer was sanctioned in October 1976. The post ha not been filled up so far (September 1985).

2.03. Capital structure and borrowings

2.03.1. The authorised capital of the Company is Rs. 3 crores divide into 30,000 shares of Rs. 1,000 each. As on 31st March 1985 the Compan had a paid-up capital of Rs. 1,35.30 lakhs subscribed by State Governmen (Rs. 1,15.64 lakhs) and Command Area Development Authority (Rs 19.6 lakhs). In addition, the Company had obtained long and short term loan and the amount outstanding as on 31st March 1984 was Rs. 1,23.71 lakhs During 1983-84 due to default in the repayment of principal (Rs. 24.28 lakhs) and interest (Rs. 1.16 lakhs) the Company had to pay penal interes amounting to Rs. 0.09 lakh.

2.03.2. Two short term loans amounting to Rs. 57 lakhs received from the State Government in August and December 1982 for the purchase and distribution of agricultural inputs were repaid in March 1983. However, due to incorrect calculation of interest excess payment of Rs. 0.69 lakh was made and the matter for refund was taken up with the Government on 25th May 1983. The Company, however, adjusted (May 1984) the excess payment of interest while repaying the principal and interest on short term loan of Rs. 1,00 lakhs obtained in January 1984. However, the Company again made an excess payment of Rs. 2.34 lakhs towards repayment of principal and interest on loan secured in January 1984. The overpayment was adjusted against repayment of short term loan of Rs. 20 lakhs (received in September 1984).

This resulted in avoidable loss of Rs. 0.36 lakh on account of interest on the amounts paid in excess.

2.04. Working results

The working results of the Company for the three years up to 1983-84 showed losses amounting to Rs. 34.80 lakhs, Rs. 37.91 lakhs and Rs. 58.37 lakhs over the turnover of Rs. 1,65.96 lakhs, Rs. 1,99.16 lakhs and Rs. 2,33.42 lakhs respectively. The accumulated loss of the Company at the end of 1983-84 amounted to Rs. 1,32.03 lakhs as against the paid-up capital of Rs. 1,25.30 lakhs.

The main reasons for losses attributed by the Management (February d November 1983) were the uneconomical working of the *panchayat* id project farms and land levelling programme.

The activity-wise performance of the Company is discussed in the cceeding paragraphs :

05. Panchayat Land Project (PLP) Farms

2.05.1. Since its inception the Company had been reclaiming *Kallar* nds of individual farmers. The Government directed (January 1979) the ompany to identify the *Kallar* lands of *panchayats* which it would like to ke over for reclamation. The Company accordingly forwarded to the ate Government (February 1979) a project report for reclamation of *333* res of land owned by the *penchayats* of village Munak and Rairkalan. ne Government approved the project in May 1979. According to the oject report the Company was required to cultivate the reclaimed land r a period of 10 years and would pay to *panchayats* lease rent. The ked assests (tubewells and sheds *etc.*) on the farms were to become the operty of the lessor after the expiry of the lease period of ten years.

Though the Company prepared project report in respect of two ms under Munak and Rairkalan *Panchayats*, it took up the reclamation 2,152 acres of land transferred (May 1979—November 1981) by eleven *nchayats* keeping in view the profitability of the project assessed for unak and Rairkalan farms. The Company could not get loan (Rs. 10.31 khs) from the Agricultural Refinance and Development Corporation ow NABARD) which was available at concessional rate of interest for the clamation of these lands as the Government refused (March 1983) to and guarantee for repayment of loan in view of continuous losses on e scheme. The Company had thus to take crop loans from the com- ercial banks at higher rates of interest. However, on account of heavy sses suffered by the Company on the PLP farms these were transferred ck to the *panchayats* in November 1983 before the expiry of the lease riod.

2.05.2. Working results of PLP Farms

During the five years up to 1983-84 the PLP Farms incurred losses a detailed below :

	1979-80	1980-81	1981-82	1982-83	1983-84 (November 198
		(Rupees in	lakhs)		
1. Expenditure (crop expenses, lease money and depreciation *etc*).	4.40	29.85	43.12	43.89	46.40
2. Income including closing stock	1.15	7.65	12.68	12.69	8.75
3. Loss	3.25	22.20	30.44	31.20	37.65

The total loss suffered by the Company since take over (May 1979) o the PLP farms till their re-transfer (November 1983) to *panchayat* amounted to Rs. 1,24·74 lakhs. The expenditure incurred on the reclama tion and development of *panchayat* lands was written off by the Compan at the rate of 11 *per cent* per year. Since the PLP farms were re-transferre by the Company before the expiry of the lease period, expenditure to th extent of Rs. 21.94 lakhs incurred on the reclamation and development o these PLP farms could not be written off during the lease period.

The Management attributed (February/November 1983) the followin reasons for the losses incurred on the PLP farms :

(i) the lands transferred were scattered in small chunks of 50 to 20 acres at more than 12 places, thereby making the management c scattered farms difficult and costly ;

(ii) proper records/reports at most of the farms were not deliberatel maintained and basic records like crop registers, progress registers of labou trip sheets, log books, history sheets *etc.*, were not maintained;

(iii) after taking over of PLP farms the entire working capital of th Company was blocked and timely funds were not available for developmen inputs and seeds *etc.*; and

(iv) the yield from the farms was low as the land levelling work was ot properly done and for reclamation of land the desired quantity of ypsum and other inputs were not applied.

It is thus evident that the Management did not identify compact and conomically manageable sites even though it was given the option to select he *panchayat* lands. Having selected 11 *panchayats* (2,152 acres) the Company took up development work at 10 *panchayat* farms (976 acres) and lly developed only one farm *i. e.* Rairkalan (208 acres). Had the Company fully developed some selected farms instead of taking up evelopment work at 10 *panchayat* farms simultaneously, the operational xpenses would have been much less. The reasons for taking up simulaaneous development of 10 *panchayat* farms without taking into consideraon the feasibility and availability of finance were not on record.

.05.3. Land levelling

The following table gives the farm-wise details of expenditure incurred n land levelling :

erial umber	Name of farm	Area taken over (Acres)	Area reclaimed (Acres)	Amount spent on land levelling (Rupees in lakhs)	Cost of land levelling per acre (Rupees)
1.	Rairkalan	208	208	4.98	2,394
2.	Munak	183	148	2.2i	1,493
3.	Nahra	600	130	2.06	1,585
4.	Kawi	307	281	4.03	1,434
5.	Dharamgarh	57	4	0.18	4,500
6.	Bhalsi	221	70	0.73	1,043
7.	Khandra	55	10	0.11	1,100
8.	Ramana-ramani	130	90	0.35	389
9.	Sambhli	99	35	0.33	943
10.	Wassar	194	—	0.07	—
11.	Gagsina	98	—	—	—
		2,152	976	15.05	—

As against the projected cost of Rs. 390 per acre for land levelling, he actual cost per acre ranged between Rs. 389 to 4,500. The expenditure n excess of the estimated cost on these farms works out to Rs. 11.24 akhs. During a visit to these farms, the Managing Diretor of the

Company and the Director of Agriculture found (October 1983) that most of the farms land levelling work had not been undertaken prope and assessed that 424 acres of land of five farms stated to have be already levelled needed further levelling at a cost of Rs. 2.66 lakhs. T action taken on these findings is still awaited (September 1985).

2.05.4. Application of gypsum

Gypsum is applied to the land for removing alkaline contents. T quantity of gypsum required depends upon the percentage of hydrogen the land. Maximum quantity of 5 tonnes of gypsum per acre (val Rs. 700) is required to bring the percentage of hydrogen to normal.

It was observed that the cost of gypsum per acre applied in various farr varied from Rs. 523 to Rs. 1,222 as against the projected expenditure Rs. 700. The Management found (October 1983) that the required quantity gypsum had not been applied on most of the farms and assessed th even after incurring extra expenditure of Rs. 2.34 lakhs for reclaimir 976 acres of land, a further quantity of gypsum valuing Rs. 3.21 lak would be required to fully develop this land. The action taken c these findings is still awaited.

2.05.5. Tubewells

As per the project report a tubewell commands an area of ten acres. Tl table below indicates the area developed, number of tubewells sunk ar expenditure thereon at each farm and expenditure per acre of land :

Name of farm	Area reclaimed (Acres)	Number of tubewells sunk	Amount spent (Rupees in lakhs)	Expenditure per acre (Rupees)
Rairkalan	208	7	0.80	385
Munak	148	14	1.22	824
Nahra	130	18	1.15	885
Kawi	281	18	1.60	569
Dharamgarh	4	4	0.34	8,500
Bhalsi	70	14	1.00	1,429
Khandra	10	4	0.24	2,400
Ramana-ramani	90	8	0.83	922
Sambhli	35	8	0.87	2,486
	976	95		

The increase in the number of tubewells sunk in Nahra, Dharam-arh, Bhalsi, Khandra and Sambhli was due to that the tubewells sunk ere not synchronised with the reclamation of land. As per the project port, the cost of tubewell was worked out as Rs. 675 per acre. The ost of tubewell per acre was within the projected norm in the case of airkalan and Kawi farms. As regards other farms, the actual cost ranged tween Rs. 824 and Rs. 8,500 per acre. The Management has not nalysed the reasons for excess expenditure on the tubewells.

.05.6. Area cultivated and cost of cultivation

(i) The following table shows the area available for sowing, area ctually sown under *kharif* and *rabi* crops, area harvested and area amaged :

ear	Area available for sowing	Area actually sown	Area harvested	Area damaged	Percentage of area sown to area available for sowing	
		(in acres)				
1979-80						
Kharif	100	100	100	—	100	100
Rabi	100	100	100	—	100	
1980-81						
Kharif	735	552	495	57	75	80
Rabi	735	619	547	72	84	
1981-82						
Kharif	871	689	650	39	79	85
Rabi	871	799	735	64	92	
1982-83						
Kharif	976	597	514	83	61	66
Rabi	976	705	611	94	72	
1983-84						
Kharif	976	465	453	12	48	

Only 48 *per cent* of cultivable area was sown during 1983-84 as again 80 *per cent*, 85 *per cent* and 66 *per cent* during 1980-81, 1981-82 an 1982-83 respectively. The Company has not analysed the reasons fc not sowing the available area and for damage to the area sown.

(ii) The cost of cultivation per acre for two major crops *i. e.* whea and paddy was estimated by the Company at Rs. 1,255 and Rs. 1,31 respectively. However, the actual cost of cultivation during the three years up to 1982-83 per acre in respect of three farms for whicl information was available ranged from Rs. 1,421 (1981-82) to Rs. 2,25 (1980-81) in respect of wheat and from Rs. 1,419 (1982-83) to Rs. 2,00 (1980-81) in respect of paddy. The Management has not analysed the reasons for high incidence of cost as compared to the estimated cost anc wide variations in the cost per acre from year to year in respect of both wheat and paddy.

2.05.7. Man power

The Company approved (September 1980) the post of one regional manager and staff for every 2,500 acres of *panchayat* land and the post of one manager and his staff for every 500 acres of *panchayat* land. Man power analysis of PLP farms revealed that the Company had engaged more staff than the approved norms.

The Company did not correlate the recruitment of staff with the land reclaimed which resulted in extra expenditure of Rs. 6.38 lakhs on pay and allowances of the excess staff.

Though the PLP farms were transferred to the *panchayats* in November 1983, the Company continued the post of an Accounts Officer (up to March 1985), Assistant Manager Stores and Accounts Clerk (up to December 1984) without any work and incurred further avoidable expenditure of Rs. 0.39 lakh.

2.05.8 Yield per acre

The project report contains the details of projected yield per acre for two major crops *i.e.* paddy and wheat only although other crops were also sown on the farms. The table below indicates the details of projected yield per acre for paddy and wheat and the actual yield obtained for the five years up to 1983-84 :

Year	Paddy (*Kharif*)		Wheat (*Rabi*)	
	Projected yield	Actual yield	Projected yield	Actual yield
	(Yield in quintals per acre)			
1979-80	6.0	8.0	6.0	5.7
1980-81	8.0	5.8	8.2	5.3
1981-82	12.0	8.6	9.0	4.8
1982-83	16.0	9.4	10.0	4.7
1983-84	20.0	9.2	—	—

The Managing Director of the Company and the Director of Agriculture investigated the causes of low yield and reported (October 1983) that:

(i) on most of the farms the land levelling work was not properly carried out ;

(ii) the required quantity of gypsum was not applied on most of the farms ; and

(iii) the inputs were not properly applied on the crops.

2.05.9. Return of PLP farms

As per the project report of Rairkalan and Munak farms the Company was to start making profits from these farms after the 4th year of take-over. But the Management after incurring huge expenditure on the development of these farms in the initial years approached (December 1982) the Government for the return of 550 acres of *panchayat* land on the ground that the entire working capital of the Company had been blocked in the fixed assets of PLP farms and heavy losses had adversely affected its financial position. The Management later decided (March 1983) to return 947 acres of land to the respective *panchayats*.

Finally the Government decided (October 1983) to transfer back the entire *panchayat* lands (2,152 acres) to the respective *panchayats*.

The Company took up *panchayat* lands for development, without first making firm arrangements for finance, with the result it had to abandon the project after incurring heavy expenditure on development of these lands. Though the Company was given the choice to select sites, it selected scattered areas instead of compact chunks of land for development, with the result the farms became unmanageable and uneconomical. The Company abandoned the project after incurring heavy losses and at a time when it was to start getting benefits of development.

2.05.10. Disposal of gypsum powder

The Company decided (December 1983) that all gypsum stocks lying at PLP farms be transferred to Panipat. 946.450 tonnes of gypsum was transferred in January 1984 to Panipat as against the book balance of 1,276.450 tonnes. Thus there was a shortage of 330 tonnes of gypsum valuing Rs. 0.40 lakh.

The Company disposed of this gypsum at Rs. 50 per tonne as against the prevalent sale price of gypsum of Rs. 120 per tonne (after adjusting the subsidy of Rs. 105 per tonne). Thus the Company suffered a loss of Rs. 0.66 lakh by selling the gypsum at lesser rates.

The Management stated (May 1985) that the shortage was being enquired into and the gypsum being substandard was disposed of at lesser rates.

2.05.11. Purchase of Vicon harvesting combines

In order to meet the requirement of PLP farms and Hissar farm the Company purchased 5 vicon harvesting combines in April/May 1981 at a cost of Rs. 3.15 lakhs without assessing the efficiency of the combines. The utilisation of the combines for the three years up to 1984-85 is given below :

Year	Area required to be harvested	Area actually harvested	Percentage of utilisation
	(in acres)		
1982-83	1,250	219	17.5
1983-84	1,250	46	3.7
1984-85	1,250	104	8.3

The utilisation of the combines ranged between 3.7 and 17.5 *per cent* during the three years. While the life expectancy of these combines was 5 years or 10 seasons, the Director farms, Hissar of the Company to whom these combines were transferred (December 1983) recommended their disposal by public auction since the operation of these combines was found uneconomical.

The combines were not put to full use on PLP farms on the ground that the loss to the exent of 25 *per cent* in grain was noticed in their operation. The combines have not been disposed of by the Management so far (September 1985).

2.05.12. Non-accountal of production

(i) A review of crop registers of PLP farms for the year 1980-81 and 1981-82 revealed that these were not maintained properly and important columns regarding crop condition and growth, dates of harvesting, inspection by the farm incharge, *etc.* were left blank in many cases. Crops of sugarcane, paddy, *moong*, *toria*, and *guara* grown in an area of 107.75 acres and 60 acres, during 1980-81 and 1981-82 respectively in Kawi, Munak and Rairkalan farms were not accounted for in the accounts of the respective years as per details given below :

Year	Farm	Area sown (acres)					Total
		Sugarcane	Paddy	*Moong*	*Toria*	*Guara*	
1980-81	Kawi	11.50	—	43.25	—	—	54.75
	Munak	—	38.50	—	14.50	—	53.00
		11.50	38.50	43.25	14.50	—	107.75
1981-82	Kawi	20	—	—	—	—	20
	Munak	13	—	8	10	6	37
	Rairkalan	—	—	—	—	3	3
		33	—	8	10	9	60

(ii) Though no norms were available in the records of the Company in respect of other four crops, it was explained by the Company that the following may be taken as the normal yield per acre in respect of sugarcane, *toria*, *moong* and *guara*:

Sugarcane	..	200 quintals
Moong / *Toria* / *Guara*	..	One quintal

On the basis of the above yield the value of farm produce not accounted for works out to Rs. 2.55 lakhs. The Management has not fixed the responsibility for the loss so far (September 1985).

2.05.13. Misappropriation of inputs

A review of stock register of inputs and grains maintained at Panipat depot of the Company *vis-a-vis* the stock registers of farms revealed that the fertilizer and paddy valuing Rs. 0.33 lakh issued by the depot to various PLP farms were not accounted for in stock registers of farms as detailed below :

Serial number	Voucher No. and date of issue	Issued to	Material	Quantity in bags of 50 Kg.	Value (Rupees)
(i)	33/10-8-1981	Manager, Nahra	Ammonium Sulphate	50	3,885
(ii)	18/13-7-1981	Manager, Kawi	Ammonium Sulphate	50	3,885
(iii)	51/30-11-1981	Manager, Kawi	Ammonium Sulphate	100	7,770
(iv)	57/12-2-1982	Manager, Kawi	Ammonium Sulphate	50	3,885
(v)	18/19-7-1981	Manager, Kawi	Zinc Sulphate	10	1,627
(vi)	272/31-10-1981	Manager, Nahra	Ammonium Sulphate	100	7,770
(vii)	1744/19-1-1982	Warehousing Corporation from Manager, Kawi	Paddy (*Basmati*)	29 (bags of 70 Kg.)	4,060

The above misappropriation was possible due to lack of effective internal control. The Company had lodged (January 1984) an F.I.R. against an ex-Manager for recovery of Rs. 0.17 lakh for items at serial No. (iii) to (v) and (vii) above. Further developments regarding results of police investigation and the recovery of cost of other items were awaited (September 1985). The Company has not so far lodged any F.I.R. with the police for serial No. (i), (ii) and (vi) (September 1985).

2.05.14. Special audit of PLP farms

The Company received a number of complaints regarding the misappropriation of stocks and stores by its various field functionaries. The Management appointed (May 1983) a firm of Chartered Accountants for detailed audit of the accounts of PLP farms for the years 1979-80 and 1980-81 on a remuneration of Rs. 2,000 and Rs. 3,500 respectively besides T.A. and D.A.

The auditors were required to submit their report within a period of three months. However, the auditors did not take up the audit of PLP farms except the finalisation of accounts for the year 1979-80. The auditors did not submit any report as per terms of their appointment. The reasons for not getting special audit conducted from the auditors were not on record.

2.06. Seeds farm, Hissar

2.06.1. The seeds farm, Hissar was set up in 1965. It had been under the management of various agencies till 1976 when it was transferred from the control of Haryana Seeds Development Corporation Limited (a State Government undertaking) to the Company under the National Seeds Projects. The farm area belongs to State Government and is on lease with the Company on a lease rent of Rs. 90 per acre per annum. The total area of the farm is 1,419 acres out of which 1,283 acres is cultivable. The rest of the area is under roads, water channels, buildings *etc*,.

As per the Management the farm had been producing much below its production potential due to (i) inadequate irrigation resources, (ii) under developed land, (iii) lack of modern machinery and equipment and (iv) lack of office and residential complexes. A farm development plan involving an expenditure of Rs. 51.72 lakhs was formulated and submitted to National Bank for Agricultural and Rural Development (NABARD) (September 1979) after the scheme was appraised (January 1979) by the State Farms Corporation of India (SFCI). The scheme for Rs. 43.89 lakhs was appoved by NABAR in April-July 1981. According to the terms of loan sanctioned by NABAF the scheme was to be implemented by June 1983.

The scheme was partially executed at a cost of Rs. 55.18 lak (August 1984) against the original estimated cost of Rs. 43.89 lakhs. Ther after no further expenditure on the scheme was incurred by the Compar The table given below indicates the estimates as approved (April-July 198 revised cost of the project and the actual expenditure incurred :

Serial number	Item of work	Original estimates	Revised estimates	Actual expenditu (August 198
		(Rupees in lakhs)		
1.	Cropping and harvesting machinery	16.14	18.61	4.99
2.	Land development and operating cost	2.05	3.15	3.15
3.	Lining of water courses	4.17	7.05	6.30
4.	Farms structures and buildings	21.53	41.67	39.19
5.	Consultancy charges	—	1.55	1.55
		43.89	72.03	55.18

2.06.2. A test check of records in audit revealed that :

(i) Out of the cultivable area of 1,283 acres, the Company left 42,2 and 180 acres of land as fallow during *Kharif* 1981, 1982 and 1983 respec vely. Similarly, 234, 334 and 412 acres of land was kept fallow in *R* during these three years.

(ii) During *Kharif* 1983 the average yield per acre of cotton a *bajra* came down to 4.42 and 4.99 quintals respectively as against 6.47 a 6.96 quintals for cotton and 8.?0 and 11.08 quintals for *bajra* during *Kha* 1981 and 1982 respectively.

(iii) During *Rabi* 1983-84, the average yield per acre of wheat and arley came down to 13.98 and 9.35 quintals respectively as against 17.48 nd 16.01 quintals for wheat and 11.87 and 10.22 quintals for barley during *abi* 1981-82 and 1982-83 respectively.

The reasons for keeping the large chunks of cultivable land as fallow nd for low yield of produce both in *Kharif* and *Rabi* during the three years p to 1983-84 were not investigated by the Management.

.06.3. Premium on cotton seed

The farm sells the cotton produce to ginning factories by open auction with an understanding that the cotton seed obtained therefrom would be old to the Haryana Seeds Development Corporation Limited (HSDC). The HSDC, in turn, pay premium to the Company at the rate of Rs. 60 per quintal on the seed obtained from the ginning factories. According to the Company, the quantity of the seed obtained should be 2/3rd of the weight of the cotton. The table below indicates the quantity of seed obtained, seed processed, permium due and premium received by the Company during the four years up to 1984-85 :

Year	Cotton auctioned	Expected seed yield at 2/3rd of cotton	Expected processed seed after providing for 10 per cent under/over sized seed	Preminm due on expected quantity	Premium actually received	Difference
		(in quintals)		(Rupees in lakhs)		
1981-82	4,574	3,050	2,745	1.65	1.26	0.39
1982-83	4,468	2,979	2,681	1.61	0.84	0.77
1983-84	2,839	1,893	1,704	1.02	0.36	0.66
1984-85	4,823	3,215	2,893	1.74	—	1.74
						3.56

The premium received by the Company from HSDC, during the three years ending 1983-84 was much less, whereas during 1984-85 the Company did not receive any amount (April 1985) against the expected premium of Rs. 1.74 lakhs. No claim (Rs. 1.74 lakhs) has been lodged by the Company with HSDC as it had not maintained any record of seed actually obtained and handed over to HSDC by ginning factories.

The reasons for low receipt/non-receipt of premium have not been investigated by the Management.

2.07. Reclamation schemes

In January 1982, a scheme for reclamation of 45,000 acres of alkaline/saline land and installation of 1,200 tubewells in five districts of Haryana i.e. Karnal, Kurukshetra, Sonepat, Jind and Faridabad with a total financial outlay of Rs. 801 lakhs was forwarded by the Company to NABARD for approval. The scheme was spread over a period of three years up to 1983-84 with a target of reclamation of 15,000 acres of land, installation of 400 shallow tubewells with a financial outlay of Rs. 267 lakhs in each year.

The NABARD approved (June 1982) the scheme for 1981-82 (ending 30th June 1982) for the reclamation of 8,250 acres of land and installation of 300 tubewells at the total cost of Rs. 1,54.79 lakhs. The programme for 1982-83 and 1983-84 was to be considered by NABARD after conducting performance evaluation study of technical aspects of the original scheme. Since the progress in the execution of sanctioned scheme was found to be unsatisfactory, the time limit for completion of the scheme got extended from time to time and the last extension was obtained (January 1985) by the Company up to June 1985. The table below indicates the performance of the Company up to June 1984 under the scheme of reclamation of 8,250 acres of land and Installation of 300 tubewells:

Year	Achievement in reclamation	Shallow Tubewells	Percentage of achievement	
			Reclamation	Shallow Tubewells
	(Acres)	(Installed)		
1982-83	2,565	26	31	9
1983-84	855	76	10	25
	3,420	102	41	34

The targets fixed by NABARD were only 55 *per cent* for reclamation and 75 *per cent* for installation of tubewells against the targets proposed by the Company for one year. Even against these reduced targets, the achievment of the Company was only 41 *per cent* for reclamation and 34 *per cent* for tubewells during two years as against one year's reduced programme.

A field study regarding the progress of the scheme was conducted by the NABARD in April 1983 and the following constraints were noticed by them :

(i) lack of co-ordination among the implementing agencies : Bank, HLRDC, Agriculture Department ;

(ii) delay in release of electric connections by Haryana State Electricity Board ;

(iii) most of the farmers were not motivated to take up the programme ;

(iv) the Company was charging much higher rate for gypsum i.e. Rs. 341 per tonne as against Rs. 256 per tonne in the neighbouring State of Punjab ;

(v) farmers were not in favour of paying service charges at Rs. 40 per acre; and

(vi) the Company's technical assistance was inadequate.

2.08. Custom hiring of tractors

2.08.1. The process of reclamation/development of land included land levelling which is one of the major activities of the Company. The Company had maintained a fleet of tractors for the purpose of land levelling. The fleet had been utilised mostly for giving on hire to the farmers for levelling the land.

The performance of the tractors under the land levelling scheme for the three years up to 1983-84 was as under :

Year	Total number of tractors	Number of tractors actually used	Total number of working hours available (at 1,250 hours per tractor per year)	Total number of tractor hours operated	Shortfall	Percentage of shortfall to total hours available
				(Hours)		
1981-82	79	72	98,750	65,833	32,917	33.3
1982-83	89	74	1,11,250	70,777	40,473	36.4
1983-84	77	66	96,250	56,621	39,629	41.2

The Management has not analysed the reasons for the shortfall in the utilisation of available hours (September 1985).

2.08.2. The Company has prescribed 10 *per cent* of the total number of tractor hours operated as normal idle running hours. However, for the three years up to 1983-84 the idle running hours of the tractors were 12,392, 10,511 and 6,640 respectively. The percentage of idle running hours to total tractor hours operated for the three years up to 1983-84 worked out to 18.2, 14.9 and 11.8 respectively.

The Management has not investigated the reasons for excessive idle running hours (September 1985).

2.08.3 Surplus tractor operators

The test check of records of Naraingarh centre of the Company revealed that it was keeping surplus tractor operators than the number of tractors in use as detailed below :

Year	Number of tractors	Number of tractor operators	Number of tractors remained in workshop	Period for which tractors remained in workshop (in months)
1982-83	24	21	15	2 to 11
1983-84	23	24	16	2 to 11
1984-85	24	23	15	2 to 11

The condemnation committee appointed by the Company recommended (February 1983) condemnation of 5 tractors. However, action to transfer 16 surplus tractor operators was taken only in February 1985. Due to delay in the transfer of surplus tractor operators the Company had incurred infructuous expenditure of Rs. 1.80 lakhs on their salary and allowances during 1983-84 and 1984-85.

The Management stated (May 1985) that even at other centres excess tractor operators were available and that retrenchment was a very lengthy and cumbersome process.

2.08.4. Premature failure of tractors

During the period from June 1975 to July 1977 the Company purchased the following tractors :

Date of purchase	Number of tractors	Make	Cost (Rupees in lakhs)	Source of purchase
June 1975	50	David Brown	38.14	Direct import from U.K.
August 1975	15	David Brown	11.55	Direct import from U.K.
June 1977	10	Ford	6.02	Haryana Agro Industries Corporation Limited
July 1977	5 (old)	David Brown	1.22	Haryana Agro Industries Corporation Limited

As the land levelling centres of the Company were running in loss due to uneconomical repairs of the tractors, the Management decided (June 1982) to ascertain the position of tractors which were beyond economical repairs. Accordingly, a committee was constituted (June 1982) to ascertain the number of tractors at various centres which were beyond economical repairs. Out of 50 tractors proposed by field officers for condemnation, the committee recommended (July 1983) 39 tractors for condemnation as per details given below :

Tractor make	Number of tractors to be condemned	Date of purchase
David Brown (new model)	32	June/August 1975
David Brown (old model)	4	July 1977
Ford	3	June 1977
Total	39	

A tractor was expected to give service of 1,250 hours per year for 10 years. The condemned tractors worked for 2,31,694 hours (5,941 hours per tractor) against the normal life of 4,87,500 hours. Out of 5 tractors purchased from Haryana Agro Industries Corporation Limited, 4 tractors were condemned after obtaining service of only 3,680 hours. Further the service given by 15 tractors ranged between 4,595 and 5,729 hours per tractor. An expenditure of Rs. 17.92 lakhs was incurred on the repair and maintenance of the 39 condemned tractors against the estimated cost of repairs of Rs. 7.15 lakhs.

The condemnation committee while recommending the condemnation of 39 tractors, suggested immediate disposal of these tractors. The Company could, however, dispose of only 3 tractors (2 David Brown and 1 Ford) for Rs. 0.70 lakh up to May 1985.

The Management attributed (November 1983) the following reasons for premature condemnation of tractors ;

(a) frequency of hydraulic system of tractors getting out of order was more ;

(b) cost of replacement of the original hydraulic system with imported one was very high ; and

(c) repair of this system indigenously did not prove successful.

It was, however, observed that the suitability of the tractors in the local conditions was not kept in view by the Management while importing them.

2.08.5. Avoidable payment of token tax

The condemnation committee recommended (July 1983) the condemnation of 39 tractors. But 4 tractors had already been grounded up to April 1981, 7 in April 1982 and 24 tractors were grounded by January 1984. Exemption from the payment of token tax which is paid quarterly, could have been availed by the Company in case the registration documents had been surrendered to the registration authority immediately after grounding the tractors. This was not done in the case of these 35 grounded tractors resulting in avoidable payment of token tax amounting to Rs 0.34 lakh up to June 1984.

2.09. Horticulture scheme

The scheme, as approved by NABARD in February 1977 envisaged plantation of mango and *chikku* orchards in an area of 5,500 acres in Ambala district, over a period of four years. During the period up to March 1979 the Company could develop only 1,753 acres under the scheme as against the target of 4,000 acres and the scheme was extended up to 30th June 1982. The table below indicates the achievement under the scheme for the three years up to 1981-82 (up to June 1982):

Year	Target as fixed under the scheme	Actual achievement	Percentage of shortfall
	(Acres	)	
1979-80	1,500	239	84
1980-81	750	456	39
1981-82	943	193	80

The Company could develop only 2,641 acres during a period of 5 years as against 5,500 acres required to be developed, under the scheme during a period of four years.

The Management attributed (August 1984) the slow progress under the scheme to :

(i) poor response from the farmers as a small farmer had to wait at least for 5-6 years for any income from orchard ;

(ii) non-availability of good quality mango plants in the state ; and

(iii) plants imported from Lucknow were less responsive to the local agro-climatic conditions.

The Company did not work out the financial results of the scheme. However, an analysis made in audit revealed that in the implementation of the scheme the Company suffered losses amounting to Rs. 0. 80 lakh, Rs. 0.93 lakh, Rs. 0.36 lakh and Rs. 0.20 lakh during the four years up to 1982-83.

Due to poor performance of the Company, the scheme was transferred to the Agriculture Department in June 1982.

2.10. Land development

The Company had taken up the work of land levelling under NABARD refinance arrangement. As against the target of land levelling of 21,000 acres (10,000 acres in Bhiwani and Rohtak districts and 11,000 acres in Ambala district) over a period of 4 years, actual achievement made by the Company up to 31st March 1979 was 5,468 acres in Bhiwani-Rohtak districts and 2,501 acres in Ambala district. The scheme for Bhiwani and Rohtak districts was discontinued in June 1981 after levelling only 10 acres of land during the years 1979-80 and 1980-81. The land levelling scheme for Ambala district was extended up to March 1983 and was discontinued in June 1983. The table below indicates the achievement against the targets of land levelling in respect of Ambala district :

Year	Targets	Actual
	(Acres)	
1979-80	3,000	182
1980-81	1,500	985
1981-82	1,500	198
1982-83	—	117

The Management attributed (August 1984) the non-achievement of targets to lack of irrigation facilities, smaller holdings and cumbersome procedure for grant of loan by land development banks.

The Company did not prepare separate accounts for land levelling activity. It was observed that proper records of machinery like trip sheets, history sheets, job cards, log books *etc.*, were also not maintained. During the three years up to 1983-84, the Company suffered losses amounting to Rs 18.51 lakhs, 14.91 lakhs and 23.01 lakhs on this activity. The losses were mainly due to improper control, overstaffing and unrealistic fixation of custom hiring charges.

The Government suggested (October 1981) the Company to improve the performance of its land levelling activity instead of increasing the rates per hour for custom hiring. The Company, however, could neither reduce the expenses nor fix the rates realistically so as to make the custom hiring a commercially viable proposition.

2.11. Outstanding recoveries from customers

2.11.1. The policy of the Company is to effect sales and render services on cash basis.

It was, however, noticed that the field staff had continued to supply inputs and stores and render custom hiring services on credit basis in contravention of the Company's instructions. The outstanding recoveries from private parties to whom sales of inputs, stores and custom hire services were made/rendered were Rs. 4.11 lakhs as on 31st August 1984. This included Rs 0.96 lakh pertaining to the period from 1974-75 to 1981-82, which had become time barred.

2.11.2. In Naraingarh Centre of the Company the Management held (January/February 1983) a supervisor and another official responsible for misappropriation of Rs 7,100 (during 1982-83) and Rs 6,000 (during 1980-81) respectively received in advance from the farmers. The supervisor was suspended in (January 1983) and further action was awaited. The other official left (January 1983) the service of the Company before departmental action could be taken against him. The Company has filed a civil suit against the official which was pending in Court (September 1985). The Management has not fixed responsibility for supplying inputs and stores and rendering custom hire services on credit in contravention of the instructions.

2.12. Inventory control

The Company had not fixed any maximum, minimum and re-ordering levels for stores and spares. The table below indicates position of stores held by the Company during the three years up to 1983-84 :

Particulars	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
Opening balance	16.03	13.55	13.46
Purchase of stores and spares	5.87	8.12	4.89
Stores and spares consumed	8.35	8.21	6.82
Closing balance	13.55	13.46	11.53

The stock of stores and spares held by the Company at the end of each of the three years up to 1983-84 was on the high side and represented 19 months, 20 months and 20 months consumption respectively.

The above stock included spares lying at Karnal worth Rs. 5.28 lakhs purchased during 1975-76 to 1982-83 pertaining to David Brown tractors, 36 of which were condemned in July 1983 and the remaining 34 tractors were grounded in April 1985. No action had been taken by the Management to dispose of these spares with a view to reduce the burden of interest on borrowed funds (September 1985).

2.13. Accounting and internal audit

The Company had not prepared any accounting manual so far (May 1985). The internal audit of the Company is being conducted by a firm of chartered accountants since its inception. The Government decided (May 1981) to have an uniform internal audit system in all state Government undertakings. The Government asked (May 1981) all its commercial undertakings to have their own internal audit wings enjoying independent status and directly answerable to the Chief Executive for appraisal and review of the accounting, financial and other operations. The Company decided (August 1981) to create an independent internal audit cell consisting of accounts officer, accountant and accounts clerk cum typist. No action has been taken in this regard and the firm of chartered accountants is still functioning as internal auditors of the Company (May 1985) at a remuneration of Rs. 9,000 per year.

It was noticed that none of the reports of the internal auditors were submitted to the Board of Directors.

2.14. Other points of interest

2.14.1. Irrecoverable amount

The Company engaged (Decembar 1974) a firm of Amritsar for grinding 5,000 tonnes of gypsum lumps into powder at Rs. 21 per tonne.

During the period from 20th May 1975 to 10th July 1975 the firm was given 1,031.900 tonnes of gypsum lumps for grinding. The firm returned only 358.500 tonnes grinded gypsum powder up to July 1975 and 100 tonnes gypsum lumps in January 1982 thereby leaving a balance of 573.400 tonnes (value Rs. 0.50 lakh) of gypsum lumps with it.

As the firm left the site of work without handing over the balance quantity of gypsum the Company decided (August 1976) to refer the case to the arbitrator to be appointed by secretary to Government of Haryana, Agriculture Department in accordance with the terms and conditions of the agreement.

On the basis of application made by the Company an officer was nominated as arbitrator on 24th April 1977. During the period from April 1977 to November 1978 four officers were nominated in succession for carrying out arbitration proceedings. The last arbitrator returned the case on 29th January 1979 with the observations that he was not competent to act as an arbitrator because the said secretary having once exercised his authority for nominating an arbitrator could not re-exercise the same.

The Company filed (January 1979) an application in the court of sub-judge, Chandigarh for extension of time and appointment of arbitrator but the case was rejected by the court on 20th September 1982. An appeal was preferred against the judgement in Punjab and Haryana, High Court and the same was also dismissed (March 1983).

Thus, due to delay in referring the case for arbitration and inaction on the part of the arbitrators nominated in succession, the Company incurred loss of Rs. 0.51 lakh (after adjustment of Rs. 0.13 lakh due to the firm).

2.14.2. Purchase of defective machinery

The Company placed (June 1980) an order on a Ludhiana firm for the supply of 8 disc-ploughs for Rs. 0.34 lakh. The disc-ploughs were to be manufactured according to the given specification. In July 1980 the firm suggested certain modifications in the specifications given by the Company to fabricate the right type and sturdy implement without any additional cost. The Company did not agree to the above suggestion. The firm informed the Company on 4th August 1980 that though disc-ploughs shall be manufactured as per given specifications which were sub-standard, it shall not be responsible for their satisfactory performance.

The sample piece was inspected by the Company in October 1980 and whole material was inspected in March 1981 and found satisfactory. After certain replacement of parts as desired by the Company, the material was received in May 1981 at Central Workshop Karnal. Out of eight disc-ploughs seven were transferred to various centres. The working reports received from the centres were not satisfactory from the beginning and the firm was asked (October 1982) to repair the same. The firm did not carry out the necessary repairs. Seven disc-ploughs were transferred (March 1985) to the Department of Industrial Training and Vocational Education Haryana at a cost of Rs. 0.18 lakh. The remaining one disc-plough is still lying unused with the Company pending disposal (September 1985).

2.14.3. Trading in weedicides

In order to accelerate the activities of the Company after the transfer of PLP farms back to *panchayats* the Company undertook the sale of weedicides from *Rabi* 1983-84 onwards.

During *Rabi* 1983-84, the Company purchased and sold 17,000 Kgs. of weedicides. For *Rabi* 1984-85, the Company assessed (August 1984) its requirement at 43,000 Kgs. which was increased by the Director of Agriculture to 45,000 Kgs. The purchase of 45,000 Kgs. of weedicides at a cost of Rs. 79.20 lakhs was made (October 1984) through Director of Agriculture from three firms of Delhi.

The sale period of these weedicides is December to January and the Company could sell only a small quantity leaving the following stocks of weedicides in hand (February 1985) :

Weedicide	Rate per Kg.	Quantity sold (Kg.)	Closing stock (Kg.)	Value (Rupees in lakhs)
KAN	160	5,263	14,737	23.58
NOCILON	153.60	5,080	10,920	16.77
HILPROTURON 75 W.P.	240	5,571	3,429	8.23
			29,086	48.58

The Company failed to sell the entire stock as the purchases made were excessive, the weedicides were ineffective and sub-standard and the sale rate fixed was higher than the market rates.

2.14.4. Purchase of sub-standard zinc sulphate

An order for the supply of 40.1 tonnes zinc sulphate (Value : Rs. 1.15 lakhs) was placed on a Delhi firm in June 1983. The supply order specifically mentioned that the material should be of agricultural grade with a minimum zinc contents of 21 *per cent*.

The supply order provided that if the material was found defective, the supplier would replace the same free of cost.

The firm supplied 35.08 tonnes of zinc sulphate at 9 centres of the Company. The samples were drawn from material received at three centres only and the material was found to be of sub-standard quality. Before getting the test reports, the Company sold 19.288 tonnes to farmers and to PLP farms.

The Company had paid so far (May 1985) Rs. 0.62 lakh being 90 *per cent* payment against the supply of 24.08 tonnes of material. The firm went in arbitration in October 1983 and claimed a sum of Rs. 0.51 lakh. The matter is still pending with the arbitrator (September 1985).

The zinc sulphate was purchased by the Company with a view to help the farmers/farms of the Company to obtain more yield from the fields. This purpose was not achieved with the type of the material sold by the Company.

2.15. Summing up

1. The Company was incorporated in March 1974 for reclamation, development of *Kallar* lands and carrying on business of farmers. The accumulated loss of the Company as on 31st March 1984 was Rs. 1,32.03 lakhs, out of which loss to the extent of Rs. 1,24.74 lakhs pertained to *Panchayat* Land (PLP) farms.

2. The Company took 2,152 acres of *Panchayat* Land farms on lease for ten years but these were transferred back within five years due to continuous losses.

3. Losses on PLP farms were mainly due to wrong selection of sit high cost of reclamation and farming, non-accountal of inputs, outputs a low yields.

4. The Company suffered a loss of Rs. 0.66 lakh on the sale gypsum which became sub-standard due to prolonged storage at PLP farms.

5. Five harvesting combines purchased at a cost of Rs. 3.15 lak without assessing their efficiency could be utilised up to 3.7 to 17.5 *per ce* of their capacity during three years up to 1984-85.

6. (i) Farm produce of 167.75 acres of land was not accounted f at all during 1980-81 and 1981-82.

(ii) Farm produce was accounted for less than the norms Rs. 2.55 lakhs.

7. Inputs valuing Rs. 0.33 lakh were misappropriated by the officials the Company.

8. The Company could not claim premium on cotton seed amounti to Rs. 3.56 lakhs from Haryana Seeds Development Corporation Limit due to non-maintenance of proper records.

9. Shortfall in utilisation of tractors for custom hiring was 33. 36.4 and 41.2 *per cent* during 1981-82, 1982-83 and 1983-84 respectively.

10. The Company incurred infructuous expenditure of Rs. 1.80 lak on salary and allowances of surplus tractor operators deployed at Narai garh centre during 1983-84 and 1984-85.

11. The Company prematurely condemned 39 tractors on whi expenditure of Rs. 17.92 lakhs against the estimated amount of Rs. 7. lakhs had been incurred on repairs and maintenance.

12. The Company paid token tax of Rs. 0.34 lakh on 35 ground tractors.

13. The Company abandoned the Horticulture scheme in June 198 because of its poor performance and after incurring losses of Rs. 2.2 lakhs.

14. The Company suffered loss of Rs. 56.43 lakhs during three years up to 1983-84 in land levelling activity due to improper control, over staffing and unrealistic fixation of custom hiring charges.

15. Rs. 4.11 lakhs were recoverable from private parties on account of services rendered on credit against the policy of the Company, out of which Rs. 0.96 lakh have become time-barred.

16. The Company holds stock of spares valuing Rs. 5.28 lakhs pertaining to David Brown tractors which are no more in operation with the Company.

17. The Company has suffered a loss of Rs. 0.51 lakh due to delay in referring the case for arbitration.

18. The Company had in stock ineffective and sub-standard weedicides (29,086 Kg.) valuing Rs. 48.58 lakhs.

The review was reported to Government in August 1985 ; reply was awaited (September 1985).

SECTION III

HARYANA MINERALS LIMITED

3.01. Introductory

Haryana Minerals Limited was incorporated on 2nd December 1972 as a subsidiary of Haryana State Industrial Development Corporation Limited (HSIDC) for exploring, mining and dealing in minerals of all kinds.

A review on the working of the Company was last incorporated in the Report of the Comptroller & Auditor General of India (Civil) for the year 1977-78 (*vide* paragraph 6.19).

3.02. Activities

The Company had not taken up any exploration work due to lack of expertise in this field and confined itself to the following activities :

—extraction of marble blocks, slate stone, lime stone and quartz;

—processing of :

(a) marble blocks into slabs, tiles, handicraft items, marble chips and powder ;

(b) slate stone into roofing stones, flooring stones, handicrafts, school slates and building material ;

(c) lime stone into quick and hydrated lime ; and

—manufacture of tiles.

The projects for lime and tiles set up in December 1974 and June 1975 were closed in July 1976 and July 1978 respectively, on account of defective designs and poor quality of product. However, the assets (value: Rs. 2.54 lakhs) of these two projects could not be disposed of due to absence of prospective buyers.

3.03. Organisational set up

The Management of the Company vests in the Board of Directors, consisting of not more than eleven Directors. As on 31st March 1985, the Board consisted of eight Directors including one Managing Director who functions as Chief Executive of the Company. He is assisted by General Manager (Technical) and Senior Manager (Accounts).

3.04. Capital structure

The authorised capital of the Company is Rs. 100 lakhs comprising of 10 lakh equity shares of Rs. 10 each. The paid-up capital as on 31st March 1984 was Rs. 24.04 lakhs wholly subscribed by the holding company.

3.05. Working results

The Company made a profit of Rs. 26.46 lakhs, Rs. 4.66 lakhs and Rs. 0.39 lakh during the three years ended 1983-84.

The fall in profits was due to decline in export sale in 1982-83 and 1983-84 as compared to 1981-82.

Performance analysis

The activity-wise performance of the Company is discussed in the subsequent paragraphs.

3.06. Slate project

3.06.1. Slate stones are extracted manually from the mines at Kund and Behalibas. The Company neither maintained any record of slate stone extracted from mines and used for further processing nor fixed targets for extraction. The extracted material is cut into various sizes manually and by machines as per demand. No norms for wastage at cutting stages have also been fixed. In the absence of records of extraction and norms for wastage at cutting stages the wastage in the shape of *Kattal* obtained was neither ascertained nor accounted for.

Bulk of the extracted material cut manually and by machines is exported mainly to Australia for which the Company appointed (June 1977) a foreign agent. The table below gives the details of production (finished goods) and sales for the four years up to 1984-85 :

Year	Total production	Total sales	Export sales	Value of total sales	Value of export sales
	(in square metres)			(in lakhs of Rupees)	
1981-82	(not available)		2,49,971	90.34	82.92
1982-83	1,98,059	1,73,714	1,00,157	43.66	37.22
1983-84	2,94,290	2,40,350	1,32,782	44.98	37.96
1984-85 (tentative)	3,08,036	2,48,833	2,14,574	1,06.72	1,00.37

The percentage of export sales to total sales during the four years ranged between 55 in 1983-84 to 86 in 1984-85. The Company attributed (January 1985) the steep fall in exports during 1982-83 and 1983-84 to overall economic recession in the world market and stiff competition from other sources.

3.06. 2. Avoidable expenditure

The Behalibas mine had no facility for processing/cutting and the slate stones extracted from the mine were transferred to Kund for processing/cutting. The Company decided (August 1984) to provide this facility at Behalibas mine at a cost of Rs. 2.10 lakhs. The Company incurred a sum of Rs. 1.64 lakhs on transportation of slate stones (1.84 lakh square metres) to Kund for processing/cutting during the three years up to 1984-85. This extra expenditure of Rs. 1.64 lakhs on transportation could have been avoided, had these facilities been provided at Behalibas at the initial stages.

3.06.3. Inordinate delay in finalisation of transport contract

The Company awarded (August 1982) the work of transportation of slate stones from Kund to Bombay to firm 'A' at Rs. 2,681.81 per 10 tonnes. The contract which was valid for one year was extended from time to time up to January 1984 on the understanding that the difference, if any, between the old and new rates as and when finalised could be paid to the firm. The Company invited offers for transportation of slate stones in July and August 1983. The quotations of July 1983 were rejected as the rates were high. However, in response to the quotations of August 1983, the lowest offer of Rs. 2,952 per 10 tonnes was received from firm 'A'. The Company did not finalise the offer till January 1984 when it was withdrawn by the firm. The reasons for not accepting the revised lowest rate of firm 'A' was not on record.

On 11th January 1984 the Company collected quotations locally. The lowest rate was for Rs. 3,390 per 10 tonnes by firm 'B'. The rate was accepted (18th January 1984) initially for a period of three months which was extended till August 1984.

Thus the delay in finalisation of transport contract resulted in avoidable expenditure of Rs. 0.88 lakh on carriage of 2,012 tonnes of slate stone.

3.06.4. Non-utilisation of Inland Container Depot facility

In March 1984, the Government of India, for the benefit of the exporters of North India, introduced Inland Container Depot (ICD) at New Delhi for direct shipment of their cargoes from Delhi to various overseas destinations. The Shipping Corporation of India (SCI) in March 1984 while informing the Company of the availability of ICD facility at Delhi offered its combined transport service by rail and sea for export of material at Rs. 6,600 per twenty feet equal unit (TEU). Out of the freight of Rs. 6,600 per TEU, the SCI was reimbursing Rs. 1,000 per TEU for shipment to Australian ports.

The proposition of exporting goods through ICD (Rs. 8,550 per TEU) was found to be costlier (Rs. 1,108 per TEU) than that of exporting goods direct from Bombay port (Rs. 7,442 per TEU) and hence the idea of exporting goods through ICD was dropped (April 1984). During the period from March 1984, when the ICD facility at Delhi came into existence, to July 1984 the Company exported approximately 1,453 tonnes (83 containers containing 17.5 tonnes material each) direct through Bombay port.

The matter was again considered by the Company in August 1984 and ICD facility was found to be economical as the cost of exporting goods through ICD worked out to Rs. 372.08 per tonne against cost of Rs. 415.52 per tonne for exporting goods through Bombay port. The Company started exporting goods with effect from 9th August 1984 through ICD by utilising combined transport service of the SCI. It was noticed in audit (April 1985) that the Company did not make proper comparative study of the two sets of cost structure earlier (April 1984) and thereby incurred an extra expenditure of Rs. 0.63 lakh due to non-availment of ICD facility from March 1984 to July 1984.

3.07. Marble project

3.07.1. Marble blocks extracted manually from the mines are brought to the factory where they are cut and processed into finished slabs of various sizes. Similarly lumps extracted from the mines are processed into chips and powder by machines at the factory. The Company had not fixed any targets for extraction of marble blocks.

The marble blocks extracted and despatched from the mines to the factory site during the four years up to 1984-85 was as under :

Year	Opening balance	Blocks extracted	Total	Depatches to factory (including direct sales from mines)	Closing balance at mines
			(in cubic feet)		
1981-82	9,108	2,370	11,478	1,273	10,205
1982-83	10,205	1,307	11,512	1,394	10,118
1983-84	10,118	1,118	11,236	2,211	9,025
1984-85 (tentative)	9,025	3,134	12,159	2,594	9,565

Reasons for heavy closing balances at mines site had not been analysed by the Company. It was, however, noticed in audit (April 1985) that the blocks were extracted and sent to the factory without any demand which had resulted in heavy accumulation of closing balances.

Besides the marble blocks, lumps to the extent of 2,522, 2,535, 2,439 and 4,157 tonnes were despatched from the mines to the factory site during the four years up to 1984-85. The Company had not maintained any record to indicate the total quantity of marble lumps extracted.

3.07.2. The table below indicates the total blocks available, installed capacity of marble processing plant and actual consumption of blocks during the four years up to 1984-85 :

Year	Blocks* available	Installed capacity	Blocks* consumed
		(in square feet)	
1981-82	1,14,780	33,000	11,840
1982-83	1,15,120	33,000	9,320
1983-84	1,12,360	33,000	12,050
1984-85 (tentative)	1,21,590	33,000	12,180

*The blocks in cubic feet have been converted in square feet on the basis of one cubic foot block yielding 10 square feet of slabs.

It may be seen from the above that the extraction of blocks had no co-relation with the installed capacity of marble processing plant or with the actual consumption. The extraction exceeded the installed capacity by 81,780, 82,120, 79,360 and 88,590 square feet and actual consumption by 1,02,940, 1,05,800, 1,00,310 and 1,09,410 square feet respectively during the four years up to 1984-85 which works out to 104, 136, 100 and 108 months consumption of blocks during the four years ending 1984-85.

3.07.3. Conversion of blocks into slabs

As per the norms fixed by the Company one cubic foot marble block should on an average yield 10 square feet of slab. The actual production of slab per cubic foot of marble block for the four years up to 1984-85 was as under :

Year	Marble blocks consumed (in cubic feet)	Marble slabs produced			Wastage in process	Production per cubic foot of marble block
		Uncracked	Cracked	Total		
		(in square feet)				
1981-82	1,184	(Not available)		9,456	2,384	8.0
1982-83	932	5,148	3,452	8,600	720	9.2
1983-84	1,205	3,614	3,564	7,178	4,872	6.0
1984-85 (tentative)	1,218	4,847	2,726	7,573	4,607	6.2

It may be seen from the above that:

(a) the production per cubic foot of marble block during 1983-84 and 1984-85 decreased as compared to 1982-83 ;

(b) the percentage of cracked slabs produced increased from 40.1 in 1982-83 to 49.7 in 1983-84.

3.07.4. The blocks after conversion into slabs are processed into finished slabs. The table below indicates the details of unfinished slabs consumed, finished slabs produced and percentage of wastage during th four years up to 1984-85 :

Year	Unfinished slabs consumed	Finished slabs produced	Wastage in process	Percentage c wastage
	(in	square	feet)	
1981-82	9,207	5,437	3,770	40.9
1982-83	4,920	2,541	2,379	48.4
1983-84	8,265	4,955	3,310	40.0
1984-85 (tentative)	7,277	4,907	2,370	32.6

The low utilisation of capacity and high wastage was attributed (Apri 1985) by the Management to :

(i) old outdated cutting and processing machines ;

(ii) inherent cracks in blocks ; and

(iii) extra hardness of the marble stone.

A scheme to replace the outdated machinery of marble factory at a cost of Rs. 27.82 lakhs was approved by the Board of Directors in August 1984 and the work relating to purchase and installation of machinery was in progress (April 1985).

3.07.5. Chips and powder

Against the annual rated capacity to produce 3,000 tonnes of chips and powder the actual production during the four years up to 1984-85 was 2,520, 2,310, 2,013 and 3,973 tonnes. The Management has not analysed the reasons for wide fluctuations in the production of chips and powder from year to year.

7.6. Sale of marble

The details of sale of marble made during the four years up to 1984- were as under :

Year	Blocks		Slabs		Chips and Powder	
	Quantity (Cubic feet)	Value (Rupees in lakhs)	Quantity (Square feet)	Value (Rupees in lakhs)	Quantity (Tonnes)	Value (Rupees in lakhs)
81-82	244	0.13	5,528	0.90	1,634	1.89
82-83	247	0.14	5,483	0.94	2,054	2.23
83-84	706	0.39	4,202	0.60	1,678	1.92
84-85 (entative)	124	0.07	4,006	0.74	3,618	4.24

The sales of marble blocks and slabs were not commensurate with ie production. The reasons for low sales as compared to production were ot investigated. It was also noticed in audit (April 1985) that the ompany neither assessed the marketability of marble products nor any nnual sales budget was ever made.

.08. Quartz mines

The Company took on lease from the State Government a quartz nine at Golwa with effect from 26th November 1975. As per the lease greement the royalty was payable at the rates specified therein on the uantity of despatches made from the mines, but in case of non-operation of mines or the royalty payable on despatches worked out to be less than he dead rent specified in the agreement, only dead rent was payable. During the period from November 1975 to March 1981 the Company did not work the mine and accordingly paid dead rent amounting to Rs. 0.15 lakh. During the four years up to 1984-85, the total quantity of quartz extracted was 2,140, 388, 36 and 127 tonnes respectively.

The following points were also noticed :

(i) Till July 1981 the Company had not taken any steps to explore the commercial utilisation of the product. An order placed by Hindustan Copper Limited (HCL) in July 1981 for the supply of 12,000 tonnes of quartz chips at Rs. 61.75 per tonne stipulated the size of the chips betwe 6 mm. to 15 mm. The Company could not execute the order because of lo extraction of material from the mines and the chips were not conforming t the sizes specified in the order. During the period from July 1981 to Marc 1983 the Company sold only 2,280 tonnes of quartz to HCL. Thus th Company was deprived of a profit of Rs. 1.09 lakhs, being the differenc between sale price *viz.*, Rs. 61.75 per tonne and cost of production *viz.* Rs. 50.50 per tonne, on this order.

During 1983-84 the Company could not procure any order for thi product due to poor performance in the past and production was only 3 tonnes.

(ii) Again in June 1984, HCL placed a trial order on th Company for the supply of 500 tonnes of silica sand (quartz powder) at the rat of 25 tonnes per day at Rs. 70 per tonne. The procurement of future order was based on the performance of this trial order. The Company failed to execute the order and the actual supply made up to 31st March 1985 was 126.62 tonnes only.

Similarly in respect of an yearly rate contract entered into in July 1984 with HCL for the supply of quartz lumps at the rate of 25 tonnes per day (rate Rs. 64 per tonne), the Company despatched 879.560 tonnes only as against 6,600 tonnes making the quartz mine unviable.

The Management stated (April 1985) that due to (a) wrong location of crusher unit, (b) non-existence of proper sieving and (c) shortage of competent supervisory staff, the orders could not be executed.

3.09. Sundry debtors

3.09.1. The Company had been selling its products on credit as well as on cash basis up to March 1984. From 1984-85 the credit sales to customers other than Government departments/institutions were discontinued. The table below gives the position of sundry debtors for the last 3 years ending March 1984 :

Year ending	Outstanding debts: Total debts	Outstanding debts: For more than 6 months	Sales
	(Rupees in lakhs)		
March 1982	3.09	2.79	94.36
March 1983	3.24	2.91	47.49
March 1984	3.02	2.85	48.38

As on 31st March 1984, more than 94 *per cent* of the total debtors ere outstanding for more than six months. The Management has not otained confirmation from the debtors. The agewise details of debts outanding for more than six months were not available.

09.2. Outstanding recovery against ex-Chairman

During the period from 20th December 1982 to 19th December 1984, e Chairman of the Company availed of the facilities of conveyance and ouse rent allowance *etc*., in excess of the prescribed limits to the extent of s. 0.58 lakh. The Company had adjusted (December 1984) Rs. 0.16 lakh gainst the salary and travelling allowance claimed by the incumbent. In spect of the balance amount of Rs. 0.42 lakh recoverable from the exairman, the matter was under correspondence with the Government eptember 1985).

10. Inventory

The following table shows the comparative position of the inventory the close of each of the three years up to 1983-84 :

		1981-82	1982-83	1983-84
		(Rupees in lakhs)		
)	(i) Finished goods at the end of the year	4.41	7.05	14.15
	(ii) Turnover during the year	94.36	47.49	48.38
)	(i) Stores and spares at the end of the year	1.19	0.97	1.59
	(ii) Consumption during the year	4.54	2.42	2.44

(i) The finished goods at the close of March 1982 which was quivalent to 0.6 months sales increased to 3.5 months sales at the close of larch 1984. No reasons were on record for this increase.

(ii) The stock of stores and spares at the end of 1983-84 was quivalent to 7.8 months consumption as against 4.8 months in 1982-83.

(iii) Maximum, minimun and re-ordering levels of stores and spares ad not been fixed.

(iv) Bincards and priced stores ledger were not maintained.

3.11. Costing system

The Company has not introduced any system of preparing cost sta ments detailing the expenses incurred under various heads by treating ea mine/product as cost centre, to know the viability of the mines/produc There is also no system of preparing sales and operational budgets fix on some realistic basis and its comparison with actual achievement so tl reasons for shortfall are identified and remedial measures taken for impro ing the working.

3.12. Accounting manual

The Company has been carrying on extraction activity mainly at Kur Behalibas, Antri-Beharipur and Golwa mines. The initial accounts for Ku and Behalibas are maintained at Kund and for other mines at Narna However, no accounting manual prescribing the accounting procedure to followed has been prepared.

3.13. Summing up

1. The Haryana Minerals Limited was incorporated on 2nd Decemb 1972 for exploring, mining and dealing in minerals of all kinds. The pro of the Company of Rs. 26.46 lakhs in 1981-82 dropped in 1982-83 and 198 84 to Rs. 4.66 lakhs and Rs. 0.39 lakh respectively. This was mainly d to the decline in sales during the two years.

2. No records were maintained by the Company in respect of sla stone extracted from the mines and used for further processing. No targ were fixed for extraction of slate stone.

3. Inordinate delay on the part of the Company in finalisation of transport contract in 1983-84 resulted in an extra expenditure of Rs. 0. lakh.

4. Non-availment of Inland Container Depot facility at New Del from March 1984 to July 1984 deprived the Company of a saving Rs. 0.63 lakh.

5. The extraction of marble blocks had no correlation with the install capacity of the marble processing plant and with the actual consumptio thereby, resulting in heavy accumulation of blocks.

6. The Company could not execute an order placed by Hindustan Copper Limited in July 1981 for the supply of 12,000 tonnes of quartz chips and was, thus, deprived of an earning of Rs. 1.09 lakhs.

7. Recovery of Rs. 0.42 lakh was outstanding (31st March 1985) against an ex-Chairman of the Company for use of vehicles and payment of travelling allowance and house rent allowance beyond prescribed limits.

The review was reported to Government in August 1985; reply was awaited (September 1985).

SECTION IV

OTHER TOPICS OF INTEREST

4.01. HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED

4.01.1. Construction of transit stores

The work for construction of transit stores (2,500 tonnes capacity) at Sirsa was awarded (22nd December 1983) to firm A at its quoted rate of Rs. 9.51 lakhs. The work was to be completed by the firm within two months to be reckoned from the 15th day of the award of the contract.

The firm, while accepting the work order, requested the Company on 24th December 1983 for handing over the possession of the work site as the material of another contractor (executing some other work of the Company) was lying there. Despite requests from the firm the Company did not get the site cleared and handed over to the firm. The Company did not take any action against the contractor who failed to vacate the site.

The Company cancelled the work order and forfeited the earnest money of Rs. 0.20 lakh of the firm on the ground that it did not commence the work. The Company, however, could not execute the work at the risk and cost of the contractor in the absence of an agreement.

The work was allotted (June 1984) after reinviting tenders (April 1984) to that contractor, who did not vacate the site, for Rs. 12.49 lakhs involving an additional expenditure of Rs. 2.78 lakhs (after adjusting forfeited earnest money of Rs. 0.20 lakh of firm A).

Thus, due to not making available the work site and non-execution of contract agreement with firm A, the Company had to bear an avoidable expenditure of Rs. 2.78 lakhs.

The Management/Government stated (May/August 1985) that the site was cleared on 9th February 1984 and the firm was asked to take possession of the site from 13th February 1984 which it did not and that fresh tenders were invited because of backing out of the firm.

4.01.2. Distribution of wheat seed

In order to meet the requirement of wheat seed for *Rabi* 1980-81 in Haryana, the Department of Agriculture fixed (August 1980) the target of one lakh quintals of wheat seed for sale through various agencies. The seed was to be supplied by the Company for the sale on which it was entitled to a subsidy at the rate of Rs. 20 per quintal from the State Government for sale within the State. The Haryana State Cooperative Supply & Marketing Federation Limited (HAFED) was allotted 44,000 quintals of wheat seed for distribution and that any loss of subsidy to the Company on account of seed remaining unsold would be borne by HAFED.

HAFED lifted only 38,829 quintals (at Rs. 200.16 per quintal) of seed up to December 1980 leaving a balance of 5,171 quintals with the Company.

Out of the balance quantity of 5,171 quintals, 4,030 quintals of seed was sold (March 1981) to National Seeds Corporation Limited (at Rs. 210 per quintal), 14 quintals was sold as damaged seed (at Rs. 122 per quintal) and balance quantity (1,127 quintals) was sold by the Company as certified seed through its own outlets.

Thus, due to non lifting of wheat seed by HAFED the Company suffered a loss of Rs. 0.42 lakh on account of subsidy (Rs. 0.41 lakh) and damage of seed (Rs. 0.01 lakh).

The Management stated (April 1985) that there was no loss in the sale of wheat seed to National Seeds Corporation Limited. The reply is not tenable as the Company has not preferred any claim for loss of subsidy with HAFED.

The matter was reported to Government in July 1985; reply was awaited (September 1985).

4.01.3. Sale of paddy seed

For *Kharif* 1983, the Company in consultation with the Director of Agriculture fixed (May 1983) the target for distribution of paddy seed (PR-106) at 15,377 quintals and procured 15,295.50 quintals of paddy seed (value : Rs. 39.94 lakhs).

The Company, however, could sell 6,790.32 quintals of paddy seed for Rs. 20.67 lakhs (including subsidy at Rs. 20 per quintal) leaving a balance of 8,505. 18 quintals (value : Rs. 22.21 lakhs) of unsold paddy seed.

The unsold stock of paddy seed, was disposed of, by calling tenders, at the rate of Rs. 211.21 per quintal against the cost price of Rs. 261.12 per quintal resulting in loss of Rs. 4.24 lakhs. Besides there was loss of subsidy amounting to Rs. 1.70 lakhs to the Company on the paddy sold through tenders.

The Management stated (August 1985) that as the variety could not withstand the drought spell which affected the yield and emergence of some other non-standard and non certified varieties of seed in the market, the Company could not sell the paddy seed.

The matter was reported to Government in August 1985; reply was awaited (September 1985).

4.01.4. Purchase of hybrid *bajra* seed

The Company assessed its requirement of hybrid *bajra* (BJ-104) seed as 2,000 quintals for sale during *Kharif* 1980. In response to quotations invited (December 1979) by the Company three firms quoted (December 1979) their rates and the offer of firm 'A' of Ahmedabad at the rate of Rs. 550 per quintal *f. o. r.* destination was the lowest.

The Company also enquired (February 1980) from the Department of Agriculture, Haryana, if they would be in a position to supply 2,000 quintals of *bajra* (B J-104) seed from fresh stock with rate and terms thereof.

The Department intimated (February 1980) that they had already planned to purchase and provide 2,000 quintals of *bajra* (B J-104) seed to the Company as asked for by it. The Department further stated that the action taken by the Company for enquiring the rates from various sources without their consent was not correct as the seed planning was the responsibility of the Agriculture Department and any action by any other agency in the State was required to be coordinated with them. The Company informed (March 1980) the Department that the requirement of *bajra* (BJ-104) seed was no doubt indicated to them but the rates were never discussed as it was expected that the Department had procured *bajra* at competitive rates. The Company, however, purchased 2,486.67 quintals of hybrid *bajra* (BJ-104) seed through Agriculture Department at Rs. 720 per quintal instead of from firm 'A' which had offered to supply the seed at Rs. 550 per quintal thereby resulting in an avoidable expenditure of Rs. 4.23 lakhs.

Similarly for *Kharif* 1981, the Company received (January 1981) offer from a Maharashtra firm for the supply of hybrid *bajra* (BJ-104) seed at the rate of Rs. 600 per quintal. The Company, however, purchased 2,747.59 quintals of seed through Agriculture Department at an average rate of Rs. 713.50 per quintal incurring an avoidable expenditure of Rs. 3.12 lakhs.

The extra expenditure of Rs. 7.35 lakhs could have been avoided if the Company had procured the seed at the quoted rates of Rs. 550 per quintal and Rs. 600 per quintal for *Kharif* 1980 and *Kharif* 1981 respectively.

The State Government stated (July 1985) that the matter has been got enquired into through Vigilance Department and disciplinary action is being initiated against the officers involved in the purchase of hybrid *bajra*.

4.02. HARYANA AGRO INDUSTRIES CORPORATION LIMITED

4.02.1. Avoidable payment of interest

The Company purchased 719 shares of Rs. 100 each of the Haryana State Co-operative Bank Limited (including one share for associate membership) for Rs. 71,900 (August and October 1974) to have prescribed linkage ratio of shares with borrowings (1 : 100) for the purpose of borrowing funds from that bank. As per rules of the bank, an associate member was not entitled to any dividend on the shares but could be eligible to lower rate of interest on loans as compared to commercial banks. The bank sanctioned (August 1974) a cash credit limit of Rs. 60 lakhs to the Company valid up to 30th June 1975. Against the above limit, the maximum credit availed by the Company was Rs. 55.94 lakhs (October 1974). The Company did not borrow funds from the Bank after June 1975. The entire amount of the cash credit was also repaid by the Company by April 1976.

Although the Company had not been borrowing funds from the Co-operative Bank since April 1976 no action was taken to withdraw the share capital money. It was only in January 1982 that the bank advised tha these shares might be withdrawn and only one share (Rs. 100) kept t retain the associate membership. Notwithstanding this advice of the bank the amount of Rs. 71,800 was withdrawn by the Company in March 198 only. Thus, the amount of Rs. 71,800 remained blocked during the perio May 1976 to February 1983 with the co-operative bank. The Company i the meanwhile had been availing of cash credits from other financial institu tions at rates of interest ranging between 14.25 to 17.50 *per cent* as agains the interest of 12.5 *per cent* charged by the co-operative bank. The paymen of interest of Rs. 76,757 on the sum equal to the blocked amount o Rs. 71,800 availed of from commercial banks as cash credit could have beer saved had the amount been withdrawn from the co-operative bank ir May 1976.

The Management stated (April 1984) that the reasons for not availing of the credit facility from the co-operative bank after April 1976 and the justification to prefer to obtain cash credit from commercial banks were not available on record.

The State Government stated (October 1985) that it was an inadvertent omission on the part of the officers of the Company for which none can be held responsibe.

4.02.2. Purchase of cans

In order to execute an order for export of canned fruit products, the Company approached (April 1982) the Government of India for permission to import 12.87 lakh cans. To finance the deal, the Managing Director was authorised by the Board to avail of packing credit limit of Rs. 50 lakhs from any commercial bank which could not be obtained as the Company was not able to furnish guarantee from the State Government as demanded by the bank.

The Government of India granted (June 1982) an advance licence for the import of 12.87 lakh cans to the Company to enable it to execute the export order.

After considering the rates quoted against import licence, by three Indian agents of foreign suppliers, the Company decided (June 1982) to import cans from a firm of Taiwan through firm 'A' of Delhi, the Indian agent of the foreign firm. Accordingly, an order for supply of 12.87 lakh cans at U.S. dollars 158 per 1000 cans c.i.f. Bombay) was placed on the foreign supplier through firm 'A' on 28th June 1982. The equivalent rate per can worked out to Rs. 1.70 f.o.r. Murthal. The order *inter alia* provided for the delivery of cans in two lots each within one month of the availability of the letter of credit.

The Company, however, opened the letter of credit in November 1982 (6.40 lakh cans) and in May 1983 (3 lakh cans) though it was required to be opened by June 1982. The supplies were received in February and August 1983 respectively. Due to delay in opening the letters of credit, the Company had to bear an additional expenditure of Rs. 0.93 lakh on account of increase in exchange rate of U.S. dollar in January and August 1983. Further due to delay in submitting documents for the release of the first consignment from Bombay Port Trust, the Company had to pay Rs. 0.30 lakh by way of demurrage.

The Company also purchased 7.23 lakh indigenous cans for Rs. 19.69 lakhs (at rates ranging between Rs. 2.67 and Rs. 2.90 per can) during the period May 1982 to January 1983. This resulted in an extra expenditure of Rs. 0.90 lakh (after adjusting duty draw back available on exports) on 3.47 lakh cans which the Company failed to obtain from the foreign suppliers.

The Management stated (April/July 1984) that the delay in opening of the letter of credit was due to financial constraints. The reply is not tenable as Rs. 13.58 lakhs spent by the Company during June to August 1982 on the purchase of 4.91 lakh indigenous cans could have been utilised for opening of the letter of credit.

The matter was reported to Government in August 1985; reply was awaited (September 1985).

4.02.3. Nugatory expenditure

(i) The Company had engaged three pilots for operating a fleet of three aircrafts for aerial spraying. Two of these aircrafts crashed in August 1981. Instead of dispensing with the services, the Company appointed two pilots in December 1981 and January 1982.

The services of one of the pilots were dispensed with in July 1982 whil in November 1982 the services of another pilot (appointed in December 1981 were terminated on the ground that he did not possess the requisite flyin as well as agricultural spraying experience and he had not done sprayin even on a single acre or any other duty.

On representation by the pilot (services terminated in November 198 he was, however, reinstated in August 1983 at the instance of the Stat Government although he did not have the requisite qualification.

The pilot was assigned the work (April 1984) of assembling on aircraft out of the left out salvage of damaged aircrafts. Since n cannibilization was done and the Company was left with only one aircraf his services were again terminated in January 1985 as the Company ha decided to wind up the wing because of losses since inception. The pilo filed a suit against the Company and obtained an interim injunctio (March 1985).

Thus, due to injudicious decision of the Company in appointing th pilots without acquiring any aircrafts and appointing a pilot as projec officer without ascertaining his competence to assemble an aircraft ou of the salvage of damaged aircrafts had resulted in nugatory expenditur of Rs. 0.94 lakh (up to January 1985) on pay and allowances of thes pilots.

(ii) Out of the two aircrafts crashed in August 1981 the Compan received compensation in full against one aircraft while in the case of th second aircraft the insurance company allowed only Rs. 4.12 lakhs again the claim of Rs. 5.35 lakhs on the ground that the pilot who was operatin the aircraft at the time of accident did not possess the requisite experienc in agricultural flying.

The insurance company passed the claim (Rs. 4.12 lakhs) and asked th Company in April 1983 to re-return discharged voucher duly signed. Bu the Company returned the voucher only on 11th April 1984 against whic payment of Rs. 3.09 lakhs (after adjusting premium of Rs. 1.03 lakhs) wa received on 18th April 1984. Thus, owing to employing the unexperience pilot, the Company suffered a loss of Rs. 1.23 lakhs due to short receipt compensation. Besides there was loss of interest amounting to Rs. 0.51 lak on account of late receipt of amount due to delay in submission of discharge voucher by the Management.

No responsibility for the lapses has been fixed by the Management so far (September 1985).

The matter was reported to Government in August 1985; reply was awaited (September 1985).

4.03. HARYANA BREWERIES LIMITED

4.03.1. Purchase of hops extract

The Company placed a bulk supply order (March 1983) for 900 kg. of hops extract (with 30 *per cent alpha* content) at the rate of Rs. 686 per kg. on firm A of Bombay after testing its samples in the brewery. The material was to be supplied between April and July 1983. The firm supplied (April 1983) 312 kg. of hops extract amounting to Rs. 2.14 lakhs.

Before using the material, the Company got the samples tested for *alpha* content from a test house in Delhi. The test report revealed (June 1983) that the material contained 18 *per cent alpha* as against 30 *per cent* stipulated in the supply order. On the recommendation (June 1983) of the Senior Brew Master, the samples of the material were also sent to Regional Research Laboratory, Jammu which found (July 1983) 36.87 *per cent alpha* content. On the basis of the report and trial use in the brewery, the Senior Brew Master recommended for the balance bulk purchase from firm A but the Company sent (August 1983) another sample to the test house in Delhi and the *alpha* content found this time was 9.70 *per cent*. The Company, thereafter, cancelled (August 1983) the order for the balance quantity (588 kg.) and claimed refund of the cost of material (Rs. 2.23 lakhs including expenses) already purchased from the firm.

Pending the actual return the Company again sent (January 1984) the material for test to two laboratories in Delhi. Results obtained from these laboratories indicated *alpha* content between 35 *per cent* and 39 *per cent* and as such the rejected hops extract was used in the manufacture of beer. The balance requirement of hops extract was met by making purchases from firm B and C at higher rates involving extra expenditure of Rs. 0.56 lakh.

Had the Management agreed to the recommendation of the Senior Brew Master regarding purchase of balance bulk quantity of hops extract from firm A or sent the samples to some other laboratory for test as was done in January 1984 the question of cancelling the bulk order with the said firm would not have arisen.

Thus, due to injudicious cancellation of the balance bulk order with firm A resulted in extra expenditure of Rs. 0.56 lakh. No responsibility for the loss has been fixed by the Management so far (September 1985).

The matter was reported to Government in July 1985; reply was awaited (September 1985).

4.03.2. Purchase of malt

The Company invited (May 1983) tenders for the supply of 1,000 tonnes of brewery grade malt for meeting the requirement for the period from July 1983 to June 1984. Out of the three offers received, the offer of firm A of Gurgaon (Rs. 3,520 per tonne) was found lowest. Negotiations were held with these firms on 26th July 1983 and firm B of Murthal agreed to supply 500 tonnes of malt at the rate of Rs. 3,406 per tonne (quoted rate Rs. 3,675 per tonne).

However, the Company purchased (August to November 1983) 200 tonnes of malt from firm B. Reasons for not purchasing the offered quantity (500 tonnes) of malt from the firm were not on record.

As the stocks were limited and no decision to procure the remaining quantity was taken, these three firms were again called for negotiations (December 1983) and only the representatives of firms A and B turned up. Based on the negotiations orders for the supply of 200 tonnes (at Rs. 3,650 per tonne) and 250 tonnes (at Rs. 3,646 per tonne) were placed (January 1984) on firms A and B respectively. Against this, the firms supplied 364 tonnes of malt (firm A : 114 tonnes and firm B : 250 tonnes).

Thus, the decision of the Management for not availing of the offer (July 1983) of firm B for the offered quantity (500 tonnes) of malt at Rs. 3,406 per tonne resulted in loss of Rs. 0.72 lakh to the Company in the subsequent purchase of malt at higher rates.

The Management stated (October 1984) that the order could not be placed for the entire quantity in the hope that the prices would come down. The reply is not tenable as the Management was aware in as early as July 1983 about the increasing trend of prices of malt in the market.

The matter was reported to Government in July 1985; reply was awaited (September 1985).

4.03.3. Unplanned purchase of old empty bottles

Tenders for purchase of old empty beer bottles at the rate of 4 lakh bottles per month during the period from August 1983 to March 1984 were invited in July 1983. Out of eight offers received the rate of Rs. 88 per bag (72 bottles) quoted by firm A of Panipat was the lowest. The negotiations were held with first three lowest firms (firms A and C of Panipat and firm B of Sonepat) on 16th August 1983. The reasons for not calling the other 5 firms for negotiations were not on record. Orders for the supply of 8.64 lakh bottles at the negotiated rate of Rs. 82.90 per bag (72 bottles) were placed on firms A (2.16 lakh bottles), B (4.32 lakh bottles) and C (2.16 lakh bottles) on 16th August 1983. The supplies were to be completed by 30th September 1983.

Since the number of bottles purchased was not sufficient to meet the requirement of the Company up to March 1984, the Company placed orders (January/February 1984) for 11.50 lakh old empty beer bottles at the rate of Rs. 100.01 per bag (72 bottles) on firms A (2.50 lakh bottles), B (5 lakh bottles), C (2.50 lakh bottles) and firm D of Hissar (1.50 lakh bottles) after re-inviting tenders. The firms supplied 12.01 lakh bottles against the ordered quantity of 11.50 lakh bottles.

Had the Management correctly assessed the requirement of old empty beer bottles for the period August 1983 to March 1984 the extra expenditure of Rs. 2.85 lakhs incurred on the purchase of 12.01 lakh bottles could have been saved.

No responsibility for the lapse has been fixed by the Management so far (September 1985).

The matter was reported to Government in August 1985; reply was awaited (September 1985).

4.04. HARYANA STATE SMALL INDUSTRIES AND EXPORT CORPORATION LIMITED

4.04.1. Hiring of shop

In order to promote the sale/export of consumer goods manufactured in Haryana the Company took on lease (October 1980) a shop in Meena Bazar at Pragati Maidan, New Delhi initially for a period of one year on an annual rent of Rs. 0.14 lakh. No profitability study was conducted before taking the shop on hire.

The shop opened in August 1981 remained in operation till March 1982. At the time of further renewing the lease (October 1982), at enhanced rent of Rs. 0.19 lakh for the year 1982-83, the General Manager pointed out that last year too it was not deemed profitable to retain the shop as there was practically no entry in this area and it was not in the interest of the Company to retain the shop. In spite of this the shop was retained and it was vacated only on 3rd November 1983.

Thus, by keeping the shop idle for 29 months the Company had to incur an avoidable expenditure of Rs. 0.39 lakh on rent (including water and electricity charges).

The Management stated (March 1985) that the shop was taken for promotional activities and when it was observed that the expenditure was not commensurate as compared to promotional activities, the shop was closed. The reply is not tenable as the Management was well aware of the fact (even before renting the shop) that the average sale per day was very meagre in the other shops in Meena Bazar.

The matter was reported to Government in August 1985; reply was awaited (September 1985).

4.04.2. Publication of directory

At the instance of Director of Industries, Haryana, the Company printed (October-December 1982) 5,000 copies of directory of Small Scale Units in the State at a cost of Rs. 1.40 lakhs (excluding Rs. 0.71 lakh received from advertisement) with the object to provide complete information to the entrepreneurs interested in establishing new industries in Haryana.

The table given below indicates the position of the utilisation of the printed copies of the directory (June 1985):

		Number	Value (Rupees in lakhs)
(i)	Sold	823	0.23
(ii)	Distributed as complimentary	78	0.02
(iii)	Stolen	1,343	0.38
(iv)	Lying unsold	2,756	0.77

Thus, printing of the directory without assessing the demand has resulted in blockade of funds of the Company to the extent of Rs. 0.77 lakh.

No responsibility for the unplanned printing of excessive copies of the directory has been fixed by the Management so far (September 1985).

The matter was reported to Government in August 1985; reply was awaited (September 1985).

4.05. HARYANA STATE HANDLOOM AND HANDICRAFTS CORPORATION LIMITED

4.05.1. Damage to handloom goods

The Company participated in the National Handloom Expo held at Bombay in February/March 1983. After the close of Expo, the unsold handloom goods worth Rs. 4.80 lakhs were sent (8th March 1983) to the Company's whole-sale depot at Panipat without giving the details of goods despatched. The goods on receipt at Panipat on 13th March 1983 were stored in a godown, without opening the bales and counting the contents.

Due to heavy rains in April 1983, the water entered the godown and damaged the goods. The Incharge, whole-sale depot, Panipat, Incharge, Bombay-Expo and another official were deputed to open the bales to ascertain the value of damaged goods. All the bales, except 17 bales containing bed covers and tapestry were opened by them and goods worth Rs. 0.49 lakh were found (May 1983) in damaged condition. The reasons for not opening the 17 bales even in May 1983 were not on record. However, these bales were opened in September 1983 and goods valuing Rs. 0.54 lakh were found badly damaged.

The Incharge, whole-sale depot, Panipat and Incharge, Bombay-Expo were placed under suspension on 27th October 1983 but were re-instated on 2nd November 1983 on the ground of peak sales season and shortage of staff. Four officials were, however, subsequently charge sheeted on 20th January 1984.

Out of the total damaged goods valuing Rs. 1.03 lakhs goods valuing Rs. 0.42 lakh were auctioned (June 1984) for Rs. 0.04 lakh resulting in a loss of Rs. 0.38 lakh to the Company. The remaining damaged goods worth Rs. 0.61 lakh could not be disposed of so far (September 1985).

Thus, due to delay in opening the bales immediately on receipt from Bombay-Expo and by not transferring the goods to the main godown, the Company suffered a loss of Rs. 0.99 lakh (including Rs. 0.61 lakh damaged goods).

The Company appointed the General Manager as enquiry officer in March 1985 and his report is awaited (September 1985).

The matter was reported to Government in July 1985; reply was awaited (September 1985).

4.06. HARYANA HARIJAN KALYAN NIGAM LIMITED

4.06.1. Damage due to flood

The Company opened (February 1977) a show room at Rohtak for selling the shoes manufactured in its production centres. In August 1983, due to heavy rains, flood water entered the showroom and damagad 1,703 pairs of shoes (value : Rs. 0.71 lakh). Out of these 1,275 pairs valuing Rs. 0.50 lakh were completely damaged and declared unfit for sale. The remaining 428 pairs were got repaired at a cost of Rs. 733 and were sent back to the show room. Information about the sale of these shoes and the amount realised is not available as the same were mixed up with other stocks.

The Company conducted an enquiry in June 1984 and held the project officer and the field officer responsible for the loss of Rs. 0.50 lakh as they failed to take timely action to shift the shoes to a safe place. The Management stated (April 1985) that the explanation of the concerned officials was called for and their reply was still awaited (September 1985).

The matter was reported to Government in August 1985; reply was awaited (September 1985).

4.07. HARYANA TOURISM CORPORATION LIMITED

4.07.1. Loss due to high mortality of birds

On 1st April 1982, the poultry farm run by the Company at Badkhal had 1,900 birds in stock excluding 2,000 birds (value: Rs. 0.17 lakh) which were diseased and were to be returned to the suppliers for replacement.

During April to August 1982, the farm purchased 10,100 birds valuing Rs. 0.36 lakh. Against the total stock of 14,000 birds the disposal was as under :

	Number of birds	Value (Rupees in lakhs)
(i) Sold (1982-83)	2,902	0.41
(ii) birds died in hurricane (on 12th, 17th May and 14th June 1982)	4,600	0.31
(iii) birds died due to disease (1982-83)	5,855	0.59

However, feed valuing Rs. 0.64 lakh was shown as consumed by these birds. The Company did not engage a doctor to look after the health of the birds and the incharge of the farm also had no experience in poultry farming.

The dead birds were reportedly burried for which no records are available with the Company. The incharge of the poultry farm was suspended on 26th December 1983.

The Management has not investigated the reasons of high incidence of death of birds valuing Rs. 0.90 lakh. The reasons for not engaging a qualified person as poultry farm incharge and a doctor to look after the health of the birds were also not on record.

The matter was reported to Government in August 1985; reply was awaited (September 1985).

CHAPTER II

STATUTORY CORPORATIONS

SECTION V

5.01. Introduction

There were 3 statutory corporations in the State as on 31st March 1985, *viz.*, Haryana Financial Corporation, Haryana State Warehousing Corporation and Haryana State Electricity Board.

A synoptic statement showing the summarised financial results of the Corporations based on the latest available accounts is given in appendix C.

5.02. Haryana Warehousing Corporation

Haryana Warehousing Corporation was established on 1st November 1967 under section 18(i) of the Warehousing Corporations Act, 1962. The working results, operational performance and other aspects of working of the Corporation have been dealt with in Section VI of this report.

5.03. Haryana State Electricity Board

The Haryana State Electricity Board was constituted on 3rd May 1967 under section 5(1) of the Electricity (Supply) Act, 1948. The working results, operational performance, detailed reviews on Billing and Collection, Inventory Control and some other aspects of working of Board have been dealt with in section VII of this report.

5.04. Haryana Financial Corporation

The Haryana Financial Corporation was established on 1st April 1967 under Section 3(1) of the State Financial Corporations Act, 1951.

—.04.1. Paid-up capital

The table below indicates the details of paid-up capital of the Corpora-ion for the two years ending 31st March 1985 :

	1983-84	1984-85
	(Rupees in lakhs)	
a) State Government	2,42.65	2,52.65*
b) Industrial Development Bank of India (I.D.B.I.)	2,25.66	2,32.66
(c) Scheduled Banks, Insurance Companies, Co-operative Bank and other financial institutions	34.26	34.26
(d) Parties other than (a), (b) & (c)	1.50	1.50
	5,04.07	5,21.07

5.04.2. Guarantees

The State Government had guaranteed the repayment of share capital of Rs. 4,58.41 lakhs under section 6 of the Act and payment of minimum dividend thereon at the rate of 3 to 5 *per cent*. The table below indicates the details of other guarantees given by the Government for repayment of loans raised by Corporation and payment of the interest thereon :

Particulars	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1985
		(Rupees in lakhs)	
Bonds & debentures	1968-69 to 1983-84	19,80.00	17,05.00
Fixed deposits	1967-68	1,00.00	8.26
Total		20,80.00	17,13.26

No guarantee was invoked during the year.

*Includes Rs. 20 lakhs, shares of which are yet to be issued.

5.04.3. Financial position

The table below summarises the financial position of the Corporatior under broad headings for the three years up to 1984-85 :

	1982-83	1983-84	1984-85
		(Rupees in lakhs)	
Capital and Liabilities			
(a) Paid-up capital	4,82.07	5,04.07	5,21.07
(b) Reserves and surplus	8,10.74	8,37.93	9,08.28
(c) Borrowings			
-Bonds and debentures	15,67.50	18,70.00	17,05.00
-Deposits	44.44	37.20	8.26
-Others	18,69.74	22,16.17	29,73.43
(d) Other liabilities and provisions	8,24.77	7,51.20	9,11.49
Total	55,99.26	62,16.57	70,27.53
Assets			
(a) Cash and Bank balances	37.35	55.37	32.49
(b) Loans and Advances	51,67.99	58,27.69	65,91.86
(c) Net fixed assets	16.92	20.39	20.81
(d) Other assets	3,77.00	3,13.12	3,82.37
Total	55,99.26	62,16.57	70,27.53
Capital employed*	40,68.24	49,39.76	56,06.62

*Capital employed represents the mean of aggregate of the opening anc closing balances of paid-up capital, bonds and debentures, free reserves borrowings (including refinance) and deposits.

5.04.4. Working results

The following table gives the details of the working results of the Corporation for the three years up to 1984-85 :

Particulars	1982-83	1983-84	1984-85
		(Rupees in lakhs)	
1. Income			
—Interest on loans and advances	6,00.54	3,27.88	5,52.32
—Other income	14.26	39.30	22.37
Total	6,14.80	3,67.18	5,74.69
2. Expenses			
—Interest on long term borrowings	2,09.31	2,23.20	3,38.95
—Other expenses	1,26.75	84.61	1,05.60
Total	3,36.06	3,07.81	4,44.55
3. Profit before tax	2,78.74	59.37	1,30.14
4. Provision for tax	94.28	20.57	43.09
5. Other appropriations	1,69.50	23.75	70.36
6. Dividend (3 to 5 *per cent*)	14.92	15.73	16.69
7. Total return on capital employed	4,88.05	2,82.57	4,69.09
		(*per cent*)	
8. Rate of return on capital employed	12.00	5.7	8.4

5.04.5. Disbursement and recovery of loans

The performance of the Corporation in the disbursement/recovery of loans during the three years up to 1984-85 is indicated below :

Serial number	Particulars	1982-83		1983-84		1984-85		Cumulative si inception	
		Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amou (Rup in lak
1.	Applications pending at the beginning of the year	137	16,95.74	83	5,83.47	52	3,52.92	..	..
2.	Applications received	810	48,01.44	863	47,92.59	869	38,10.42	7,187°	3,04,6
	Total	947	64,97.18	946	53,76.06	921	41,63.34	7,187	3,04,64
3.	Applications sanctioned	603	31,23.41	642	27,28.59	562	21,87.79	5,014	1,71,5
4.	Applications cancelled/withdrawn/rejected	261	24,19.23	252	20,68.18	302	13,15.90*	2,116	1,11,3
5.	Applications pending at the close of the year	83	5,83.47	52	3,52.92	57	4,94.67	57	4,9
6.	Loan disbursed	564	16,85.98	572	13,56.60	552	15,79.06	4,622	96,90
7.	Amount outstanding at the close of the year	1,705	51,03.86	1,987	57,62.89	2,383	65,26.03	2,383	65,2
8.	Amount overdue for recovery (including suit filed cases)**	571	13,63.74	733	19,50.00	777	22,03.25	..	22,0
9.	Percentage of the defaults to total loan outstanding	..	26.72	..	33.84	..	(per cent) 33.76	..	..

° Includes 13 applications (amount : Rs. 77.02 lakhs) received from erstwh Punjab Financial Corporation at the time of re-organisation of the States.

* Excludes part amount rejected (Rs. 1,64.98 lakhs).

** Break-up of principal and interest was not available.

The following is the age-wise analysis of the overdue amount (other than its filed cases) :

Period	Number of cases	Amount overdue for recovery		Total
		Principal°°	Interest	
		(Rupees in lakhs)		
p to 1 year	179	49.96	20.92	70.88
to 2 years	21	12.16	5.36	17.52
ver 2 years	13	48.04	92.36	1,40.40
Total	213	1,10.16	1,18.64	2,28.80

The above excludes Rs. 19,74.45 lakhs in respect of 564 cases in which its had been filed for recovery of dues.

°° Excludes amounts which have not become due on account of sanction of moratorium in repayment of loans.

SECTION VI

HARYANA WAREHOUSING CORPORATION

6.01.1. Paid-up capital

The paid-up capital of the Corporation as an 31st March 1985 w Rs. 4,88.07 lakhs (State Government: Rs. 2,44.04 lakhs and Cent Warehousing Corporation: Rs. 2,44.03 lakhs) as against a paid-up capi of Rs. 4,38.07 lakhs (State Government: Rs. 2,19.04 lakhs and Cent Warehousing Corporation : Rs. 2,19.03 lakhs) as on 31st March 1984.

6.01.2. Guarantees

The State Government had guaranteed the payment of loans Rs. 2,70.00 lakhs and Rs. 25.00 lakhs during 1979-80 and 1984- respectively. The Corporation obtained loans of Rs. 2,89.50 lakhs fro three nationalised banks (United Commercial Bank: Rs. 99.50 lakh Punjab National Bank: Rs. 1,65.00 lakhs and State Bank of Patiala Rs. 25.00 lakhs). The loans were refinanced under a scheme sponsore by the Agricultural Refinance Development Corporation (Now Nation Agricultural Bank for Reconstruction and Development) against whic a sum of Rs. 1,74.54 lakhs was outstanding as on 31st March 1985.

6.01.3. Financial position

The table below summarises the financial position of the Corporatio under broad headings for the three years up to 1984-85 :

	1982-83	1983-84	1984-8
		(Rupees in lakhs)	
Liabilities			
(a) Paid-up capital	4,12.07	4,38.07	4,88.0
(b) Reserves & surplus	1,28.13	1,75.91	3,45.5
(c) Borrowings	1,73.21	1,86.39	1,85.8
(d) Trade dues and other current liabilities	1,36.63	1,32.38	13,47.3
Total	8,50.04	9,32.75	23,66.7

	1982-83	1983-84	1984-85
	(Rupees in lakhs)		
sets			
) Gross block	7,67.12	8,26.56	9,81.71
) Less-Depreciation	1,02.61	1,21.46	1,44.88
) Net fixed assets	6,64.51	7,05.10	8,36.83
) Capital works-in-progress	13.98	58.10	50.44
) Investment	1.00	1.00	1.00
) Current assets, loans and advances	1,70.55	1,68.55	14,78.48
Total	8,50.04	9,32.75	23,66.75
Capital employed*	6,98.73	7,41.27	9,67.96

.01.4. Working results

The following table gives the details of the working results of the Corporation for the three years up to 1984-85:

	1982-83	1983-84	1984-85
	(Rupees in lakhs)		
1) **Income**			
Warehousing charges	2,01.57	2,38.91	4,34.75
Other income	6.65	19.07	7.41
Total	2,08.22	2,57.98	4,42.16
2) **Expenses**			
Establishment charges	62.65	76.38	93.11
Interest	22.66	22.03	18.73
Other expenses	1,00.50	1,04.43	1,53.63
Total	1,85.81	2,02.84	2,65.47
(3) Profit before tax	22.41	55.14	1,76.69
(4) Profit brought forward	0.17	0.63	0.30

* Capital employed represents net fixed assets plus working capital.

	1982-83	1983-84	1984-
		(Rupees in lakhs)	
(5) Previous year's adjustment (Net)	(—)1.23	(+)13.74	(+)16.
(6) Other appropriations (excluding profit taken into balance sheet)	20.73	69.21	1,92.
(7) Dividend paid	17.38	21.11	23.
(8) Total return on Capital employed	45.07	77.17	1,95
		(*Per cent*)	
(9) Rate of return on Capital employed	6.45	10.41	20.1

6.01.5. Operational performance

The following table gives details about the operational performance the Corporation for the three years up to 1984-85:

Particulars	1982-83	1983-84	1984-8
Number of stations covered	68	68	7
Storage capacity as at the end of the year		(Tonnes)	
(a) Owned	2,67,400	2,78,400	3,04,150
(b) Hired	2,09,125	2,12,285	3,81,832
Total	4,76,525	4,90,685	6,85,982
Average storage capacity utilised during the year°	4,19,823	4,11,139	7,12,167
Percentage of utilisation of average capacity	88.3	83.9	1,03.
		(Rupees)	
Average expenses per tonne	44.26	49.33	37.2
Average income per tonne	49.59	62.75	62.0

° Including that of godowns closed during respective years,

6.02. Shortage of fertilizer

The Food Corporation of India (FCI) despatched (October 1979) 21,312 bags of di-ammonium phosphate fertilizer by rail, from Vishakhapatnam to Warehouse at Tohana for storage. Out of these, the Manager, Tohana Warehouse transferred (October/November 1979) 8,330 bags (3,485 quintals) and 8,995 bags (3,790 quintals) to Barwala and Bhattu Warehouses respectively. Out of a total quantity of 7,275 quintals (17,325 bags), 355 quintals of fertilizer (Barwala 50 quintals and Bhattu 305 quintals) were found (November 1979) short in the warehouses.

An enquiry into the shortages was conducted (March 1980) by the Manager, Store and Technical and the Incharge, Bhattu Warehouse was held responsible as he did not report the shortages either to the despatching station or to the inspecting officer at Sirsa or to the headquarters of the Corporation. The shortage of 50 quintals (value : Rs. 0.09 lakh) at Barwala were, however, treated as negligible. FCI recovered (June-August 1980) Rs. 0.74 lakh for shortages of 355 quintals of fertilizers from the hire charges bills.

The Corporation lodged (October 1980) an F.I.R. against the Incharge, Bhattu Warehouse and also preferred a claim (December 1980) for Rs. 0.65 lakh with the insurance company which was rejected on the ground that it did not fall under the scope of the policy. The Incharge, Bhattu Warehouse was placed under suspension (July 1982).

The State Government stated (October 1985) that in view of the F.I.R. lodged with police, departmental proceedings against the official were kept in abeyance and since the F.I.R. has been cancelled, the Corporation will initiate departmental proceedings against the official.

6.03. Loss due to quality cut

For *Rabi* 1983-84, the Government of India fixed (April 1983) the procurement price at fair average quality (grade I) wheat of all varieties at Rs. 151 per quintal and of grade II wheat at Rs. 149 per quintal. The State Government, however, directed (April 1983) all the procuring agencies that the purchases should be made at the uniform rate of Rs. 151 per quintal and should conform to the quality standard laid down by the Government of India.

The Corporation procured 2,62,291.50 quintals of wheat during April 1983 to June 1983 at an uniform rate of Rs. 151 per quintal through usual visual inspections.

The entire quantity of wheat was delivered to Food Corporation of India (FCI) during May to October 1983. Out of this, 36,750 quintals was accepted by the FCI as Grade II (on the basis of laboratory analysis) and imposed a cut of Rs. 0·74 lakh at the rate of Rs. 2 per quintal.

Thus, due to non-adherence to the specification laid down by the Government of India, the Corporation sustained loss of Rs. 0.74 lakh on account of quality cut. No responsibility for the loss has been fixed by the Corporation so far (June 1985).

The Management stated (February 1985) that they have no laboratory staff for analysis of wheat and none of the officials was responsible for the loss and that the loss was merged with the wheat trading account.

The matter was reported to Government in July 1985 ; reply was awaited (September 1985).

SECTION VII

HARYANA STATE ELECTRICITY BOARD

7.01.1. Capital

The capital requirements of the Board are met from loans from the State Government, the public, the banks and financial institutions.

The aggregate of long term loans (including loans from Government) obtained by the Board was Rs. 10,07,15.63 lakhs at the end of the year 1984-85 and represented an increase of Rs. 1,08,84.93 lakhs i.e. 12.12 *per cent* on long-term loans of Rs. 8,98,30.70 lakhs as at the end of the previous financial year. The details of loans obtained from different sources and outstanding at the close of the two years up to 1984-85 are given below:

	Amount outstanding as on 31st March		Percentage of increase (+)/ decrease (—)
	1984	1985*	
(1)	(2)	(3)	(4)
	(Rupees in lakhs)		
State Government (including capitalized interest charges)	5,83,79.25	6,59,60.79**	(+) 12.99
Other sources			
(i) Public borrowings	98,73.00	1,12,75.50	(+) 14.21

*Figures for the year 1984-85 are provisional.

**The outstanding amount as per statement 18 of the Finance Accounts is Rs. 597.38 crores. The difference of Rs. 62.23 crores represents (i) Rs. 64.24 crores being the Board's share of the assets and liabilities of the composite Punjab State Electricity Board accounted for by the Board in its accounts provisionally in the ratio fixed by the Government of India pending determination of the exact ratio in which these were to be apportioned amongst the successor states on 31st March 1967 and (ii) Rs. (—)2.01 crores under reconciliation.

(1)	(2)	(3)	(4)
	(Rupees in lakhs)		
(ii) Loans from			
(a) Life Insurance Corporation of India	71,06.13	74,23.50	(+) 4.47
(b) Rural Electrification Corporation	41,92.54	49,60.96	(+) 18.33
(c) Agricultural Refinance Development Corporation	10,07.47	8,51.62	(—) 15.47
(d) Housing and Urban Development Corporation	2,15.26	1,98.40	(—) 7.83
(iii) Bills discounted under IDBI Scheme	51,65.60	67,89.80	(+) 31.44
(iv) Others	38,91.45	32,55.06	(—) 16.35
Total	8,98,30.70	10,07,15.63	(+) 12.12

7.01.2. Guarantees

The State Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 3,58,34.34 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1985 was Rs. 2,31,94.33 lakhs.

7.01.3. Financial position

The financial position of the Board at the close of three years up to 1984-85 is given below:

	1982-83	1983-84	1984-85*
(1)	(2)	(3)	(4)
	(Rupees in lakhs)		
Liabilities			
(a) Loans from Government	5,10,25.27	5,83,79.25	6,59,60.79
(b) Other long-term loans°	2,64,07.09	3,14,65.27	3,47,70.89

* Figures for the year 1984-85 are provisional.

° Other long-term loans includes bonds, consumers' contribution for service connections and lines, subventions, *etc.*

(1)	(2)	(3)	(4)
		(Rupees in lakhs)	
c) Reserves	25,72.40	17,35.69	14,48.53
d) Current liabilities	2,67,94.87	2,94,07.41	2,66,46.99
Total	10,67,99.63	12,09,87.62	12,88,27.20
ssets			
a) Gross fixed assets	6,41,05.00	6,92,81.36	7,51,48.81
b) *Less*—Depreciation	50,66.63	51,24.39	51,24.39
c) Net fixed assets	5,90,38.37	6,41,56.97	7,00,24.42
d) Capital works-in-progress	2,37,99.02	3,07,89.28	3,45,91.36
e) Current assets	2,24,81.62	2,60,41.37	2,24,41.05
f) Loss	14,80.62	—	17,70.37
Total	10,67,99.63	12,09,87.62	12,88,27.20
Capital employed**	5,47,25.12	6,07,90.93	6,58,18.48

.01.4. Working results

7.01.4.1. The working results of the Board for three years up to 1984-85 are summarised below:

	1982-83	1983-84	1984-85
		(Rupees in lakhs)	
(a) Revenue receipts	1,34,69.71	1,65,09.67	1,62,92.61
(b) Revenue expenditure	1,22,49.28	1,34,60.57	1,52,68.56
(c) Gross surplus	12,20.43	30,49.10	10,24.05

The revenue receipts of the Board during the three years up to 1984-85 were not adequate, after meeting the operating, maintenance and management expenses (*i.e.* gross surplus) to meet fully the other liabilities mentioned in section 67 of the Electricity (Supply) Act, 1948 and, therefore, the Board

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

distributed available gross surplus towards the liabilities according to the priorities laid down therein, as detailed below:

	1982-83	1983-84	1984-85
		(Rupees in lakhs)	
Gross surplus available	12,20.43	30,49.10	10,24.05
Transfer from general reserve	—	—	—
Total available for appropriations	12,20.43	30,49.10	10,24.05
Appropriations			
—Payment of interest on loans not guaranteed under section 66	9,73.47	10,84.50	12,67.43
—Payment of interest on loans guaranteed under section 66	14,91.24	12,64.15	19,28.37
—Total appropriations towards interest	24,64.71	23,48.65	31,95.80
—Appropriations towards repayment of loans raised under section 65	—	7,00.45	—
—Total appropriations	24,64.71	30,49.10	31,95.80
—Total return on capital employed	12,20.43	30,49.10	10,24.05
		(*Per cent*)	
—Rate of return	2.23	5.02	1.56

As the revenue receipts were not adequate to meet the revenue expenditure, including interest on government loans and depreciation during the three years up to 1984-85, the following charges towards interest on government loans and depreciation for the respective years were not being provided for in the accounts of the Board:

Particulars of charges not provided for	1982-83	1983-84	1984-85	Cumulative as on 31st March 1985
		(Rupees in lakhs)		
Interest on loans from Government	26,03.91	29,63.58	34,81.83	2,13,22.40
Depreciation on fixed assets (carried over in terms of section 68 of the Act)	15,48.30	18,12.91	19,76.06	95,87.69
Total	41,52.21	47,76.49	54,57.89	3,09,10.09

7.01.4.2. If the charges mentioned above are taken into account, the total actual return on capital employed for all the three years would be as depicted in the following table:

	1982-83	1983-84	1984-85
		(Rupees in lakhs)	
(a) Gross surplus	12,20.43	30,49.10	10,24.05
(b) (i) Provision towards interest on loans other than loans from Government	24,64.71	23,48.65	31,95.80
(ii) Charges not provided towards interest on loans from Government and depreciation	41,52.21	47,76.49	54,57.89
Total	66,16.92	71,25.14	86,53.69
(c) Actual deficit if all charges are provided for (a)—(b)	(—)53,96.49	(—)40,76.04	(—)76,29.64
(d) Add interest on long-term loans charged to profit and loss account	50,03.27	52,25.05	64,82.07
(e) Actual return (c+d)	(—)3,93.22	(+)11,49.01	(—)11,47.57
		(Per cent)	
(f) Percentage of actual return on capital employed	—	1.89	—

The rate of actual return expressed as a percentage of capital employe was negative during 1982-83 and 1984-85 against 1.89 *per cent* duri 1983-84. While the revenue receipts during 1984-85 decreased by Rs. 2,17.(lakhs (1.31 *per cent*) compared to that of the previous year, the reven expenditure (excluding interest charges on loans and depreciation) increase by Rs. 18,07.99 lakhs over that in the preceding year (increase: 13.4 *per cent*).

7.01.5. Operational performance

7.01.5.1. The following table indicates the operational performance (the Board for the three years up to 1984-85 :

Particulars	1982-83	1983-84	1984-85
(1)	(2)	(3)	(4)
		(MW)	
(1) Installed capacity			
(i) Thermal	477.5	477.5	477.5
(ii) Hydro	721.0	818.0	830.0
(iii) Others	3.2	3.9	3.9
Total	1,201.7	1,299.4	1,311.4
(2) Normal maximum demand	869.0	959.0	913.0
		(Mkwh)	
(3) Power generated			
(i) Thermal	1,498.20	1,376.14	1,604.31
(ii) Hydro	3,309.41	3,251.99	2,937.69
(iii) Others	0.01	—	—
Total	4,807.62	4,628.13	4,542.00
Less—Auxiliary consumption	229.65	219.78	219.40
(4) Net power generated	4,577.97	4,408.35	4,322.60
(5) Power purchased	190.07	288.45	282.56
(6) Total power available for sale (4+5)	4,768.04	4,696.80	4,605.16
(7) Power sold (including power used on Board's works)	3,946.48	3,954.67	3,725.25
(8) Transmission and distribution losses	821.56	742.13	879.91

(1)	(2)	(3)	(4)
		(per cent)	
(9) Percentage of generation to installed capacity	45.67	40.55	39.54
(10) Percentage of transmission and distribution losses	17.2	15.8	19.1
		(kwh)	
(11) Number of units generated per KW of installed capacity	4,001	3,562	3,463

Percentage of transmission and distribution losses to total power available for sale was declining from 19.0 in 1980-81, 17.3 in 1981-82, 17.2 in 1982-83 and 15.8 in 1983-84. However, in 1984-85 the percentage of these losses abruptly rose to 19.1.

7.01.5.2. The following table gives other details about the working of the Board as at the end of the three years up to 1984-85:

Particulars	1982-83	1983-84	1984-85
(1)	(2)	(3)	(4)
		(Number)	
(1) Villages/towns electrified	6,731	7,150	7,150
(2) Pump sets/wells energised	2,51,989	2,61,450	2,70,649
(3) Number of sub-stations	237	252	271
		(Kilometres)	
(4) Transmission/distribution lines			
(i) High/medium voltage	46,176	45,735	46,509
(ii) Low voltage	73,729	76,689	78,139
Total	1,19,905	1,22,424	1,24,648
		(MW)	
(5) Connected load	2,742.98	2,899.45	3,034.02
		(Numbers)	
(6) Number of consumers	14,38,398	15,26,667	16,24,936
(7) Number of employees	33,027	33,484	34,103

(1)	(2)	(3)	(4)
		(Rupees in lakhs)	
(8) Total expenditure on staff	37,81.07	42,90.93	47,05.
		(*Per cent*)	
(9) Percentage of expenditure on staff to total revenue expenditure	30.87	31.44	30.

7.01.5.3. The following table gives the details of power sold and revenu expenses and profit/loss per kwh sold during the three years up to 1984-85:

	1982-83	1983-84	1984-
(1)	(2)	(3)	(4)
		(Mkwh)	
(1) Units sold			
(a) Agriculture	1,350.47	1,301.38	1,375.2
(b) Industrial	1,456.18	1,342.85	1,122.
(c) Commercial	93.95	96.26	94.6
(d) Domestic	345.87	377.98	400.8
(e) Others	700.01	836.20	732.4
Total	3,946.48	3,954.67	3,725.2
		(Paise)	
(2) Revenue per kwh	34.13	41.75	43.7
(3) Expenditure per kwh			
(i) without taking into account interest and depreciation	31.04	34.04	40.9
(ii) after taking into account interest and depreciation	47.81	52.05	64.22
(4) Profit (+)/Loss (—) per kwh			
(i) without taking into account interest and depreciation	(+)3.09	(+)7.71	(+)2.75
(ii) after taking into account interest and depreciation	(—)13.68	(—)10.30	(—)20.48

2. Billing and collections

2.1. Introduction

Out of the three primary functions of the Board *viz.*, the generation, ansmission and distribution of electricity the most important activity from e point of view of the consumers is the distribution of electricity, which is ing handled by the Operation Organisation of the Board.

02.2. Value of work

The table below indicates the details of power sold, number of nsumers, total establishment expenditure on operational and maintenance aff, cost per unit sold per consumer for the four years up to 1984-85 :

	1981-82	1982-83	1983-84	1984-85
nits sold (in lakhs)	2,98,08.73	3,32,62.09	3,23,51.04	3,11,57.03
umber of consumers n lakhs)	13.46	14.38	15.27	16.25
stablishment expenditure n operational and main- nance staff (in lakhs of upees)	29,79.34	32,97.03	35,43.72	40,29.78
stablishment cost per onsumer (in rupees)	221.35	229.28	232.07	247.99
stablishment cost per nit sold (in paise)	9.99	9.91	10.95	12.93

As is evident from the above table, the establishment expenditure on perational and maintenance staff and establishment cost per consumer/ nit had been increasing from year to year, except that cost per unit sold ame down from 9.99 paise in 1981-82 to 9.91 paise in 1982-83 but gain increased to 10.95 paise in 1983-84 and 12.93 paise in 1984-85.

.02.3. Sale of energy

The assessment of revenue, issue of bills, watch over realisations and ccounting of sale of energy within the State is done by distributing centre i. e. sub-divisions/sub-offices). At the end of March 1985 the Board had 08 sub-divisions/sub-offices.

The table below indicates the consumer composition, energy sold, evenue earned and average revenue per unit sold during the four years up to 1984-85 :

Class of consumers	Reyenue earned (Rupees in lakhs)				Percentage of tota Revenue	
	1981-82	1982-83	1983-84	1984-85	1981-82	1982-8
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Domestic	10,69.30	13,63.85	15,58.63	16,21.45	12.4	12.3
2. Commercial	5,38.16	6,17.86	6,76.20	6,96.18	6.2	5.5
3. Industrial	48,99.24	65,77.04	77,22.81	75,18.46	56.8	59.2
4. Street lighting	66.14	63.16	75.68	93.75	0.8	0.6
5. Bulk supply	1,99.02	2,52.09	3,89.16	3,48.37	2.3	2.3
6. Agricutural including pumping sets	18,51.19	22,32.79	24,51.14	27,03.92	21.5	20.1
7. Free supply on Boards works	—	—	—	—	—	—
Total sale within the State	86,23.05	1,11,06.79	1,28,73.62	1,29,82.13	—	—

		Units sold (in lakhs)				Revenue per unit sold (in paise)			
983-84	1984-85	1981-82	1982-83	1983-84	1984-85	1981-82	1982-83	1983-84	1984-85
8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
2.1	12.5	27,28.56	34,58.71	37,79.77	40,08.95	39.19	39.43	41.24	40.04
5.3	5.4	8,27.48	9,39.49	9,62.60	9,46.10	65.04	65.77	70.25	73.58
0.0	57.9	1,35,76.17	1,45,61.79	1,34,28.51	1,12,20.39	36.09	45.17	57.51	67.01
0.6	0.7	83.07	1,17.44	1,23.56	1,26.68	79.62	53.78	61.25	74.01
3.0	2.7	5,32.50	5,97.59	6,82.49	6,93.54	37.37	42.18	57.02	50.23
19.0	20.8	1,19,83.18	1,35,04.75	1,32,50.03	1,40,03.33	15.45	16.53	18.50	19.30
—	—	77.77	82.34	1,24.08	1,58.04	—	—	—	—
—	—	2,98,08.73	3,32,62.11	3,23,51.04	3,11,57.03	—	—	—	—

(i) As is evident from the table, the return of reven from industrial consumers constituted a major portion of the to revenue earned ranging from 56.8 *per cent* to 60 *per cent.*

(ii) As per Board's instructions issued in June 1979 calculation consumption of energy in respect of unmetered supply to agricultural tubewe for computation of line losses is to be done on the basis of readi of representative meters installed at the premises of consumers representi different loads. The overall consumption is worked out by multiplyi the average consumption per BHP obtained as per representati meters with the total un-metered agricultural load. However, in a te check of 4 sub-divisions out of 62 representative meters installed on 36 were found in working order.

(iii) The sale of energy to agricultural consumers did not refle the true state of affairs as the units sold in respect of flat rate consume (un-metered) were accounted for on *ad hoc* basis. As against the averag monthly consumption of 45 units and 48 units per BHP of connecte load in respect of metered consumers during June 1983 to March 198 and April 1984 to March 1985 the average units accounted for in respec of unmetered supply worked out to 109 units and 110 units per BH respectively leading to suppression of losses on trasmission and distributio including thefts/unauthorised connections.

A further study in seven sub-divisions revealed that the consump tion during 1982-83 and 1983-84 worked out on the basis of the represen tative meters was increased by 1,07.98 lakh units resulting in suppressio of system losses of the three sub-divisions ranging from 0.52 *per cent* to 13.27 *per cent*.

(iv) The revenue earned per unit from different categories o consumers varied widely. The revenue per unit was less than the cost of 43.37 paise in 1981-82, 47.81 paise in 1982-83, 52.05 paise in 1983-84 and 64.22 paise in 1984-85 in respect of all categories of consumers except commercial and public lighting during 1981-82 and 1982-83; while it was less in case of domestic and agricultural consumers in 1983-84 and 1984-85 (including bulk supply).

7.02 4. Issuing of connections.

The connections to various categories of prospective consumers are required to be given within a period of one month to domestic and commercial consumers and two to three months to industrial/agricultura nsumers after receipt of test reports. As on 31st March 1985, 1,63,039 plications were pending with the Board for new connections. The egory-wise details of pending applications alongwith the reasons for t giving new connections are as under :

tegory of nsumers	For want of completion of formalities by the applicants	For want of action by the Board		
		Partly processed	Non-availability of material	Works-in-progress
mestic	16,822	39,341	38,489	8,184
mmercial	2,746	5,436	3,616	998
dustrial	1,551	3,384	1,143	470
riculture	6,318	25,406	7,536	1,434
hers	48	79	28	10
Total	27,485	73,646	50,812	11,096

Of the above, 61,908 applications were pending with the Board for ich the consumers had already submitted test reports. The age-wise alysis of pending applications revealed that 37,512 applications were pending r a period of over 6 months but less than one year, 33,833 for over e year but less than two years, while 22,103 applications were pending r over two years.

02. 5. Billing of connections

Energy charges are collected from all the consumers through monthly/ monthly energy bills prepared on the basis of consumption of energy as corded in the meters. Meter readings of industrial, street lighting and ulk consumers are taken once every month but in the case of domestic nd commercial consumers readings are taken once every two months.

02. 6. Delay in issue of bills

02. 6. 1. First bills

The first bills are required to be issued one month after release of ndustrial connection and two months after general connection.

It was, however, noticed that at the end of March 1984 in as many s 874 cases involving Rs. 7.94 lakhs, the first bills were issued after delay ranging from 3 to 12 months as detailed below :

Name of Circle	Periodicity of delay					
	3 to 6 months		6 to 12 months		Over 12 months	
	Number of cases	Amount (Rupees in lakhs)	Number of cases	Amount (Rupees in lakhs)	Number of cases	Amount (Rupees in lakhs)
Rohtak	—	—	—	—	36	6.54
Delhi	—	—	4	0.01	7	0.52
Hissar	—	—	—	—	174	0.09
Ambala	—	—	6	0.04	118	0.10
Faridabad	—	—	—	—	3	0.17
Kurukshetra	2	0.09	1	0.02	1	0.08
Karnal	—	—	129	0.09	179	0.03
Bhiwani	—	—	—	—	214	0.16
Total	2	0.09	140	0.16	732	7.69

No reasons for the delay in the issue of first bills were on record.

7.02.6.2. Other bills

The Board has prescribed a period of 7 days during which the bills are required to be prepared and issued after meter readings. During the test check of 5 sub-divisions (September 1983—January 1984) it was noticed that the delay in issue of bills aggregating Rs. 15.59 lakhs after meter readings ranged from one month to twenty-six months as detailed below :

Name of sub-division	Amount (Rupees in lakhs)	Delay in months
1. Dabwali	1.06	1 to 2 months
2. Fatehabad	7.64	1 to 5 months
3. Industrial Area Sirsa	5.31	1 month
4. Kanina	1.49	1 to 2 months
5. Model Town, Karnal	0.09	26 months
Total	15.59	

The delay in issue of bills was attributed (September 1983—January 1984) by the field officers to shortage of clerical staff.

7.02.7. Defective meters

As per clause 14 (a) of the conditions of supply, a meter in working condition is required to be installed, and maintained by the Board at each point of supply at the premises of the consumer. The defective/inoperative meters when noticed are required to be replaced by the correct meters immediately so as to avoid loss of revenue to the Board since as per clause 14(e) read with clause 14(g) of the conditions of supply the Board cannot charge the consumers for more than six months from the date of detection of defective or inoperative meters. Despite this it was observed that defective meters continued to remain installed at the consumer premises for a period exceeding six months as per details below :

No. of connections for which meters remained inoperative and replaced after six months	No. of connections for which meters lying defective/inoperative for more than six months; at the end of March 1985		
	Single Phase	Three Phase	Total
15,680	17,649	7,535	25,184

The loss of revenue due to delay/non-replacement of meters had not been assessed by the Board so far (September 1985).

In 181 cases defective meters received from the premises of the consumers were lying with the sub-divisions and had not been sent to the laboratory for repairs.

7.02.8. Locked premises

As per Board's sales manual, as soon as it is reported by the meter reader that the premises of a certain consumer is locked and the meter reading for rendering the bill to the consumer could not be taken, a notice in the prescribed form should be issued to the consumer and efforts made to get access to the meter failing which the premises should be disconnected from the 'tee' or 'pole'. However, the period after which the premises should be disconnected has not been specified in the manual.

It was noticed during the test check of 6 sub-divisions that no action had been taken to disconnect the supply of 103 cases where premises were shown locked during 1983-84 and 1984-85 for periods involving more than six months.

7.02.9. Collection of Bills

7.02.9.1. Under the Board's sales manual the energy bills are payable in cash but money orders and cheques are also accepted subject to certain specified conditions.

The payments of cash against the bills are received by the cashier of the sub-division and receipts are issued to the consumer. The collections of the day are required to be remitted to the bank on the next working day. The remittances made into the bank are required to be reconciled locally with the bank records as soon as possible. The overall reconciliation of the remittances into the banks by the field officers is also done by the banking section of the Board at its head office.

Reconciliation up to March 1985 in respect of 10 banks had revealed that Rs. 1,94.68 lakhs deposited by the Board, as detailed below, had not been credited to its account (the reconciliation in respect of State Bank of India was in arrear from October 1984 onwards) :

Year	Amount (Rupees in lakhs)
1979-80	0.19
1980-81	0.05
1981-82	0.26
1982-83	1.38
1983-84	0.74
1984-85	1,92.06
Total	1,94.68

Owing to delay in reconciliation of remittances a case of alleged embezzlement of Rs. 0.78 lakh by the cashier of Pipli sub-division between November 1980 to February 1982 by tampering with pay in slips could be detected as late as in February 1982.

7.02.9.2. During test check of records of four sub-divisions (March 1985) it was noticed that debits/credits transferred from sundry charges and allowances Registers were not reconciled with the postings in consumers ledgers at the end of each month. This resulted in non-recovery of Rs. 0.80 lakh pertaining to the period May 1982 to February 1985, due to non-reconciliation.

7.02·9·3. The totals of monthly postings in the consumers ledgers are required to be reconciled with the total amount collected and entered in the cash book and a certificate to this effect is required to be recorded in the consumers ledgers.

As a result of test check of 12 sub-divisions it was noticed (1982—84) that the requisite reconciliation was not carried out. Failure to carry out the reconciliation led to embezzlement of Rs. 0·10 lakh by an official of Punhana sub-office under operation sub-division, Hodel in May 1984.

7·02·10. Assessment, collection and arrears

Details of assessment and collection of revenue and the balance outstanding on account of sale of energy within the state for four years up to 1984-85 are given below :

	1981-82	1982-83	1983-84	1984-85
		(Rupees in lakhs)		
Balance outstanding at the beginning of the year	10,33·13	12,72·02	25,49·60	37,52·52
Revenue assessed during the year	96,43·57	1,23,59·55	1,43,32·39	1,46,81·96
Total due for collection	1,06,76·70	1,36,31·57	1,68,81·99	1,84,34·48
Amount collected during the year	94,04·68	1,10,81·97	1,31,29·47	1,48,68·46
Balance outstanding at the end of the year	12,72·02	25,49·60	37,52·52	35,66·02
Percentage of collection	88·1	81·3	77·8	80·7
Average monthly demand	8,89·73	11,35·96	14,06·83	15,36·21
Balance at the end of the year in terms of months' demand	1.43	2.24	2.67	2.32

The balance outstanding at the end of 1982-83, 1983-84 and 1984-85 was about 2·24, 2·67 and 2·32 months' demand during the respective years. The above table indicates that the pace of realization of revenue has been showing downward trend from year to year and the percentage of recovery has come down from 88·1 *per cent* in 1981-82 to 80·7 *per cent* in 1984-85.

7.02.11. Amount in default.

7.02.11.1. The agewise break up of debtors was not availabl[e]. However, out of the dues outstanding as on 31st March 1984, consume[rs] owing Rs. 25.67 crores were in default. The break up of defaulting co[n]sumers whose connections were disconnected and those whose power suppl[y] was not disconnected is as under :

	Amount (Rupees in crores)
(a) Defaulting amount outstanding against disconnected consumers	
Less than 3 years old	1.37
More than 3 years old	0.15
More than 6 years old	0.48
(b) Defaulting amount outstanding against connected consumers	23.67
Total	25.67

Out of a default of Rs. 25.67 crores, Rs. 12,39.97 lakhs wa[s] recoverable from 50 consumers as these cases were pending in courts/wit[h] the arbitrators, etc., as per details given below :

Category	Number of consumers	Amount (Rupees in lakhs)
(a) Pending in courts/ under arbitration	34	10,17.80
(b) Under liquidation	3	1,60.66
(c) Under Recovery Act, 1970	3	4.85
(d) Under negotiation with the Board	10	56.66
Total	50	12,39.97

The reasons for dispute are summarised below :

(a) power cut relief.

(b) drawal of power in excess of authorised load.

(c) defective meter reading.

(d) imposition of penalty surcharge.

(e) wrong application of tariff.

7.02.11.2. Rs. 68.15 lakhs (Rs. 5.60 lakhs towards penalty for exceeding the contract demand and Rs. 62.55 lakhs towards surcharge due to non-payment) was shown recoverable from a consumer of Bhiwani but disallowed by the court.

7.02.11.3. The amount in default included a sum of Rs. 1,18.64 lakhs (Rs. 54 lakhs for sale of power up to March 1981 and surcharge amounting to Rs. 64.64 lakhs) recoverable from a company of Charkhi Dadri which went into liquidation in July 1981. The Company had since been taken over by a Government of India Undertaking. Chances of recovery of dues of the Board appeared to be bleak as the liquidation proceedings are pending before the official liquidator.

7.02.11.4. A few cases relating to defaults in recovery of dues are mentioned below :

A large supply connection was released to an industrial consumer of Panipat *viz.*, National Fertilisers Limited in August 1977. As per agreement the consumer was to build up its load in a phased manner as under :

March—August 1977	2 to 4 MVA
September—January 1978	6 to 10 MVA
February—June 1978	20 to 30 MVA
July 1978 onwards	35 MVA

The connection was released by the then sub-divisional officer under his own seals though it was required to be released conjointly after getting it sealed by maintenance and protection wing of the Board.

The site checking of meters/installations was done only twice (Decemb 1977 and June 1978) within a span of about two years although it w required to be conducted after every six months. In June 1979, when t second circuit was commissioned it was found that there was under-recordi of energy up to 67 *per cent* as a result of wrong connection (since Augu 1977). The two subsequent checkings did not point out the defecti connection. Though the consumer was informed (April 1981) regardi review of his accounts in view of under-recording of energy, the accoun were re-checked in July 1981 and a supplementary bill for Rs. 2,72. lakhs (supply of power : Rs. 1,83.55 lakhs; electricity duty : Rs. 88. lakhs) for the period from August 1977 to June 1979 was raised again the consumer. The outstanding amount (Rs. 2,72.17 lakhs) was furth increased to Rs. 4,82.21 lakhs after adding surcharge amounting Rs. 2,10.04 lakhs (July 1981 to May 1984). The consumer conteste (April 1981) the claim and emphasized that as the meter had been certifi in June 1978 by maintenance and protection wing of the Board, t question of charging any difference of energy consumed before June 1978 d not arise.

The Board based on negotiations (June 1984) with the consumer issue a revised bill for Rs. 92.55 lakhs in November 1984 which was paid i December 1984.

Thus, due to wrong connections by Board's staff, lack of prope prescribed periodical checking of the connections and non-provision metering equipment for recording of energy at out-going panel the Boar suffered a loss of Rs. 60.56 lakhs (supply of power : Rs. 40.37 lakh electricity duty : Rs. 20.19 lakhs) for the period August 1977 to Jun 1979. Besides the surcharge (Rs. 1,18.16 lakhs) leviable on the recoverab amount had also been waived.

7.02.11.5. Similarly, in another case of a large supply industria consumer at Hissar, it was found during checking by maintenance an protection wing in January 1978 that the polarity of red phase C. T. wa in reverse condition (connection issued on 15th April 1977). Even subsequent checking of consumer's installation revealed that the meter installe at the premises of the consumer had been running slow by 23.76 *per cen* (energy consumption) and 27.01 *per cent* (MDI) right from the date o lease of the connection. Accordingly a debit of Rs. 60.09 lakhs Rs. 56.28 lakhs on account of sale of power and Rs. 3.81 lakhs on ccount of excise duty) was raised. The consumer contested the bill and en defaulted in the payment of current bills. The outstanding amount creased to Rs. 2.96 crores at the end of March 1985. In a meeting held ith a representative of Government on 12th February 1985 it was decided waive off the surcharge of Rs. 84.57 lakhs and submit a revised bill. hough the consumer had made *ad hoc* payments of Rs. 76.59 lakhs ncluding current bills) during March—July 1985, the Board did not issue revised bill (September 1985).

7.02.11.6. On physical verification of load of a medium supply onsumer of Ferozepur Zhirka it was noticed (November 1976) that the onnected load (149 BHP) was more than the sanctioned load (98 KW or 31 BHP). The sub-divisional officer asked (February 1977) the firm to submit resh application and agreement form so as to regularise the unauthorised xtension of load and accordingly billed the consumer under large supply tariff. he consumer defaulted in the payment of dues (Rs. 0.87 lakh) but made art payment (December 1980) of Rs. 0.44 lakh with an undertaking to ay the balance within one month. The connection of the consumer was ermanently disconnected in May 1981 when an amount of Rs. 1.38 akhs was recoverable from him.

The case was referred to an arbitrator in August 1982 who gave is award in favour of the consumer on the ground that no proof in upport of unauthorised extension was brought on file and no checking report of any officer/official had been produced in evidence. Thus, the whole exercise on detection of unauthorised load proved to be futile due to negligence of the officials concerned and the Board was put to loss of Rs. 1.38 lakhs. No responsibility for the lapse has been fixed by the Board so far (September 1985).

7.02.11.7. A large supply industrial consumer of Dharuhera who was granted connection in August 1978 defaulted in the payment of electricity duty since July 1979 and of energy charges since December 1980. Instead of disconnection of supply under the rules, the consumer was asked (November 1981) to pay the outstanding dues of energy charges before 7th November 1981 and those of electricity duty in 12 monthly equal instalments with effect from December 1981. The consumer did not make any payment and the supply was disconnected in November 1981 (after a lapse of 2 years). Although as per the Board's orders the benefits of payments in instalments could be allowed only in respect of arrears not originally billed, the Chief Engineer (Operation) on a representation from the consumer allowed (December 1981) payment of outstanding energy charges in monthly instalments of Rs. one lakh besides payment of current dues. This tantamounted to undue favour to the consumer. The consumer again did not adhere to the revised payment schedule and the supply was ultimately disconnected in November 1982 when the outstanding against the consumer accumulated to Rs. 38.34 lakhs. This amount increased to Rs. 39.81 lakhs as on 31st March 1985. The consumer-company is under liquidation and no recovery has been effected so far (September 1985).

7.02.12. Non-recovery of service rental

7.02.12.1. As per instructions contained in the sales manual a consumer has an option either to pay the total cost of service line or monthly service rentals based on the capital cost. The service rentals are recovered on the estimated cost of consumer installation (leaving 100 feet free) worked out on the basis of scheduled charge at the time of grant of connection. Subsequently, the actual installation charges are worked out and service rentals revised. However, during test audit it was revealed that in respect of 3 connections in Dharuhera the actual expenditure exceeded the estimated cost by 23 *per cent* to 100 *per cent* but service rentals were not revised resulting in non-recovery of Rs. 0.37 lakh (September 1985).

7.02.12.2. A consumer under city operation division, Sirsa was granted connection in June 1967 under large supply category. The length of the line was 8900 feet and a service rental of Rs. 560.42 per month was levied on the consumer. Later on, the consumer was granted (November 1974) another large supply connection by tapping the existing line from a distance of 1,150 feet. The consumer was allowed (August 1983) a refund of Rs. 0.70 lakh of reduced service rental for the period from November 1974 to July 1983 on the ground that the line after first connection had been tapped and became sub main of the Board.

Thus, instead of clubbing the two connections as per the instructions anuary 1981) of the Board the consumer was given undue benefit by reducing e service rental to the extent of Rs. 0.70 lakh.

02.13. Incorrect waiver of surcharge

According to the instructions contained in the Sales Manual, when a nsumer fails to make payment by the due date a surcharge is levied at *per cent* per mensem. However, during test audit it was noticed that a rge consumer of Murthal had defaulted in making payment of energy bills r the period from May 1975 to November 1980 aggregating Rs. 21.36 khs (excluding the surcharge of Rs. 0.38 lakh). The amouut swelled up Rs. 39.42 lakhs (including surcharge of Rs. 17.96 lakhs up to April 1982) hen the Whole-Time-Members of the Board waived off the surcharge d the consumer was allowed to pay simple interest at 18 *per cent* per num on the defaulting amount. Accordingly a refund of Rs. 12.70 lakhs ing the difference in surcharge levied at 2 *per cent* and simple interest 18 *per cent* was allowed to the consumer. The waiver was irregular as e same was not within the competence of the Whole-Time-Members.

02.14. Theft of energy

The following table indicates the number of cases of theft of energy tected by the vigilance wing of the Board, loss of revenue, amount llected and balance of amount yet to be recovered for the four years up 1984-85 :

Year	Number of cases detected	Estimated loss of revenue	Balance outstanding
		(Rupees in lakhs)	
1981-82	14,857	1,10·29	44·74
1982-83	8,264	1,23·72	45·08
1983-84	6,856	55·61	7·10
1984-85	2,238	13·56	..

The cases detected mainly related to theft of energy (2,289 Nos), nauthorised extension of load (6,033 Nos), defective/dead stop meters 2,951 Nos) and seals broken (6,389 Nos).

It will be seen from the above that the pace of realisation was slow due to the very fact that the consumers contested the basis and correctness of the additional demands raised by the Board. The disputes mainly arose because under the Electricity (Supply) Act, 1948 dues relating to period beyond six months could not be claimed whereas due to delay in the detection of cases the Board had to raise demands for the actual periods of default exceeding six months. Secondly, under the terms of agreement there is no provision binding the consumer to accept the findings of the vigilance wing. Thus, in 9 cases involving Rs. 28·43 lakhs the consumers contested the demands raised by the Board. A few interesting cases are discussed below :

(i) In Yamunanagar sub-division, the vigilance wing detected (January 1983) two unauthorised extensions involving a load of 3,751.8 KW in respect of 2 large supply consumers (sugar mill and paper mill). A sum of Rs. 12·26 lakhs was charged in February 1983 as penalty for exceeding the sanctioned load. Both these consumers contested the findings of the vigilance wing and did not make the payment (May 1985). The sugar mill against whom a sum of Rs. 6·46 lakhs was debited requested that they were generating their own power to the extent of 3.5 MW from the steam raised during manufacturing process. Further against a contract demand of 4,000 KVA sanctioned to them, their maximum demand had never exceeded 2,000 KVA which showed that total load connected to Board's system had never exceeded their sanctioned load of 4,500 KW. As a sequel to their representation, a committee of sub-divisional officers was formed to enquire into the findings of the vigilance wing. The report of the enquiry committee was awaited (September 1985). However, the second consumer contested the claim of the Board involving Rs. 5.80 lakhs in a court of law ; decision of the court was awaited (September 1985).

(ii) In certain cases the reports of vigilance wing as a result of raids on the premises of consumers pointing out the unauthorised extension in loads were contested by the Board's own staff and thus consumers were not charged on this account :

Name of sub-division	Number of consumers	Amount involved (Rupees in lakhs)	Period
Kundli	1	0·72	January—June 1982
Industrial area Gurgaon	7	0·74	January—June 1982
Total	8	1·46	

7.02.15. Internal audit

The internal audit staff attached to revenue sub-divisions function under the administrative control of the Chief Auditor of the Board. All consumers accounts excepting commercial (25 *per cent*) and domestic (15 *per cent*) are subject to cent *per cent* audit.

The irregularities noticed by internal audit are reported to the Board after each half year. There were as many as 42,524 paras issued by the internal audit wing that were pending with the various unit offices at the end of March 1985. A review in audit indicated that the follow up action for recovery of the short claims pointed out by the internal audit was not adequate as a total sum of Rs. 2,62.24 lakhs on account of major irregularities pertaining to the period April 1970 to March 1978 were still to be realised/settled by the internal audit (September 1985). Further the Board has not assessed the extent to which the claims had become time-barred with the passage of time.

7.02.16. Temporary connections

As provided in the Board's sales manual, the temporary connections are allowed for a period not exceeding three months to meet the temporary needs. It has also been laid down that while granting such temporary connections it must be ensured that the amount of security is quite sufficient to cover the charges which might become due from the consumer if he does not make payment. Monthly readings are required to be taken and bills rendered regularly for payments where the duration of such connections exceeds one month.

It was, however, noticed that outstanding dues to the extent of Rs. 5·21 lakhs in respect of 174 consumers were recoverable as on 31st March 1985 after adjusting the securities taken from them, as per details given below :

Name of sub-divison	Number of consumers	Amout outstanding after adjusting security deposits (Rupees in lakhs)
Jagadhri	51	0·30
Kundli	4	0·03

Name of sub-division	Number of consumers	Amount outstanding after adjusting security deposits (Rupees in lakhs)
Thanesar	5	0.28
Kurukshetra	9	0.02
Kalanaur	13	1.03
Gohana	24	3.33
Sonepat	68	0.22
Total	174	5.21

7.02.17. Loss in transmission

As per Indian Electricity Rules maximum variation in the mete should not exceed three *per cent*. Further permissible line losses at 11 K feeders are to range from two to three *per cent*.

However, a test check of large supply connections of Faridaba revealed that there was wide variation in the energy transmitted fro outgoing independent feeders and energy received at the incoming meter of the consumers. The variation was in the range of (—) 18 *per cent* to (+) 113.82 *per cent*. The Board had, however, not investigated the reason for such wide variations and taken corrective action.

7.02.18. Other points of interest

7.02.18.1. Periodical inspection and testing of consumers' installations

In order to avoid theft of energy by the consumer, the India Electricity Rules, 1956 provide that where an installation is already connecte to the supply system of the Board every such installation shall be periodically inspected and tested at intervals not exceeding five years. For suc inspection, the inspection fee is payable by the consumer in advance.

In the event of failure of any consumer to pay the fee on or before the date specified in the notice, the supply to the installation of the consumer is liable to be disconnected. A test check, however, disclosed that neither any notices for deposit of fees in advance are being issued nor installations are being checked periodicaly.

.02.18.2. Periodical testing of meters

Under the Indian Electricity Rules, 1956 every supplier of energy shall examine, test and regulate all meters, maximum demand indicators and other apparatus for ascertaining the amount of energy supplied at such intervals as may be prescribed by the State Government in this regard. Accordingly the periodicity of testing the meters installed at the consumers' premises was fixed (September 1961) by the Government as under :

(a)	Low Voltage	Once in five years
(b)	Medium Voltage	Once in three years
(c)	High and extra high voltage	Once in two years

Despite reiteration (January 1971) by the Board of the schedule to be adopted for testing and calibration of meters, 8·86 lakhs low voltage, 4,037 medium voltage and 953 high and extra high voltage connected meters were not tested by the Board (March 1985).

7.02.18.3. Security deposit

Initially the prospective consumers could deposit securities for getting electric connections in the shape of post office national saving certificates. Later on in April 1965 it was decided that securities be obtained in cash only and the field officers were advised in June 1972 and June 1981 to return the said certificates to the consumers in exchange of securities in cash. It was, however, observed that certificates for an amount of Rs. 1·35 lakhs pertaining to the period from 1955-56 to 1965 in respect of nine sub-divisions were still in possession of the Board. Had the certificates been returned to the consumers and cash obtained in lieu thereof the liquid resources of the Board would have improved to that extent.

7·02.19. Summing up

(1) Establishment expenditure on operation and maintenance staff and establishment cost per consumer/unit increased from Rs. 221.35/9.99 paise in 1981-82 to Rs. 247·99/12.93 paise in 1984-85.

(2) The transmission and distribution losses of the Board were worked out after taking into account the consumption of unmetered agricultural supply on *ad hoc* basis. Against the average metered agricultural supply of 45 and 48 units per BHP per month during 1983-84 (June 1983 to March 1984) and 1984-85 the corresponding consumption against unmetered

agricultural supply was assessed at 109 and 110 units per BHP respectivel[y] resulting in suppression of system losses.

(3) Bank reconciliation in respect of 10 banks disclosed Rs. 194·6[8] lakhs deposited by the Board but not credited to its accounts till the end o[f] March 1985. Reconciliation in respect of one bank was, however, i[n] arrears from October 1984 onwards.

(4) Pace of realisation of revenue showed downward trend fro[m] 88.1 *per cent* in 1981-82 to 80.7 *per cent* in 1984-85.

(5) As on 31st March 1984 total outstanding amount under defaul[t] was Rs. 25·67 crores, which included Rs. 2 crores recoverable from th[e] consumers whose installations had been disconnected.

(6) Rs. 68·15 lakhs (including Rs. 62.55 lakhs on account of surcharge) shown recoverable from an industrial consumer of Bhiwani was disallowed by the Court.

(7) Rs. 118.64 lakhs shown as recoverable from a company under liquidation had remote chances of recovery.

(8) The Board suffered a loss of Rs. 178.72 lakhs after setting its claims with a Government of India Undertaking (NFL) due to wrong connections initially provided by the Board.

(9) In February 1985 the Board waived off surcharge of Rs. 84·57 lakhs on the total amount recoverable from a State Government Undertaking.

(10) In the absence of proof of unauthorised extension in load the Board failed to recover Rs. 1·38 lakhs due from a defaulting consumer of Ferozepur Zhirka.

(11) The outstanding from a large supply industrial eonsumer of Dharuhera accumulated to Rs. 39.81 lakhs as on 31st March 1985 as a result of giving undue benefit of making payments in instalments.

(12) In respect of 3 connections of Dharuhera the actual expenditure on service lines exceeded the estimated cost by 23 to 100 *per cent* but service rentals were not revised thereby resulting in non-recovery of Rs. 0·37 lakh.

(13) A refund of Rs. 12.70 lakhs being the difference in surcharge levied at 2 *per cent* per month and simple interest at 18 *per cent* per annum was allowed to a large supply consumer of Murthal without proper sanction.

(14) Rs. 5.21 lakhs was recoverable from 174 temporary consumers after adjusting their security deposits.

The review was reported to Government in August 1985; reply was awaited (September 1985).

7.03. Inventory control

7.03.1. Stores organisation

There are 6 central stores and 20 divisional stores handling stores and equipment of the Board under the overall charge of the Controller of Stores at Hissar. These units handle stores required by the operation and construction divisions of the Board. The stores required in projects and generation plants are, however, maintained by the respective units.

7.03.2. Value of stores held

The erection of all lines and sub-stations and execution of all other ancillary works are done departmentally. This involves purchase of conductors, transformers, poles, switches, meters, cement, iron and steel and other material in large quantities. The Board has also to keep in stock, material for replacement of worn out and damaged parts of equipment.

The value of inventories held at the close of each year had been disproportionate to the value of works executed (excluding thermal and hydro power projects) as may be seen from the following data :

	1981-82	1982-83	1983-84	1984-85 (provisional)
	(Rupees in lakhs)			
Capital expenditure on works including salaries, wages, depreciation, *etc.*	41,35.61	40,89.12	40,40.76	42,70.92
Maintenance expenditure (excluding salaries, wages, depreciation, *etc.*)	4,27.16	5,44.22	4,29.81	3,86.72
Value of works	45,62.77	46,33.34	44,70.57	46,57.64
Value of inventories	65,41.45	53,78.01	44,98.45	44,16.44
Percentage of inventories to value of works	143.4	116.1	100.6	94.8

While reviewing the accumulation of heavy inventory, the Member Technical (Operation) pointed out (February 1983) that the heavy inventory was due to lack of proper planning, realistic assessment of requirement co-ordination amongst the users and the procuring agency and close monitoring of physical progress in the field.

7.03.3. Physical verification of stores

Stores were physically checked once a year by the stock verifier of the Board. The shortages and excesses noticed in physical verification of stores during the period 1981-82 to 1984-85 are indicated below :

Year	Value of shortages	Value of excesses
	(Rupees in lakhs)	
1981-82	0.28	6.99
1982-83	1.02	10.95
1983-84	—	22.25
1984-85 (provisional)	0.54	6.34
Total	1.84	46.53

Of the above, adjustment on account of shortages of Rs. 0.71 lakh only had been made.

7.03.4. Stores accounting

Maximum and minimum levels of stock were not fixed and reconciliation of priced store ledgers with the financial books had not been done. A test check of the priced store ledgers of the Controller of Stores for the year 1984-85 revealed minus/nil balances in respect of 62 items in quantity and value (Rs. 12.84 lakhs). In respect of other 12 items though the quantity balances were nil/minus the value thereagainst was shown as Rs. 5.67 lakhs. This irregularity persisted although contra adjustments were made in 1984-85 in the store ledgers to set off the value of one item against minus value of other item in bin cards and vice versa. The total amount of such transactions could not be ascertained as no entries had been passed through financial books. These discrepancies had also not been reconciled (September 1985).

7.03.5. Consumption of stores

7.03.5.1. Reserve stock limit

To enable the divisions to carry out work without experiencing any shortage of material, the Board in April 1981 fixed the reserve stock limit of Rs. 3 lakhs at each sub-store. During test check in audit of records of 49 stores it was noticed that this limit had exceeded by 47 to 244 *per cent* in 6 sub-stores as under :

Name of sub-store	Value of stock as on 31st March 1983	Percentage of increase	Value of stock as on 31st March 1984	Percentage of increase	Value of stock as on 31st March 1985	Percentage of increase
1	2	3	4	5	6	7
(Figures given under columns 2, 4 and 6 are in lakhs of Rupees)						
dampur	9.49	216	7.79	160	6.70	123
ssandh	7.50	150	10.34	244	8.23	174
harkhoda	7.90	130	7.66	155	7.27	142
oharu	5.06	68	4.63	54	5.32	77
araingarh	5.34	94	4.41	47	4.79	60
undri	7.34	145	4.62	54	6.18	106

The reasons for holding stock in excess of reserve limits were awaited (September 1985).

7.03.5.2. Excess issues to the works

During test check in audit, it was noticed that though most of the works relating to Construction Division Faridabad for which stores had been issued had already been completed (October 1984) material worth Rs. 43.87 lakhs was lying unutilised since September 1983 at the site of the works as per details given below :

Name of work	Name of the sub-division	Description of material	Number of items	Value (Rupees in lakhs)
Supply, design and erection of 66 KV sub-station, Faridabad Augmentation of 66 KV sub-station, Badraula	Faridabad	MOCB control cable and CR panel etc.	10	4.27
Supply, design and erection of 66 KV sub-station Ballabhgarh Supply, design and erection of 66 KV 2 to A-I line	Ballabhgarh Escort	MOCB, ACSR, Tension fittings etc.	11	9.78
Supply, design and erection of 66 KV Sohna-Bhadas line Supply, design and erection of 66 KV Sohna-Badshahpur line Supply, design and erection of 66 KV Bhadas sub-station	Sohna	Tower, ACSR conductor, hardware and fittings	11	20.38
		Other miscellaneous items on the above works		9.44
Total				43.87

In accordance with the instructions of the Board, the verification of the unused balances of materials must invariably be made on the completion of work and steps taken to dispose of all surplus materials by transfer or sale. But the material rendered surplus on the completion (October 1984) of the above works had not been transferred or disposed of so far (September 1985).

7.03.5.3. Consumption of higher size material

It was noticed in test check in audit that for providing tubewell connections during the period 1980-81 to 1983-84, the material issued was of higher size despite the fact that there was comfortable stock of the requisite material, as per details given below :

Name of Division	Size as per estimates		Size issued		Quantity issued		Extra expenditure	
	Poles (Metres)	ACSR Conductor (SWG)	Poles (Metres)	ACSR Conductor (SWG)	Poles (Numbers)	ACSR Conductor (Kms).	Poles	ACSR Conductor
							(Rupees in lakhs)	
City Division Panipat	8	6/8	9	3	149	5.450	0.15	0.05
Operation Division Rewari	8	6/8	9	3	135	16.453	0.14	0.16
Operation Division Pehowa	8	6/8	9	3	167	55.771	0.17	0.56
Operation Division Palwal	8	6/8	9	3	109	9.455	0.11	0.09
Total							0.57	0.86

Reasons for use of higher size of material were awaited (September 1985).

7.03.6. Slow moving, non-moving and unserviceable items

7.03.6.1. A review of the store priced ledgers revealed that there were 463 items (value : Rs. 209.34 lakhs) of slow moving stores and 1,324 items (value : Rs. 89.87 lakhs) of non-moving stores and 929 items (value : Rs. 40.25 lakhs) of obsolete/unserviceable stores as on 31st March 1985 as per details given below :

Name of Central store	Slow moving items		Non-moving items		Obsolete/unservicable items	
	Number	Value	Number	Value	Number	Value
	(value in lakhs of Rupees)					
Rohtak	56	10.66	108	4.15	21	0.86
Panipat	158	1,64.87	148	10.46	316	10.35
Dhulkote	40	7.91	408	39.94	152	0.19
Hissar	95	5.77	130	1.93	49	2.65
Delhi	96	18.69	489	11.70	355	22.58
Ballabhgarh	18	1.44	41	21.69	36	3.62
Total	463	2,09.34	1,324	89.87	929	40.25

Out of 2,253 items of stores (value : Rs. 1,30.12 lakhs) declared non-moving and obsolete/unserviceable, the Board had initiated action for the disposal of only 454 items (value: Rs. 2.50 lakhs) so far (September 1985).

7.03.6.2. ACSR 'Panther' Conductor valuing Rs. 2.39 crores (1165.9 Kms.) procured in 1980-81 was consumed to the extent of 56 *per cent* valuing Rs. 1.32 crores (648.2 Kms.) only till the end of March 1985. As the Board has been operating on borrowed funds from commercial banks, the excess purchase of conductor has resulted in blockade of funds.

7.03.6.3. In order to meet the requirement of 33 KV works ng the year 1980-81, a tender enquiry for the purchase of 24 imum oil circuit breakers (MOCBs) was floated in July 1981. The ntity was increased to 56 numbers before the opening of tenders ake care of the requirement for the years 1981-82 and 1982-83. order for the purchase of 56 MOCBs was accordingly placed on arat Heavy Electricals Limited in February 1982 at an aggregate value Rs. 34.41 lakhs. The firm supplied 24 MOCBs during 1982-83. The ance 32 MOCBs (value: Rs. 19.66 lakhs) were also accepted during cember 1983 though sufficient MOCBs were available with the Board. MOCBs (value: Rs. 20.89 lakhs) were still lying unused in various res of the Board (February 1985).

3.7. Receipt of stores

Due to defective procedure followed for the inspection of supplies, Board in the following cases received defective/substandard material:

(i) Low transmission capacitors

Against the annual indent of shunt capacitors of various sizes . 1 KVAR, 5 KVAR and 7.5 KVAR for the year 1981-82 three rchase orders for each capacity were placed on a firm of Ahmedabad February/March 1981. While the order for supply of 7.5 KVAR shunt pacitors was subsequently cancelled, the supplies of 1 and 5 KVAR pacitors (value: Rs. 15.04 lakhs) were accepted by the Board without taining type test certificates from the firm. Besides the capacitors were so found not conforming to ISI specifications. Thus, the capacitors alue: Rs. 15.04 lakhs) of poor quality were purchased by the Board. hough most of the capacitors were issued to the field the Board did ot take steps to monitor their performance. The matter was also not ken up with the firm.

(ii) Insulators

The Board placed orders for purchase of 1.96 lakh disc insulators f various capacities valuing Rs. 164.81 lakhs on a West Bengal firm to meet the annual requirements during 1977-78 to 1980-81. These insulat when used, were found to be of substandard quality as per det below:

Capacity of insulators	Number of insulators damaged	Location where insulators installed	Remarks
EMS-9000 Kgs.	356	132 KV Dadri-Kosli line	Balls of d insulators shear off causing brea down of lir crossing benea them.
EMS-16500 Kgs.	48	220 KV Narwana-Hissar line	
EMS-16500 Kgs.	..	220 KV Panipat-Narwana line	Conductors, insu tors and fittin used in stringi of the lines we damaged conse uent upon t failure of t discs.

While the supplier replaced 8100 disc insulators (September 198 no claim for loss of Rs. 9.14 lakhs due to damaging of conducto and fittings in stringing of 220 KV Narwana-Hissar and 220 K Panipat-Narwana lines has been lodged so far (September 1985).

The supply of substandard discs was attributed by the Boar to:

—inadequate electro-mechanical tests due to non-availability c test facilities at the works of the suppliers and

—authorization of despatches without inspection.

(iii) M. S. channels

In July 1982 the Board issued 649.52 tonnes of mild steel billet for conversion into MS channels of size 75 × 40 mm against a jo der of July 1982. The firm utilized MS billets to the extent of 644.427 tonnes and supplied MS channels weighing 586.430 tonnes (value: Rs. 30.47 lakhs). Although the conversion of billets was carried out in the presence the Board's representative, the channels supplied by the firm were later found to be of substandard by Dhulkote workshop.

The matter was taken up with the firm in December 1982; further developments were awaited (September 1985).

03.8. Misappropriation. theft and shortages of material

7.03.8.1. In the cases mentioned below stores of an aggregate value Rs. 1.07 lakhs were found short in various central stores during the period 1973-74 to 1982-83. The amounts were debited to the miscellaneous public works advances against the respective officers/officials of the stores from time to time. Final outcome of the police investigation/departmental enquiries were awaited (September 1985).

Year	Name of store	Value of material found short (Rupees in lakhs)
1973-74	Delhi	0.14
1975-76	Dhulkote	0.13
1978-79	Panipat	0.19
1979-80	Ballabhgarh	0.32
1980-81	Sonepat	0.05
1982-83	Delhi and Yamuna-nagar	0.24
	Total	1.07

Reasons for delay in finalisation of these cases were awaited (September 1985).

7.03.8.2. The agewise break up of 2408 cases of thefts of mate on the operational lines valuing Rs. 62.52 lakhs and awaiting investiga as on 31st March 1985 is given below:

Period	Number of cases	Amount (Rupees in lak
Up to 3 years	519	9.61
3 to 5 years	735	14.17
5 to 10 years	841	28.50
Over 10 years	313	10.24
Total	2,408	62.52

These cases were at various stages of investigation by the Boa police (September 1985).

7.03.9. Non-rendering of accounts for material at site

As per instructions issued by the Board in January 1978, accour of the material drawn for sites are required to be rendered by the respecti technical subordinates within a period of two months from the date completion of such works.

The accounts for the material valuing Rs. 19,42.06 lakhs dra in respect of 569 works were yet (May 1985) to be rendered by t concerned officials as per details given below :

	Pending for the last 2 years		Pending for more than 2 yea	
	Number of works	Amount (Rupees in lakhs)	Number of works	Amount (Rupees lakhs)
Operation Wing (North)	116	1,77.66	27	65.14
Operation Wing (South)	88	1,65.86	36	75.64
Planning and construction wing	276	10,04.15	26	4,53.61
Total	480	13,47.67	89	5,94.39

Further seven officials, responsible for non-rendering of the accounts of the value of Rs. 22.78 lakhs were no more in service.

7.03.10. Inter-store transfer of material

Though the central stores and divisional stores had been set up at key points to cater to the requirements of the divisions, the inter-store transactions vis-a-vis average monthly issues were quite high during the four years ending 1984-85 as detailed below :

	1981-82	1982-83	1983-84	1984-85
		(Rupees in lakhs)		
(a) Average monthly inter-store transfers	2,71.35	2,67.03	1,54.86	1,36.37
(b) Average monthly issues other than inter-store transfers	4,20.13	3,71.78	2,91.00	2,71.72
(c) Percentage of average monthly inter-store transfers to average monthly issues	64.6	71.8	53.2	50.19

The inter-store transfer of stores involves expenditure on transportation which could be avoided by reducing such transfers. The transportation charges on inter-store transactions during the four years up to 1984-85 at an average rate of 2 *per cent* (as estimated by the Board) worked out to Rs. 65.12 lakhs, Rs. 64.08 lakhs, Rs. 37.17 lakhs and Rs. 32.73 lakhs respectively. This could have been avoided to a considerable extent had the requirements of materials for each division been realistically assessed and inter-store transfers regulated.

At the end of March 1985 transfer of stores valued at Rs. 43.03 lakhs was yet to be accepted/adjusted in the accounts by the receiving stores.

7.03.11. Disputed/defective supplies

At the end of March 1985, 35 consignments valuing Rs. 21.79 lakhs could not be taken on books in 9 central/divisional stores due to receipt of material in damaged condition, substandard quality and short supply.

The Board's purchase regulations provide that the concerned suppliers are responsible for removing the defective supplies within 45 days from the date of issue of notices in respect thereof. However, 28 consignments valuing Rs. 7.14 lakhs were rejected by the Board as the supplies were defective and were awaiting replacement by the suppliers for more than three years. Further in 11 cases (out of 35 cases) involving Rs. 9.80 lakhs the Board had not obtained any bank guarantee and full payment was made to the suppliers.

7.03.12. Recoveries in respect of 'HIGH SEAS' consignments

(a) For the import of various sections of steel on high seas basis from U.K., Japan and Korea through Steel Authority of India Limited (SAIL), a detailed purchase order was placed in December 1981. Prior to this, four irrevocable letters of credit were opened in favour of the supplier. The shipping documents after negotiation by the bank were to be delivered to the clearing agent appointed by the Board. The payment was to be made on invoice value based on the weight indicated on the foreign supplier's invoice.

Although, the supplies against the order had been completed (May 1983) the Board was not in a position to reconcile the payments made and the value of material received. However, a test check in audit (May 1984) of the statement of quantity invoiced and received at destination revealed that there was shortlanding of 182.780 tonnes of steel valuing Rs. 5.87 lakhs. Besides, a sum of Rs. 11.11 lakhs (freight charges : Rs. 6.31 lakhs; port charges excess paid: Rs. 0.36 lakh; wrong invoicing of documents: Rs. 2.93 lakhs ; freight paid on material received on behalf of other Boards: Rs. 1.25 lakhs and amount excess paid against consignment of deformed bars: Rs. 0.26 lakh) was still recoverable from the SAIL (September 1985).

(b) Against the various orders for the supply of steel through SAIL, advances for Rs. 49.44 lakhs were made during November 1979 to September 1982. Despite the fact that the supply orders had either been executed or become time-barred due to expiry of their delivery period, advances to the extent of Rs. 26.76 lakhs remained unadjusted (September 1985). In addition, an amount of Rs. 1.59 lakhs which was recoverable since August 1980 on account of freight paid on behalf of SAIL has not been claimed so far (September 1985).

7.03.13. Payment of demurrage/wharfage charges

On receipt of documents and intimation from the bank, demanding specific sum for release of documents, the Central Payment Cell of the Board processes the cases and where the contractual formalities are complete, makes payments and gets the documents released. After the documents are retired from the bank these are sent to the concerned consignees for taking delivery of the consignments from the railways/goods transport companies.

It was noticed during test check in audit that during the past four years ending up to 1984-85 there had been delays in the retirement of documents from banks. Consequently, the Board had to incur demurrage and wharfage charges to the extent of Rs. 85.68 lakhs.

The Central Payment Cell recommended to the Board in May 1982 to approach the railway authorities to waive off the demurrage/wharfage charges and to allow refund of the demurrage/wharfage charges already paid on the ground that the delays in obtaining delivery of different consignments were due to *force majeure* reasons, *viz.*, non-availability of funds with the Board.

The Whole-Time-Members of the Board in January 1984 decided that a Committee comprising Chief Engineer (MM), Controller of Stores and Chief Auditor should process the cases and make recommendations for writing off demurrage/wharfage to the Board on merits after every fortnight. However, there was no further reporting to the Board so far (September 1985).

7.03.14. Other points of interest

7.03.14.1. Central Store, Dhulkote

As per practice prevailing in the Central Stores, only 10 *per cent* drums of conductors of various sizes are measured/checked in store and the balance material taken on stock on the basis of invoice. In case any shortage is noticed in such drums then other drums are also checked. The Controller of Stores in April 1983 asked all the Executive Engineers who received consignments against the purchase order for the supply of 1,150 kms. of 'Panther' conductor placed in June 1980 with a firm of Kundli (supplies completed by September 1981) for joint inspection. The joint inspection carried out in September 1983 at Dhulkote revealed an average shortage of 7.66 metres in each drum. The inspection at Panipat revealed an average shortage of 10.3 metres per drum.

Based on the average shortage ranging between 6.20 metres to 10.30 metres noticed in 5 stores, the overall shortage works out to 4,803.74 metres amounting to Rs. 0.82 lakh.

The recovery for the shortages was yet to be claimed (September 1985).

7.03.14.2. Central Srore, Delhi

In order to facilitate transportation of heavy machinery/equipment required for the operation/maintenance of 220 KV Grid Sub-station, Delhi a railway siding was constructed in the precincts of Shakurbasti Power House, Delhi in June 1953 at a cost of Rs. 2.44 lakhs. As per agreement with the Railways, the Board was liable to pay annual railway siding charges in the shape of interest on the capital investment made by Railway (Rs. 1.02 lakhs). The maintenance charges were fixed by Railways from time to time.

In May 1967, the Grid Sub-station was taken over by the Bhakra Management Board (BMB), the maintenance and interest charges on railway sidings were continued to be borne by the Board. The Board had not been able to make much use of the railway siding as would be evident from the fact that during the three years up to 1984-85 there was no transaction of heavy materiel excepting 2 rakes of MS billets which ere received in February 1982. The Board, however, had incurred an xpenditure of Rs. 6.66 lakhs (from July 1965 to December 1985) on the ontinued retention of railway siding. Since the railway siding was consiered to be of no use any longer its dismantlement was under consideraon of the Board (September 1985).

.03.14.3. Central Store, Hissar

(a) An order for the supply of three transformers 50 MVA rating long with accessories and oil was placed (December 1978) on a firm f Kerala. As per conditions of the purchase order, the cost of the ansformer included the price of accessories and oil. The documents for vo transformers (without accessories and oil) despatched in December 980 were retired in February 1981. The firm through the invoices, allowed *d hoc* deductions of Rs. 3 lakhs for each transformer for non supply f accessories and oil. The third transformer was despatched on 9th Iarch 1981, the documents of which were released on 3rd April 1981. gainst this also the firm allowed *ad hoc* deduction of Rs. 3 lakhs for on supply of accessories and oil. Subsequently the firm despatched ansformer oil and accessories through two different consignments in July/ ugust 1982 but their delivery was not taken immediately by the Board uthorities on the plea that they had already made the payment of oil ong with the payment of transformer although no payment on this ccount had actually been made to the firm. Ultimately the delivery f accessories and oil was taken in February-March 1983, entailing ayment of demurrage and wharfage charges of Rs 5.47 lakhs. Besides his, a shortage of 6,615 litres of oil valuing Rs. 0.96 lakh was also noticed. his shortage was pointed out to the firm for lodging a claim with the nsurance company. But the claim was not entertained in the absence of shortage certificate from the Railways who refused to issue the same ecause the material had been lying for more than six months and the laim had become time barred.

The firm had also turned down (June 1983) the claim for shortage of oil.

(b) Against the purchase order placed in December 1978 with a irm of New Delhi for the supply of 227 insulators (value: Rs. 24.33

lakhs) they were received during April-December 1980. On receiving the consignment, the material was not physically checked for a long time, as the slips showing the details of accessories were washed away during rains. In August 1981, the material was physically checked and as a result 13 insulators (value : Rs. 0.27 lakh) were found damaged. The firm, when approached (August 1981) refused to own the liability on the plea that shortage/damages were required to be reported within 30 days In addition, the claims for further shortages and breakages in 220 KV insulators and switches forming part of the above supplies were also turned down on the same ground. The total loss on these shortages worked out to Rs. 0.54 lakh.

No responsibility for the loss had been fixed (September 1985).

7.03.15. Summing up

As on 31st March 1985 there were 6 central stores and 20 divisional stores under the administrative control of Controller of Stores for exercising financial as well as quantitative control over them. A test check in audit of various stores revealed the following :

(1) The value of inventories held at the close of each year had been disproportionate to the value of works executed during the three years ending 1984-85 and the percentage of inventories ranged from 94.[illegible] *per cent* to 143.4 *per cent*.

(2) The Board had not fixed stock limits for central/divisional stores so far. No reconciliation of priced stores ledgers with the financial books had been done. The Board had 463 items valuing Rs. 2,09.34 lakhs of slow moving stores and 1,324 items valuing Rs. 89.87 lakhs of non-moving stores and 929 items valuing Rs. 40.25 lakhs of obsolete/unserviceable stores (March 1985).

(3) At Construction Division, Faridabad meterial worth Rs. 43.87 lakhs had been lying unutilised since September 1983.

(4) In four Divisions, the material issued was of higher size resulting into extra expenditure of Rs. 1.43 lakhs.

(5) Shortages and excesses noticed during physical verification of stock from 1981 to 1985 amounted to Rs. 1.84 lakhs and Rs. 46.53 lakhs respectively.

(6) ACSR Panther conductor valuing Rs. 2.39 crores (1,165.9 Kms.) procured in 1980-81 could be consumed (March 1985) to the extent of 56 *per cent* only (value : Rs. 1.32 crores).

(7) The materials like L. T. capacitors (Rs. 15.04 lakhs) and insulators (Rs. 1,64.81 lakhs) were found below standard due to defective procedure followed in inspection.

(8) MS Channels received (after conversion of billets) valuing Rs. 30.47 lakhs were found substandard.

(9) Shortages of material (value: Rs. 1.07 lakhs) at various central stores pertaining to 1973-74 to 1982-83 and shortages on lines (2,408 cases value: Rs. 62.52 lakhs) on account of thefts of materials were awaiting adjustments/finalisation (September 1985).

(10) The accounts for the material valuing Rs. 1,942.06 lakhs drawn in respect of 569 works were yet (May 1985) to be rendered by the concerned officials.

(11) Inter-store transfers of stores involved avoidable expenditure on transportation to the extent of Rs. 65.12 lakhs, Rs. 64.08 lakhs, Rs. 37.17 lakhs and Rs. 32.73 lakhs in 1981-82, 1982-83, 1983-84 and 1984-85 respectively.

(12) In 35 cases involving Rs. 21.79 lakhs as on 31st March 1985 the material had not been taken on books as the same had either been received short or in damaged condition.

(13) Board paid a sum of Rs. 85.68 lakhs during the four years ending March 1985 as demurrage/wharfage for late retirement of documents from the railways.

The review was reported to Government in August 1985 ; reply was awaited (September 1985).

7.04. Premature purchase of cranes.

One 210 MW unit under stage-III of the Panipat Thermal Power Project was initially planned (April 1980) to be commissioned in December 1984. As per the initial PERT network, the order for two

115/25 tonnes electric overhead travelling cranes (EOT cranes) for faci-litating erection of turbo generator/boiler *etc.*, as well as future operatio and maintenance of the unit, was to be placed by January 1982. Mean while the Central Electricity Authority after taking stock of progress o work at the time of finalisation of the Annual plan for 1982-83 fe (November 1981) that the commissioning of the unit was expected no earlier than December 1985.

In spite of the delay in execution of the project, the project authoriti placed an order (March 1982) for the supply, erection, testing and com-missioning of two 115/25 tonnes EOT cranes at Rs. 73.79 lakhs (ex-cluding taxes) on a Bombay based firm. Both the cranes includin accessories and spares which were scheduled to be delivered, erecte tested and commissioned by May 1983 were deferred till October 198 Even the revised commissioning schedule of the unit by December 198 was considered (March 1983) doubtful by the Planning Commission an the same was further revised to December 1986. The cranes were ult-mately received in October 1983 and payments aggregating Rs. 73.1 lakhs were made during July 1982 and December 1983 to October 198 The firm has, however, lodged (October 1984) a claim for Rs. 19.2 lakhs on account of interest and storage charges for delays in autho-rising despatch and payments.

Thus, failure of the project authorities to correlate the purchase c cranes with actual progress of works and availability of funds ha resulted in premature procurement of EOT cranes resulting in blockade c Board's scarce funds to the tune of Rs. 73.17 lakhs. The cranes pro-cured in October 1983 are not likely to be used, for a considerabl period, even after December 1985 in view of the assessment of the Plan-ning Commission (November 1983) that the commissioning of the un would be feasible by 1987-88.

The matter was reported to Government in August 1985; repl was awaited (September 1985).

7.05. Damage to generator stator

The manufacturer's operation and maintenance manual recommende that in order to have reliable and economical operation the turbo-gener-ator set (T. G. set) of a thermal unit should be subjected to inspectio owards the end of the guarantee period of one year to detect any defects. f no defect is found, the same may be run for a period of 2 to 3 ears and then a major overhaul must be undertaken.

The T. G. set of unit-II (110 MW) of Panipat Thermal Power Station which was in operation since the date of commissioning (March 1980) was shut down for the first time for major overhauling on 21st July 1983. The work of overhauling of the turbo-generator set was awarded (26th July 1983) to Bharat Heavy Electricals Limited (BHEL) at a negotiated lump sum contract of Rs. 43 lakhs.

Even after the completion of the major overhaul, the unit did not function properly and it tripped which was attributed to the fault in generator. The work of repair of the generator was also entrusted to BHEL (November 1983). The unit was recommissioned and loaded on 1st February 1984.

In view of the divergent views taken by the Board and the BHEL in regard to cause of damage to stator and cost of repairs, the Central Electricity Authority to whom the matter was referred (December 1983) appointed a commitee (March 1984) which in its report (September 1984) pointed out that if the annual overhaul of the generator as recommended in BHEL operation and maintenance manual, had been carried out, the loosening/breaking of the bindings could have been detected earlier and necessary tightening/replacement effected.

The committee also pointed out that the contract for major overhauling was defective as it did not define the responsibility of the BHEL for proving the quality of the work done by them by way of individual tests on equipment as well the overall performance of the unit after maintenance which was essential in this type of contract involving large number of items of equipment and systems and recommended that this should be borne in mind in awarding future contracts.

In consequence, the Board suffered loss of generation of power to the extent of 142.56 Mkwh valuing Rs. 551.28 lakhs during the period from 3rd November 1983 to 31st January 1984 besides an avoidable expenditure of Rs. 14.35 lakhs on transportation of the damaged stator to BHEL works at Hyderabad and back. Further, a claim for Rs. 98.33 lakhs, preferred by BHEL towards repair of stator, was still pending in arbitration (September 1985).

The matter was reported to Government in July 1985; reply wa awaited (September 1985).

7.06. Infructuous expenditure on construction of line

In order to meet the increased demand of load at Panchkula an its surrounding areas, the board took up (February 1982) the construc tion of 66KV single circuit transmission line at an estimated cost c Rs. 18.45 lakhs. 55 out of 89 towers of the transmission line were t be erected in Chandigarh (U. T.) area. Though an alignment of the lin was agreed (April 1978) by Chandigarh Administration, their statutor approval in writing under Section 51 of the Indian Electricity Act, 191 was not obtained before construction of towers and laying of th transmission line.

When the work of erection of 58 towers at a cost of Rs. 26.3 lakhs had been completed (December 1983), the Chandigarh Administ ration while pointing out (December 1983) that the route of this lin would come in conflict with the planning of their area suggested (June 1984) that the Board should either re-route the overhead line in Haryana territory or use underground system of laying the line in the former's area measuring six kilometres. The later proposal was not accepted by the Board in view of the enormous cost involved. However, the Boarc agreed (June 1984) that this line would be dismantled by November 198 after its completion and energisation in order to meet certain urgen requirements. The dismantling of this line was to be done at the cos of the Board after erecting another 66 KV line independently througl its own territory.

The Board constructed 75 towers (Haryana territory: 28 towers Chandigarh Administration area: 47 towers) and completed stub-settin of another six towers till July 1984 at a cost of Rs. 43.35 lakhs an then found impracticable to complete the line immediately and dismantle i (November 1984). The transmission line was, therefore, re-routed throug Haryana territory by utilising only 12 towers constructed in Haryan territory and the remaining 63 towers had to be dismantled. The stub setting of 69 towers could not be dismantled as it was found uneconomi cal. The re-routed transmission line was energized in January 1985.

Thus, due to delay of about 5 years in construction of the line, ilure to seek prior statutory approval of Chandigarh Administration and cquire land before its construction, the Board had to incur an infructuous xpenditure of Rs. 10.60 lakhs (labour: Rs. 7.61 lakhs ; sundries: Rs. 0.16 akh; transportation Rs.0.64 lakh and stub-setting of 69 towers;Rs.2.19 lakhs). esides, the Board incurred an expenditure of Rs. 0.41 lakh on dismantle-ent of towers (May 1985). Information about the action taken against he officials at fault was still awaited (September 1985).

The matter was reported to Government in July 1985 ; reply was waited (September 1985).

.07. Damaged transformers

An order for the purchase of seven power transformers valuing Rs. 71.58 akhs was placed on a New Delhi firm in January 1981. As per the terms nd conditions of the purchase order the firm was required to replace free of ost, the whole or any part of the material which in the course of normal and roper use proved defective in quality or workmanship provided the defect vas noticed within 12 months from the date of material was received or 18 nonths from the date of its despatch whichever was earlier.

Of the seven transformers, five transformers valuing Rs. 51.13 lakhs upplied by the firm during August 1981 and commissioned during December 982 to January 1984 were damaged within a short period of 4 to 11 months of their commissioning. The damage was attributed (June 1984) by the Superintending Engineer of the Board to manufacturing defects, but the firm disowned (May 1984) any liability on the ground that the warranty period had already expired and that the transformers were damaged due to considera-bly long improper storage and non-observance of the firm's instructions during their commissioning. The Board decided (February 1985) to get the damaged transformers repaired from the firm on cost-sharing basis.

Accordingly, four transformers were despatched (October to December 1984) at a cost of Rs. 0.67 lakh to the Bombay works of the firm for repairs; the fifth transformer was held back on the advice of the firm.

The firm repaired two transformers at a cost of Rs. 1.86 lakhs to be borne by the Board and submitted (July 1985) test certificates for approval and issue of despatch instructions by the Board. The firm stated that the repairing of the remaining three damaged transformers would be taken u– immediately after the successful commissioning of the two repaired trans formers and their observance for a fortnight.

Had the transformers been commissioned immediately after thei receipt, the Board could have availed the benefit of free repairs/replacemen by invoking the warranty clause thereby saving the extra cost of repairs and transportation charges.

The Board attributed (January 1985) the following reasons for delay in installation of transformers to :

(i) lack of planning in fixing priorities for installation of transformers and

(ii) non-receipt of related material from other firms.

The matter was reported to Government in August 1985; reply was awaited (September 1985).

7.08. Misappropriation of cement

An order for supply of 1,200 tonnes of cement (at Rs. 760 per tonne f.o.r destination) was placed by the Board on a cement Company of Kota (through D.G.S. & D.) in January 1984. The cost of cement was to be adjusted against the outstanding amount of Rs. 9.03 lakhs lying with the D.G.S. & D. since November 1983 due to cancellation of an earlier supply order. The cement was to be supplied by goods train to the Board by April 1984. But the supplier informed (February 1984) the Board to make alternative arrangements for lifting of cement since the railways were reluctant to supply wagons on piece meal basis. Accordingly, the work of transportation of 500 tonnes of cement by road from Kota to Panipat was allotted (at Rs. 180 per tonne) to transporter 'A' in February 1984. Although the transporter lifted only 50 tonnes of cement up to April 1984 yet the Board did not take any action to get the work executed by another transporter at his risk and cost as per the terms of the work order. Subsequently, the tansporter lifted a further quantity of 284 tonnes of cement during May-July 1984 but delivered to the Board only 208 tonnes of cement (out of total quantity of 334 tonnes lifted) till January 1985. A report against the transporter regarding misappropriation of 126 tonnes of cement was lodged (May 1985) with the police after a lapse of more than 9 months of date of lifting of last consignment of cement by him. However, the transporter further livered 30 tonnes of cement (value: Rs. 0.23 lakh) during June-July 1985 ereby reducing the quantity of undelivered cement to 96 tonnes (value: s. 0.73 lakh).

The results of police investigation were awaited (September 1985).

Similarly another transporter 'B' to whom the work of carrriage of 00 tonnes of cement from Kota to Dhulkote (at 31 paise per Km. per nne) was allotted (February 1984) lifted only 249 tonnes of cement up April 1984. But prompt action was not taken to get the remaining work ecuted from another transporter at the risk and cost of transporter 'B'. evertheless, another quantity of 151 tonnes of cement was lifted by him July 1984. Out of a total quantity of 400 tonnes of cement lifted by e transporter only 351 tonnes of cement was delivered by him to the oard besides the cost of 2 tonnes of cement was recovered from him against 00 tonnes of cement lifted by him. However, report against the trans-orter regarding misappropriation of balance quantity of 47 tonnes of ement (value: Rs. 0·36 lakh) was lodged (March 1985) with the police fter the lapse of more than 7 months of the lifting of last consignment f cement by him. The results of police investigation were awaited eptember 1985).

The transporter 'B' to whom the work of carriage of 300 tonnes f cement from Kota to Rohtak was also allotted in February 1984 was till (July 1985) withholding 15 tonnes of cement (value : Rs. 0.11 lakh) ut of total quantity of 186 tonnes of cement lifted by him. Action taken o recover this quantity was not intimated to Audit.

The Board paid a total amount of Rs. 0.79 lakh on transportation f 760 tonnes of cement which was recoverable from the cement Company s the supply of cement was f.o.r. destination. Further a sum of Rs. 2·04 akhs, lying with D.G.S. & D. since November 1983 was recoverable due o non-lifting of full contracted quantity of 1,200 tonnes of cement. Be-ides, due to inordinate delay in lodging reports with the police, 158 tonnes f cement valuing Rs. 1·20 lakhs also could not be recovered from the wo transporters. No responsibility for the lapses has been fixed by the Board (September 1985).

The matter was reported to Government in August 1985; reply was waited (September 1985).

7.09. Purchase of damaged conductor

Six orders for the purchase of 1,275 Kms. of ACSR Zebra conduc tor (value: Rs 4,13.02 lakhs) for laying 220 KV transmission lines wer placed, between July 1979 and June 1981, on the five firms. The purchas orders provided that the conductor would be inspected by the Board representative at the firms' works and test certificates approved before it despatch. The firms supplied 973.535 Kms. of conductor up to Marc 1985 on the basis of inspections carried out by Board's representatives 10 *per cent* of the conductor (drums) selected at random. 790.898 Km of conductor was taken on books (October 1979—December 1984) by th Divisional Store, Narwana on the basis of the inspection reports due t lack of proper measuring arrangements. Out of this, 9.460 Kms. of conducto (value: Rs. 3.14 lakhs) received at Narwana during May—September 198 (4.417 Kms.) and January—March 1982 (5.043 Kms.) was found i damaged condition at the time of its installation (July 1982) and wa returned to store in the form of scrap during October 1983.

As per the purchase regulations of the Board, material found defective in quality or workmanship, within the warranty period should be promptl brought to the notice of the suppliers. In this case the warranty period fo 4.417 Kms. of conductors (value: Rs. 1.27 lakhs) had expired (May—Septembe 1981) while in respect of 5.043 Kms. of defective conductor (value : Rs. 1.8 lakhs) the Board approached the suppliers only on 18th March 1983, afte expiry of warranty period (January—March 1983) for free replacement. Th firms declined to make replacement on the ground that there was no proo that the damaged conductor was supplied by them.

The Controller of Stores, Hissar stated (January 1985) that no firm could be held responsible in the absence of proof of the source of suppl of damaged conductor as the wooden drums having the markings of th firms were not preserved by the construction staff.

Thus, failure on the part of the Board, to physically verify the conduc tor at the time of receipt at Divisional Store, Narwana, preserve wooder drums having markings of the firms in the case of defective conducto and issue notices to suppliers regarding damage of 5.043 Kms. withi warranty period, had resulted in loss to the extent of Rs 3.14 lakhs to the Board.

The matter was reported to Government in April 1985; reply was awaited (September 1985).

.10. Incorrect computation of load

As per instructions of the Board, the actual requirement of load of the prospective consumer should be carefully estimated by personal visit of the Line Superintendent to the premises where the electric connection is required.

Firm 'Y' requested (July 1979) for a connected load of 95·973 KW which was verified by the Line Superintendent and a medium supply connection was released in August 1979.

It was noticed in Audit (February 1985) that the total load of different apparatuses mentioned in the test report actually worked out to 117.276 KW instead of 95·973 KW. As such, the consumer was required to be released a large supply connection and not a medium supply connection. The incorrect application of tarrif resulted in under-billing to the consumer to the extent of Rs. 0.61 lakh during the period from September 1979 to January 1985. The amount was yet to be recovered from the consumer. No responsibility for the lapse has been fixed by the Board so far (September 1985).

The matter was reported to Government in June 1985; reply was awaited (September 1985).

7.11. Non-clubbing of connections

Under the tariff schedule for supply of energy to industrial consumers, the rates applicable to consumers having connected loads exceeding 20 KW (medium supply) and 100 KW (large supply) are higher than the rates applicable to consumers having connected loads not exceeding 20 KW (small power supply) and 100 KW (medium supply). Similarly, the rates of electricity duty applicable to consumers having connected loads exceeding 20 KW and 1000 KW are more than the rates applicable to consumers having connected loads not exceeding 20 KW and 1000 KW. To avoid loss to the Board due to application of lower tariff rates in the case of above categories of consumers having more than one connection in the same premises, the Chief Engineer (Operation) issued instructions in January 1981 to club all such cases after three months' notice. These instructions were reiterated in July 1981 and June 1983. Besides, the Chief Electrical Inspecto to Government of Haryana also stressed (February 1984) the need for lev of electricity duty on the basis of total connected load of different industri connections subsisting in the same premises to avoid loss of revenue t the State Government.

It was noticed during test audit that in six sub-divisional offices a Faridabad, Nuh, Ellanabad, Panipat and Sonepat the connected loads o 14 consumers were not clubbed for billing and the Board suffered consequential loss of revenue of Rs. 2.84 lakhs during April 1981 to Jun 1985 besides loss of Rs. 4.22 lakhs to the State Government on accou of electricity duty.

The matter was reported to Government in August 1985; reply wa awaited (September 1985).

7.12. Loss of revenue

As per tariff schedule supply at a single point is to be metered an billed individually. In the case of Haryana State Minor Irrigation (Tube wells) Corporation Limited (HSMITC) at certain places, although tubewe connections had been given by the field staff individually these were no provided with separate independent meters. In such cases the billing fo supply of power to the Company's tubewells from exclusive feeder was to b based on the reading of 'central meter' installed at the grid sub-statio In August 1982, the Board decided to allow 7 *per cent* rebate towards lin losses if the metering on the exclusive feeder had been done by a 'centra meter'. The decision *inter alia* provided for the recasting of the pas accounts on the above basis.

A test check in the audit of the records of suburban Sub Division, Tohana where 'central meter' for supply of energy from exclusiv feeder to the Company's tubewells had been installed, revealed that the billin for energy for the period from April 1981 to September 1983 was based o the statement of units consumed as furnished by the Company instead o on the basis of the 'central meter' reading. Wide variations between th units chargeable and those actually charged were noticed in audit. Afte allowing 7 *per cent* rebate towards line losses on the units consumed as pe recording of the 'central meter' there was under-billing of energy charges to the extent of Rs. 5.90 lakhs for the period from April 1981 to September 1983 in suburban Sub-Division, Tohana. The amount of under-billing has not been recovered by the Board so far (September 1985).

The matter was reported to Government in May 1984; reply was awaited (September 1985).

7.13. Loss due to delay in checking of meters

Under the provisions of the sales manual of the Board, as amended in April 1971, the sub-divisional officer, maintenance and protection sub-division, is required to check all meters including CT/CT-PT connected meters of large/medium supply consumers (above 70 KW) once in every six months.

It was noticed in the case of two large supply consumers that checking of the meters was carried out only after lapse of 18/19 months. During the course of checking (December 1983-June 1984) energy meters were found running 8.76 to 69.5 *per cent* slow. Under the terms and conditions of supply of power, the Board could raise and realise the additional demands on the cousumers only for a period of six months preceding the dates of checking. Thus, due to delay in checking of the meters the additional demands for the period 12/13 months on account of slow running of meters could not be raised. This resulted in a loss of revenue of Rs. 1.17 lakhs (power charges : Rs. 0.94 lakh; electricity duty : Rs. 0.23 lakh).

At the close of March 1985, out of 2,604 meters in respect of large/medium consumers required to be checked, the Board was yet to check 311 meters. No responsiblity for the loss of revenue and delay in checking of the meters has been fixed by the Board so far (September 1985).

The matter was reported to Government in July 1985; reply was awaited (September 1985).

7.14. Release of unauthorised connections

As per the standing instructions of the Board, connections to the agricultural consumers are released in order of seniority to be fixed on the basis of the date of receipt of applications for connections and test reports. The connections are released on the basis of service connection orders (SCO) issued by the Sub-Divisional Officer and the entries to thi effect are also made in the consumers ledger for the purpose of issue o energy bills.

162 un-metered agricultural connections were found (August 1981 released unauthorisedly during March 1980 to July 1981 in Operation Sub-Division, Rania for which the SCOs were shown as issued in July-Augus 1981. The Board's Officers/Officials drew material from stores by recording false certificates that the material would be used for release o connections where test reports had been received up to February 1980 though in all these cases the test reports had been received after Februar 1980. Based on the investigations into the unauthorised issue of connections by a team of officers of the Board in August 1981, a total amoun of Rs. 5.39 lakhs was debited on account of energy charges for the period up to July-August 1981 to these 162 consumers during Novembe 1981 to July 1984. Of this, a sum of Rs. 1.06 lakhs has been recovered from the consumers and the recovery of the balance amount of Rs. 4.3 lakhs (103 cases pending in courts or under arbitration : Rs. 3.60 lakhs 35 connections subsequently disconnected : Rs. 0.73 lakh) was yet to be made (April 1985).

The Chief Engineer (Operation) issued (June 1984) instructions tha a special drive to detect unauthorised connections and theft of energy be launched for a period of 10 days in all circles by constituting checking squads of Executive Engineers/Sub-Divisional Officers in their respective areas and a consolidated report submitted for the information of the Board by 30th June 1984. The results of the special drive were awaited (September 1985).

The matter was reported to Government in June 1985 ; reply was awaited (September 1985).

7.15. Unnecessary provision of breathers in transformers

The Board took up (August 1971) the manufacture of distribution transformers having 40 KVA, 63 KVA and 100 KVA rating based on the design developed and supplied by the erstwhile Research and Development Organisation for Electrical Industry, Government of India (subsequently merged with Bharat Heavy Electricals Limited). The transformers manufactured as well as repaired by the workshop are fitted with breathers for cooling the transformers and avoiding moisture coming into contact with transformer oil. The specifications of the Rural Electrification Corporation (REC) do not envisage provision of breathers in distribution transformers up to 100 KVA rating. The REC had also laid down that breathers already provided in transformers (up to 100 KVA rating) should be removed and a wire gauge fixed at the end of the breather pipe. Even as per Indian Standard Specification, adopted by the Board, the breathers are not required to be fitted on transformers of 40 KVA rating and below. Contrary to this, the Board had been using breathers on 40 KVA transformers which could have been dispensed with. This would have avoided unnecessary expenditure of Rs. 0.64 lakh on breathers replaced during April 1976 to March 1985.

The matter was reported to Government in August 1984; reply was awaited (September 1985).

7.16. Excess payment to daily wage workers

According to the standing instructions of the Board, the unskilled workers are to be paid at the rates fixed by the respective Deputy Commissioner of the districts from time to time. The Board in April 1983 reiterated that the daily wage workers except those employed on the construction or maintenance of roads or in the building operation will continue to be paid at the rates fixed by the Deputy Commissioners of the districts concerned.

During test-check in audit of the records of grid construction division, Panipat, it was observed (July 1983) that the unskilled daily wage workers were paid at Rs. 13 per day for the period from November 1982 to February 1983 against the rate of Rs. 10 per day fixed by the Deputy Commissioner for this category of workers. This resulted in an excess payment of Rs. 1.75 lakhs.

The executive engineer, Panipat sought (May 1983) the advice of the superintending engineer, Karnal regarding recovery of the excess payment. Neither the recovery of the excess payment was made nor responsibility for the lapse fixed by the Board so far (September 1985).

. The matter was reported to Government in June 1984 ; reply was awaited (September 1985).

7.17. Construction of quarters

The sub-divisional officer, (civil works) Sirsa took up (June 1980) the construction of 24 staff quarters at Dabwali for the staff of 132 KV sub station. These quarters were completed in November 1981 at a cost of Rs. 11.96 lakhs. However, the quarters could not be allotted as the sub-station, for whose staff these quarters were constructed, was completed, energised in June 1984 and drinking water and sewerage facilities were provided only in January 1985. The table given below indicates the position of allotment of quarters :

Period of allotment	Number of quarters allotted
(i) September 1984 to February 1985	5
(ii) April to June 1985	11
(iii) Used for storage of cement	3
(iv) Quarters lying vacant	5

Owing to lack of planning and co-ordination in the construction of staff quarters, completion/energisation of sub-station and delay in providing drinking water and sewerage facilities, the Board's funds amounting to Rs. 11.96 lakhs remained locked up for more than four years.

The matter was reported to Government in April 1985 ; reply was awaited (September 1985).

7.18. Non-utilisation of battery

An order for supply of 12 numbers of 220 Volts DC batteries (value : Rs. 4.78 lakhs) was placed on a Bangalore firm in March 1971. As per the delivery schedule the material was to be supplied by November 1971 but subsequently it was extended up to August 1973 due to delay in inspection and issue of despatch instructions by the Board. One of these batteries (value: Rs. 0.40 lakh), which was to be installed at 132 sub-station, Pehowa, was received late (July 1973). The sub-station was, therefore, commissioned (September 1972) after installing a battery diverted from other sub-station. The battery thus rendered surplus was not allocated to any other sub-station and is still lying in Pehowa sub-station (June 1985).

The sub-divisional officer, construction sub-division (transmission line) Rohtak, visited (June 1983) Pehowa sub-station to collect the battery for use on works under his charge observed that the battery had damaged due to prolonged storage. Though a period of 2 years has further elapsed, no action has been taken by the Board authorities for utilisation/ disposal of the battery.

Thus, due to non-utilisation of the battery Rs. 0.40 lakh have remained locked up for more than 13 years apart from damage to the battery due to prolonged storage. No responsibility for the lapse has been fixed by the Board so far (September 1985).

The matter was reported to Government in July 1985; reply was awaited (September 1985).

7.19. Avoidable payment of compensation

Section 94 of the Motor Vehicles Act, 1939 requires all vehicles to be insured against third party risk unless exemption under sub-section (3) of the Act has been granted by Government.

On 27th September 1982, a truck which was being plied without insurance cover since July 1980 met with an accident with a tonga resulting in the death of the tonga driver and a boy, apart from causing injury to two passengers of the tonga and a cyclist.

The Accident Claim Tribunal found that the accident was caused due to rash and negligent driving by the driver of the truck and awarded to the claimants (November 1983-March 1984) compensation aggregating Rs. 0.81 lakh besides proportionate costs and interest from the date of institution of petition till the actual payment. Accordingly, an amount of Rs. 0.89 lakh (including costs and interest) was paid by the Board to the claimants during February and November 1984. Another sum of Rs. 0.06 lakh (on account of additional interest and cost) under the orders of the Tribunal was deposited by the Board with it in May 1984.

Owing to Board's failure to adhere to the mandatory provisions of law, it had to bear an avoidable expenditure of Rs. 0.95 lakh on payment of compensation. In spite of instructions (May 1984) from the Secretary (Legal Cell) of the Board, no action had been taken to fix any responsibility for the loss caused to the Board and for the recovery of the amount from the defaulting officials (September 1985).

The matter was reported to Government in April 1985; reply was awaited (September 1985).

7.20. Loss of cash

According to the instructions issued (May/July 1973) by the Board, cash above Rs. 0.50 lakh should be carried by the cashier in Board's vehicle with police escort. The official posted on the job is also to be held responsible for any loss sustained by the Board due to his negligence.

On 31st October 1984, the cashier of commercial-II, sub-division, Faridabad was deputed to bank for encashment of a cheque for Rs. 1.21 lakhs on account of salary/travelling allowance bills of the staff. No police escort was, however, provided to the cashier as per the instructions of the Board. The cashier was instructed by the sub-divisional officer to wait in the bank for the Board's vehicle which had been deputed for returning dismantled material valuing Rs. 67 to the central store, Ballabgarh. But the cashier did not wait for the arrival of the vehicle and instead left the bank after encashing the cheque. When he had placed the money in the basket of his scooter some miscreants reportedly diverted his attention and ran away with the cash. Report was lodged with the police on the same day.

The executive engineer, operation division, Faridabad who conducted the investigation (November 1984) held that the cashier who showed utter negligence and complete disregard to the Board/sub-divisional officer's instructions in bringing heavy cash from the bank was responsible for the loss of Rs. 1.21 lakhs.

The sub-divisional officer, commercial-II, sub-division, Faridabad stated (July 1985) that there was no practice in the sub-division to provide police escort to the cashier and that the work of returning scrap to the store was not so important and could be deferred till next date.

Results of police investigation and action taken against the official(s) at fault were still awaited (September 1985).

The matter was reported to Government in July 1985 ; reply was awaited (September 1985).

S. K. Chakraborty

CHANDIGARH,

The 10 JAN 1986

(S. K. CHAKRABORTY)

Accountant General (Audit), Haryana.

Countersigned

T. N. Chaturvedi

NEW DELHI,

The 24 MAR 1986

(T.N. CHATURVEDI)

Comptroller and Auditor General of India.

APPENDICES

APPENDIX A

(Referred to paragraph 3 of the preface)

List of Companies in which Government have invested more than s. 10 lakhs but which are not subject to Audit by the Comptroller and uditor General of India.

erial umber	Name of the Company	Total investment up to 1984-85 (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 Fibres 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

APPENDIX

(Reference : Paragraph 1.02 ; Pa

SUMMARISED FINANCIAL RESULTS OF

Serial number	Name of the Company	Name of department	Year of incorporation	Year of accounts	Total capital invested (A)	Profit (+)/ Loss (—
	(1)	(2)	(3)	(4)	(5)	(6)
					(Figures in colum	
1.	Haryana Tourism Corporation Limited	Toursim	1974	1981-82	2,18.09	(+)
2.	Haryana Agro Industries Corporation Limited	Agriculture	1967	1983-84	7,04.09	(—)1,46
3.	Haryana Dairy Development Corporation Limited	Animal Husbandry	1969	1983-84	7,16.82	(—)43.
4.	Haryana Land Reclamation and Development Corporation limited	Agriculture	1974	1983-84	1,80.73	(—)58.
5.	Haryana State Electronics Development Corporation Limited	Industries	1982	1983-84	25.00	(+)0.
6.	Haryana Economically Weaker Section Kalyan Nigam Limited	Social Welfare	1982	1983-84	41.00	(—)12.
7.	Haryana State Industrial Development Corporation Limited	Industries	1970	1984-85	—	(+)64
	Subsidiaries of Haryana State Industrial Development Corporation Limited					
8.	Haryana Matches Limited	Industries	1970	1980-81	16.49	(—)1
9.	Haryana Concast Limited	Industries	1973	1984-85	8,72.78	(+)1,23

(A) Capital invested represents paid-up capital *plus* long term loans and free reserves.

(B) Capital employed represents net fixed assets (excluding capital works-in-progress

(C) Represents mean capital employed, *i.e.*, mean of aggregate of opening and closin

(D) Represents net profit before charging interest, tax provisions and reserves under

OVERNMENT COMPANIES

otal terest harged to rofit and ss account	Interest on long term loans	Total return on capital invested	Capital employed	Total return on capital employed	Percentage of total return on capital invested	Percentage of total return on capital employed
			(B)			
(7)	(8)	(9) [6+8]	(10)	(11) [6+7]	(12)	(13)
o 11 are in lakhs of Rupees)					(*Per cent*)	
1.72	1.72	(+)9.87	1,89.76	(+)9.87	4.53	5.20
72.77	—	(—)1,46.56	7,07.05	(—)73.79	—	—
37.47	37.47	(—)6.44	2,86.38	(—)6.44	—	—
12.23	7.07	(—)51.30	71.06	(—)46.14	—	—
0.02	—	(+)0.44	23.23	(+)0.46	1.76	1.98
—	—	(—)12.64	32.97	(—)12.64	—	—
42.14	—	(+)64.97	(C) 21,03.12	(D) 1,07.11	—	5.09
0.12	0.12	(—)1.38	2.37	(—)1.38	—	—
46.06	28.70	(+)1,51.86	7,74.98	1,69.22	17.40	21.84

lus working capital.

alances of (i) paid-up capital, (ii) reserves and surplus and (iii) borrowings.

Section 36(i)(viii) of the Income Tax Act, 1961.

APPENDI

(Referred to paragrap

SUMMARISED FINANCIAL RESUL

Serial number	Name of the Corporation	Name of the department	Year of incorpo-ration	Period of account	Total capit invested (A)
(1)	(2)	(3)	(4)	(5)	(6)
			(Figures in columns 6 to 12		
1.	Haryana State Electricity Board	Irrigation and Power	1967	1984-85	10,21,71.
2.	Haryana Financial Corporation	Industries	1967	1984-85	59,24.4
3.	Haryana Warehousing Corporation	Agriculture	1967	1984-85	10,19.4

(A) Capital invested represents paid-up capital *plus* long term loans and free reserves.

(B Capital employed represents net fixed assets (excluding Capital works-in-progress)

(C) Represents mean of aggregate of opening and closing balance of (i) paid-up capital

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STATUTORY CORPORATIONS

ofit (+)/ ss (—)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested	Capital employed	Total return on capital employed	Percentage of total return on capital invested	Percentage of total return on capital employed
				(B)			
(7)	(8)	(9)	(10) [7+9]	(11)	(12) [7+8]	(13)	(14)
in lakhs of Rupees)							
—)21,71.75	31,95.80	30,00.24	8,28.49	6,58,18.48	10,24.05	0.81	1.56
				(C)			
(+)1,30.14	3,38.95	3,38.95	4,69.09	56,06.62	4,69.09	7.9	8.4
(+)1,76.69	18.73	18.73	1,95.42	9,67.96	1,95.42	19.17	20.18

s working capital.

) bonds and debentures, (iii) free reserves, (iv) borrowings including refinance and (v) deposits.

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