REPORT

OF THE

Comptroller and Auditor General of India

for the year 1983-84

(COMMERCIAL)

Government of Haryana

ERRATA

Report of the Comptroller and Auditor General of India for the year 1983-84(Commercial)-Government of Haryana.

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CHAPTER II

STATUTORY CORPORATIONS

APPENDICES

PREFACE

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

(i) Government Companies ;

(ii) Statutory Corporations ; and

(iii) Departmentally-managed Commercial Undertakings.

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

3. There are, however, certain companies where Government have invested funds, but the accounts of which are not subjct to audit by the Comptroller and Auditor General of India as Government or Government/owned/controlled Companies/Corporations hold less than 51 *per cent* of the shares. A list of such Undertakings in which Government investment was more than Rs 10 lakhs as on 31st March 1984 is given in Appendix 'A'.

4. In respect of the Haryana State Electricity Board which is Statutory Corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Haryana State Financial Corporation and Haryana State Warehousing Corporation he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1983-84 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports ; matters relating to the period subsequent to 1983-84 have also been included wherever considered necessary.

1.07. Performance of the companies

1.07. 1. The following table gives details of five companies which earned profit during the year 1983-84 with comparative figures for the previous year :

Serial number	Name of company	Paid up eapital		Profit	
		1982-83	1983-84	1982-83	1983-84
		(Rupees in lakhs)			
1.	Haryana State Industrial Development Corporation Limited	7,87.58	9,30.58	37.41	28.84
2.	Haryana State Small Industries and Export Corporation Limited	53.75	60.75	14.98	13.90
3.	Haryana Seeds Development Corporation Limited	1,40.86	1,84.04	7.00	8.28
4.	Haryana Minerals Limited	24.04	24.04	4.66	0.39
5.	Haryana Breweries Limited	1,20.08	1,20.08	0.38	15.68

1.07.2. The following table gives the details of one company which incurred loss during 1983-84 with comparative figures for the previous year:

Name of Company	Paid up capital		Loss	
	1982-83	1983-84	1982-83	1983-84
	(Rupees in lakhs)			
Haryana State Handloom and Handicrafts Corporation Limited	61.00	92.00	17.51	14.32

1.07.3. The working results of 10 companies (including 3 subsidiaries) 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 State Minor Irrigation (Tubewells) Corporation Limited	1978-79	6,89.94	(+)29.37
2.	Haryana Harijan Kalyan Nigam Limited	1978-79	1,84.65	(—)0.04
3.	Haryana Agro-Industries Corporation Limited	1980-81	2,09.66	(—)72.45
4.	Haryana Dairy Development Corporation Limited	1982-83	2,57.35	(—)55.93
5.	Haryana Land Reclamation and Development Corporation Limited	1982-83	1,20.30	(—)37.13
6.	Haryana Economically Weaker Sections Kalyan Nigam Limited	1982-83	31.00	(—)5.12
7.	Haryana State Electronics Development Corporation Limited	1982-83	0.01	(—)1.83
	Subsidiaries :			
8.	Haryana Television Limited	1978-79	19.40	(—)12.29
9.	Haryana Concast Limited	1982-83	2,19.96	(—)95.98
10.	Haryana Tanneries Limited	1982-83	76.00	(—)50.31

1.07.4. The accumulated losses in respect of 11 companies (including 4 subsidiaries) amounted to Rs. 15,52.12 lakhs against their paid-up capital of Rs. 18,35.70 lakhs. Particulars of 5 Companies (including 3 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 Television Limited	1978-79	19.40	64.78
Haryana Concast Limited	1982-83	2,19.96	4,47.57
Haryana Dairy Development Corporation Limited	1982-83	2,57.35	3,99.11
Haryana Tanneries Limited	1982-83	76.00	2,45.91
Haryana Electronics Development Corporation Limited	1982-83	0.01	1.83
Total		5,72.72	11,59.20

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 State Minor Irrigation (Tubewells) Corporation Limited—1978-79.*

(i) The profit of Rs. 29.36 lakhs was overstated by Rs. 1,31.29 lakhs on account of non- provision of depreciation (Rs. 23.86 lakhs), non-provision of interest (Rs. 36.62 lakhs), over statement of receipts (Rs. 49.25 lakhs), less/ non-provision of energy charges (Rs. 18.65 lakhs), non-adjustment of losses on account of fire (Rs. 0.36 lakh) and non provision of miscellaneous revenue expenses (Rs. 2.55 lakhs).

(ii) Obsolete/unserviceable stores and spare parts valuing Rs. 3.25 lakhs were included in the stores and spare parts, which were written off in November 1979.

(2) *Haryana Dairy Development Corporation Limited—1981-82.*

(i) Assets valuing Rs, 67.51 lakhs transferred without consideration to Haryana Dairy Development Co-operative Federation Limited were not disclosed.

(ii) The net loss of Rs. 48.89 lakhs had been understated by Rs. 4.57 lakhs on account of non-provision of penal interest.

(3) *Haryana Agro Industries Corporation Limited—1980-81.*

(i) Net loss of Rs. 82.96 lakhs was understated by Rs. 12.13 lakhs on account of non-provision of liabilities (Rs 1.60 lakhs), over valuation of stock in trade (Rs. 1.85 lakhs), under provision of interest (Rs. 1.43 lakhs), under charge of depreciation (Rs. 3.22 lakhs), capitalisation of repair and maintenance charges (Rs. 3.59 lakhs) and shortages of wooden crates not written off (Rs. 0.44 lakh).

(ii) Unserviceable items of stores valuing Rs. 0.41 lakh were included in the stores and spare parts and no provision was made.

(iii) Unserviceable goods valuing Rs. 9.33 lakhs was included in the finished goods.

(4) *Haryana Seeds Development Corporation Limited—1982-83.*

The net loss of Rs. 4.56 lakhs had been understated by Rs. 2.28 lakhs on account of over valuation of closing stock (Rs. 1.09 lakhs), over valuation of work in progress (Rs.0.83 lakh) and non provision of the cost of tags attached by Seed Certifying Agency (Rs. 0.36 lakh).

(5) *Haryana State Industrial Development Corporation Limited-1983-84.*

Rupees 4.29 lakhs being the value of material lying at site classified under fixed assets instead under current assets.

(6) *Haryana Television Limited—1978-79.*

The loss of Rs. 12.29 lakhs had been understated by Rs. 4.48 lakhs on account of non-provision of liabilities (Rs. 0.98 lakh), over-valuation of finished goods (Rs. 2.35 lakhs) and non-provision for doubtful advances (Rs. 1.15 lakhs).

(7) *Haryana Concast Limited—1982-83.*

The net loss of Rs. 95.98 lakhs was understated to the extent of Rs. 22.76 lakhs on account of over valuation of raw material and finished stock (Rs. 8.04 lakhs), non/under provision for liabilities (Rs. 14.12 lakhs) and non-adjustment of rejected claims (Rs. 0.60 lakh).

(8) *Haryana Minerals Limited—1983-84.*

The profit of Rs. 0.39 lakh was overstated by Rs. 2.57 lakhs on account of non-provision for doubtful advances (Rs. 1.05 lakhs), doutful debts (Rs. 1.46 lakhs) and advances against employees who left the services of the Company (Rs. 0.06 lakh).

(9) *Haryana Breweries Limited—1983-84.*

(i) Current liabilities and provisions did not include liability of Rs. 9.92 lakhs on account of balance amount of price of mash cum wart kettle (Rs. 1.11 lakhs), sales tax (Rs. 7.04 lakhs) and purchase tax (Rs. 1.77 lakhs).

(ii) The profit of Rs. 15.68 lakhs was overstated by Rs. 1.91 lakhs on account of over valuation of closing stock (Rs. 1.87 lakhs) and non-provision of depreciation (Rs. 0.04 lakh).

SECTION II

HARYANA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

01. Introductory

The Haryana State Industrial Development Corporation Limited HSIDC) was incorporated on 8th March 1967 to promote and operate schemes or industrial development primarily in the medium and large sectors in the tate.

.02. Capital structure

The authorised capital of the Company is Rs. 12 crores consisting of 1.20 lakh shares of Rs. 1,000 each. As on 31st March 1984 the paid-up capital of the Company wholly subscribed by the State Government was Rs. 11,03.58 akhs.

The borrowings of the Company as on 31st March 1984 aggregated Rs. 6,52.89 lakhs comprising State Government loans (Rs. 1,62.68 lakhs) and loans (Rs. 4,90.21 lakhs) from Industrial Development Bank of India (IDBI) under refinance scheme. The loans from State Government include interest due amounting to Rs. 12.53 lakhs as on 31st March 1984 which was not paid though the Company had sufficient funds in fixed deposits (Rs. 4,63.52 lakhs).

2.03. Working results

Interest on loans advanced to the assisted units, service charges from industrial units and commission from underwriting of share issues are the main sources of income of the Company. Profits before tax during the three years up to 1983-84 were Rs. 18.34 lakhs, Rs. 37.41 lakhs and Rs. 28.84 lakhs respectively. While the Company had been earning profits and the retained profits and special reserves up to 1983-84 had accumulated to Rs. 25.06 lakhs and Rs. 43.51 lakhs respectively, it has not declared any dividend so far (May1985).

2.04. Underwriting operations

2.04.1. The Company undertakes underwriting and participation in preference/equity shares of industrial units in Haryana. Before underwriting shares, no pre-appraisal about the viability of the units was made by the

Company and the underwriting was done on the basis of appraisal made by any financial institution from which the unit had taken loan. The Company had underwritten shares of 31 Companies of the aggregate value of Rs. 2,72.63 lakhs up to 31st March 1984. Out of this, only Rs. 18.86 lakhs were subscribed by the public and the remaining shares of Rs. 2,53.77 lakhs in 31 units (preference shares : Rs. 1,17.67 lakhs and equity shares: Rs. 1,36.10 lakhs) had to be subscribed by the Company.

2.04.2. As per agreements executed with the industrial units the preference shares were to be redeemed within 12 years. As on 31st March 1984, investments amounting to Rs.18.61 lakhs made in preference shares of 5 units were due for redemption but these have not been redeemd by the units concerned. The delay in redemption of these preference shares ranged between 1 to 3 years.

2.04.3. The funds required for underwriting the shares of the industrial units were made available in the form of advances to the Company by the State Government. The position of funds available with the Company for underwriting of shares and the extent of their utilisation for the four years up to 1983-84 was as under:—

Year	Funds available	Funds utilised	Percentage of utilisation
	(Rupees in lakhs)		
1980-81	92.60	21.95	23.70
1981-82	100.65	45.77	45.48
1982-83	54.88	9.38	17.09
1983-84	85.50	Nil	Nil
Total		77-10	

It would be seen from the above that (i) the utilisation of funds (in equity shares of 8 industrial units) during the three years up to 1982-83 was extremely poor and (ii) no underwriting was done during 1983-84 though a sum of Rs. 85.50 lakhs was available with the Company. The object for which the funds were advanced by the State Government to the Company was not, therefore, achieved in any of the years.

2.04.4. It was also noticed in test check during audit (April 1984) that :

(i) From 1974-75 to 1983-84, the Company invested Rs. 1,36.10 lakhs in equity shares of 14 industrial units, of which only one concern, in which investment of Rs. 15 lakhs was made in 1978-79, has paid dividend of Rs. 0.90 lakh (at 6 *per cent*) in 1982-83.

(ii) The shares of only 5 industrial units were quoted in the stock exchange. The market value of these quoted shares as on 31st March 1984 was Rs. 45.56 lakhs as against the actual investment of Rs. 89.50 lakhs.

(iii) Out of 19 industrial units in which the investment of the Company was in the shape of preference shares valuing Rs. 1,17.67 lakhs (March 1979), 5 units (including one subsidiary of the Company) had not paid any dividend (Rs . 27.78 lakhs) on shares valuing Rs. 29.99 lakhs. The default ranged between one to thirteen years. The aggregate amount of dividend recoverable on preference shares in respect of 16 defaulting concerns (including five units, who had not paid any dividend so far) works out to Rs. 40.72 lakhs.

2.05. Nomination of directors on the boards of assisted units

The Company had a right to nominate its representatives as directors on the Boards of assisted industrial units during the pendency of loans/ investment in share capital. Against 61 such assisted units, the Company had nominated directors in 54 units up to November 1984. General guidelines were issued for the first time (February 1978) by the Company to the nominee directors for furnishing their comments on items of interest discussed at the Board's meeting of the units or which had otherwise come to their notice. The nominee directors were required to send brief reports immediately after each Board's meeting and also to send a report once in a quarter about their assessment of the performance of the assisted units. The Company had, however, not maintained records to watch the receipt of the progress reports and for taking further follow up action. The Management stated (November 1984) that follow up action was taken by the Company on whatever reports were received.

2.06. Term lending to industrial units

2.06.1. The Company started term lending under the IDBI refinance scheme from March 1979. Under the Scheme the Company sanctions term loan assistance up to Rs. 90 lakhs in each case to the industrial units being set up in the State. The amount of loan is disbursed subject to sanction of refinance by IDBI on the terms and conditions stipulated by them and other financial institutions giving loans along with the Company. The assistance is provided to the units where the project cost of the unit does not exceed Rs. 3 crores and paid up capital and reserve do not exceed Rs. 2.50 crores.

The Company received 106 loan applications for Rs. 46,50.92 lakhs, out of which loans amounting to Rs. 26,40.43 lakhs were sanctioned to 58 applicants during 1978-79 to 1983-84. Against this the Company disbursed loans amounting to Rs. 11,90.77 lakhs to 30 industrial units up to 31st March 1984. The delay in disbursement of loans to remaining 28 units was attributed by the management (November 1984) to delay in completion of formalities by the loanees. 36 applications for Rs. 13,49.87 lakhs were either cancelled or withdrawn and 12 applications for Rs. 6,60.62 lakhs were pending as on 31st March 1984.

2.06.2. The total turnover at normal level of production and employment potential of these units to whom loans were sanctioned was estimated by the Company at Rs. 3,59,22 lakhs and 8,114 persons respectively. The Company had no information about the actual turnover and the employment generated by these units.

2.06.3. As on 31st March 1984, a sum of Rs. 10,86.91 lakhs (Rs. 10,24.21 lakhs principal and Rs. 62.70 lakhs interest) was outstanding against 30 industrial units. Out of this a sum of Rs. 1,44.67 lakhs (including interest: Rs. 62.70 lakhs) was in default against 9 units which was 13.3 *per cent* of total outstanding amount.

2.07. Setting up of industrial units

2.07.1. As against 70 letters of intent/industrial licences (estimated cost: Rs. 3,49.20 crores) obtained by the Company up to 31st March 1984, only 5 projects went into commercial production, 40 projects were under consideration and 25 projects on which a sum of Rs. 10.61 lakhs was spent were dropped after the letters of intent were cancelled by Government.

2.07.2. Two projects set up in small scale sector were on going and 20 projects were under consideration (amount spent up to 31st March 1984: Rs. 37.48 lakhs) for which no letters of intent were obtained by the Company.

2.07.3. Development expenditure of Rs. 7.86 lakhs in respect of 19 projects (out of 25 projects) in respect of which the letters of intent were cancelled and Rs. 1.29 lakhs in respect of 21 other projects for which no letters of intent were obtained was written off by the Company during 1973-74 to 1983-84. An amount of Rs. 2.75 lakhs spent on the remaining 6 projects out of 25 in respect of which letters of intent were cancelled was yet to be written off by the Company (December 1984).

2.07.4. The Company had thus been able to set up only seven units and the paid-up capital and working results of these units as on 31st March 1983 are given below:

Units	Date of incorporation	Date of commencement of commercial production	*Paid up capital* Total	*Paid up capital* Company share	Accumulated losses (—)/ profit (+) (as on 31st March 1983)	Percentage of loss to paid-up capital
			(Rupees in lakhs)			
Haryana Breweries Limited	September 1970	February 1974	1,20·08	66·48	(—)49·27	41·0
Haryana Tanneries Limited	September 1972	December 1976	76·00	53·00	(—)2,43·07	319·8
Haryana Television Limited	December 1973	January 1975	19·40	14·39	(—)91·80	473·2
Haryana Concast Limited	November 1973	November 1975	219·96	1,34·91	(—)4,47·57	203·5
Haryana Detergents Limited	February 1974	June 1979	94·00	24·44	(—)2,54·52	270·8
Haryana Matches Limited	June 1970	March 1973	12·48	12·48	(—)16·75	134·2
Haryana Minerals Limited	December 1972	December 1972	24·04	24·04	(+)6·02	..

From the above it may be seen that :

(i) Six units were running in losses and out of these the accumulated losses of 5 units were much more than their paid-up capital.

(ii) No project was set up after February 1974 though the Company had created a separate project division for this purpose and the expenditure of the division on salary and allowances from 1974-75 to 1983-84 worked out to

Rs. 40 lakhs (approximately). The Management stated (November 1984) that the project division had been working on consolidating the work of existing projects and helping in term lending activities which started in 1978-79.

The reply of the Management is not tenable as the accumulated losses in these units, except in case of Haryana Minerals Limited, ranged between 41 *per cent* and 473.2 *per cent*. The purpose for which the projct division was set up had thus not been achieved.

(iii) In the case of Haryana Detergents Limited, a scheme of rehabilitation was stated to be under consideration by bringing a change in management.

(iv) Haryana Matches Limited was in the process of winding up.

2.07.5. Quoted shares

The shares subscribed by the Company were quoted in stock exchange in respect of 3 units only (including 2 subsidiaries). The face value and quoted market value in respect of the shares of these units as on 31st March 1984 was as under :

Name of unit	Number of shares	Face value per share	Quoted market value per share	Total face/ acquired value	Total market value
		(Rupees)		(Rupees in lakhs)	
Haryana Breweries Limited	6,64,852	10	2·15	66·49	14·29
Haryana Concast Limited	20,58,565	10	4·00	1,85·80	82·34
Haryana Detergents Limited	2,44,400	10	10·00	24·44	24·44
				2,76·73	1,21 07

It may be seen from the above that the realisable value of the investment of Rs. 2,76.73 lakhs made by the Company in these units had come down to Rs. 1,21.07 lakhs only.

Five lakh shares of the face value of Rs. 50 lakhs of Haryana Concast Limited were acquired by the Company at par during 1982-83 against the market value of Rs. 20 lakhs. The reasons for acquiring these shares having market value of Rs. 20 lakhs for Rs. 50 lakhs were not on record.

2.08. Setting up of industrial estates

2.08.1. For promotion of industries, the Company undertakes development of infrastructure facilities comprising acquisition of land, development of industrial areas/estates by providing roads, drainage, water and electricity, construction of factory sheds and shop cum flats and allotment of such plots, sheds, *etc*. Estates were being developed on no profit no loss basis. The Company, however, had not been preparing any annual programme setting out the physical targets to be achieved during a year.

Against 23 industrial/commercial estates sanctioned (estimated cost : Rs. 16,10.85 lakhs)up to 31st March 1984, only 13 estates (actual expenditure Rs. 6,01.52 lakhs up to March 1984) have been developed. Six estates (actual expenditure Rs. 4,25.86 lakhs up to March 1984) were under development and 4 estates (actual expenditure : Rs. 4.85 lakhs up to March 1984) were abandoned/held in *abeyance*.

2.08.2. In 13 developed estates, 1,038 plots were carved out and 84 sheds were constructed. Out of which 995 plots and 84 sheds were allotted to the entrepreneurs up to 31st March 1984. Out of 1,079 plots/sheds allotted, only 211 units have started production. As on 31st March 1984, 43 plots/sheds were lying un-allotted with the Company. The reasons for non-allotment of these plots were not on record.

2.08.3. As per the terms of agreement an allottee of plot had to start construction of unit within six months; complete it within two years and commence production wthin three years of allotment of plot failing which the plot was liable to be resumed. 117 plots were due for resumption as on 31st March 1984 on account of the above defaults but these have not been resumed by the Company so far (May 1985).

2.08.4. Six industrial estates comprising 161.25 hectares of land were under development (March 1984) and 643 plots and 154 sheds at an estimated cost of Rs. 9,51.26 lakhs were proposed to be carved out/constructed. As per project estimates these estates were to be completed within one year. But four estates could not be completed within the stipulated period of one year.

The Management stated (December 1984) that two estates had been completed in October 1984, one estate was in advanced stage of completion ; work on one estate was partly held up as land owners challenged the acquisition of land in the Court and the work on two estates was in progress.

2.08.5. As per clause 21 of the agreement an allottee would be liable to pay on demand the proportionate maintenance charges as determined by the Company within fifteen days of the reciept of letter of demand, in case the maintenance of the industrial area was not taken over by the local body after five years. The Company had been incurring expenditure on maintenance of 4 estates beyond the period of 5 years, but no demand notices in terms of agreement had been issued to the allottees so far (March 1984). This had resulted in loss of revenue of Rs. 17.13 lakhs to the Company due to non recovery of maintenance charges in respect of 3 estates alone (for which information was available) beyond the period of five years of completion.

The management stated (November 1984) that the matter regarding charging of maintenance cost was under active consideration of the Company.

Some of the important points noticed in audit (April 1984) are given below:

2.08.6. Industrial Estate, Ambala Cantonment

In 1970, the State Government acquired 50 acres of land at a cost of Rs. 6.44 lakhs for setting up industrial estate at Ambala Cantonment. The land was handed over to the Company in June 1974 for setting up industrial estate for scientific and electrical goods. The area was found (April 1974) to be flood prone by the development committee formed by the Company. The Superintending Engineer, Public Works Department, Buildings and Roads, Karnal, who inspected the site in January 1975 emphasised the construction of protection *bundh*. The Company accordingly constructed a protection *bundh* in 1977-78 at a cost of Rs. 2.18 lakhs (Rs. 1.64 lakhs towards cost of additional land acquired for the *bundh* and Rs. 0.54 lakh towards construction cost). The protection *bundh* around industrial estate breached during heavy rains in August 1978. Construction of another ring *bundh* at an estimated cost of Rs. 4.84 lakhs (excluding the cost of additional land measuring 11.76 *acres*) sanctioned by the State Government in 1979-80 was yet to be completed (November 1984).

The Company carved out 130 plots and incurred development expenditure of Rs. 36.05 lakhs up to 31st March 1984. 119 plots were allotted by the Company up to March 1984. As the industrial estate was developed in flood prone area, there was not much progress in setting up the industries and only 23 units could be set up by January 1984. The Progress of development of estate was reviewed by the Management from time to time and keeping in view the slow progress, the Management allowed remission of 1 to 4 instalments of principal, interest and delayed interest amounting to Rs. 1.29 lakhs to 16 allottees.

The Company resumed 10 plots during the period from May 1982 to January 1984 and 26 plots were resumed in February-March 1984, against which a sum of Rs. 8.29 lakhs was outstanding towards principal and interest. Further 35 allottees were in default to the extent of Rs. 0.91 lakh as on 31st March 1984.

The Management stated (May 1984) that the development of the estate was taken up at the instance of State Government and the land was also acquired by the State Government. The Company, however, did not analyse the viability of the estate in spite of the area being flood prone, before taking up its development.

2.08.7. Allotment of industrial plots at lower rates

The company revised the rates of first allotment/re-allotment of resumed or surrendered plots with effect from 15th September 1982 of industrial estates at Gurgaon and Dundahera to Rs. 85 per square yard, and of industrial estates at Kundli, Murthal and Yamunanagar to Rs. 60 per square yard. The allotment letters in 35 cases, however, were issued at old rates (Rs. 23 to Rs. 53.82 per square yard) after the above revision, for which no reasons were on record. This resulted in short realisation of Rs. 21.66 lakhs towards the cost of these plots.

2.08.8. Undue favour to a party in allotment of industrial plot

The Company allotted a half acre *plot* to a party under non resident Indian category in May 1977 at Rs. 29.90 per square metre in Dundahera Phase-I. As per agreement the party was to start construction work within 6 months, complete erection and installation of machinery within 2 years and to start production within 3 years of the date of allotment of plot. The party did not start the construction work and the plot was resumed in April 1982, *i. e.*, after the expiry of 4-1/2 years. The request (May 1982) of the party for restoration of the plot on the ground that the construction could not be taken up for want of timely approval of plans by HUDA, registration by Director of Industries, non-availability of cement, *etc.*, was not acceded to by the Company. However, another plot measuring 2040 square metres at Rs. 29.90 per square metre against the revised rate of Rs. 102 per square metre in Dundahera Phase-I was allotted to the party in November 1982.

Allotment of plot at old rate (29.90 per square metre) was not in accordance with the decision (September 1982) of the Company not to allot/re-allot plots at old rates and had resulted in loss of Rs. 1.47 lakhs.

2.08.9. Industrial estate, Panchkula

In 1974, the Company decided to construct 25 sheds at Panchkula in Phase-I at an estimated cost of Rs. 37.20 lakhs for renting out to the entrepreneurs. The Company incurred an expenditure of Rs. 41.75 lakhs on these sheds up to 31st March 1984 resulting in excess of expenditure over estimates by Rs. 4.55 lakhs.

The Company with a view to enable the entrepreneurs to take up installation of machinery, *etc.*, decided (January 1976) to allot incomplete sheds and to charge the rent from the date of completion of sheds. The sheds were allotted between May 1976 and December 1979. The allottees defaulted in payment of rent since January 1978 and as on 31st March 1983 the accumulated arrears of rent amounted to Rs. 14.28 lakhs. The Company neither cancelled the lease deeds nor resumed the plots in terms of agreement.

The Company invoked arbitration clause against 19 allottees in October 1983 and the arbitrator gave award (December 1983 to February 1984) in favour of the Company. As per the award the allottees were required to deposit 25 *per cent* of the accumulated rent with interest (12 *per cent*) within 30 days of the date of award and the balance in 15 equal monthly instalments with interest (12 *per cent*) in addition to regular monthly rent. It was further stated that in case of default in the payment of arrears of rent in the aforesaid manner, the allottees would be evicted without notice. The Company, however, received up to March 1984, Rs. 1.09 lakhs from 5 allottees towards 25 *per cent* arrears of rent. The remaining 14 allottees against whom a sum of Rs. 15.45 lakhs was due (March 1984) towards arrears of rent did not deposit the amount in accordance with the award. The Company had not taken any action to take possession of the sheds from defaulting allottees in terms of award.

The accumulated arrears of rent up to 31st March 1984 worked out to Rs. 16.74 lakhs. The reasons for not initiating action for the resumption of sheds were not on record.

(ii) A Committee under the chairmanship of Director of Industries decided (August 1977) to charge rent from Ist May 1977 from 9 entrepreneurs, who had got the possession of sheds by that date and from 19th September 1977 from 8 entrepreneurs, who had been asked to take possession by that date. Contrary to this the Company, agreed (November 1977) to charge rent from Ist November 1977 subject to the condition that the case would be referred to State Government and the decision of the Government as to date from which the rent should be charged would be final. The case was, however, not referred to the State Government. This decision of the Company had resulted in short assessment of rent to the exetent of Rs. 0.47 lakh, which was in contravention to the decision of the Committee formed for the purpose.

There were delays ranging between 10 months to 25 months in the allotment of 7 sheds for which no reasons were on record. The lease deed agreements had also not been executed in 6 cases.

2.08.10. Non-recovery of rent and re-allotment at lower rates

The Company allotted (May 1976) a shed measuring 3,018 square feet at Panchkula (Phase-I) to a party on the monthly rent of Rs. 918.40. The formal possession of the shed after its completion was given to the party on 19th September 1977 and the lease deed was signed in December 1977.

The Director of Industries, however, cancelled (June 1981) the licence for trade as the party did not show any progress. No action to terminate the lease deed and for the resumption of the shed was taken by the Company, though the party had not made payment of the monthly rent. The Company terminated the lease deed only in June 1983 and resumed the possession of the shed in July 1983.

The delay in taking action for resumption of the shed had resulted in accumulation of rent to the extent of Rs. 0.79 lakh (up to June 1983). The Company has not taken any action for the recovery of the rent so far (December 1984).

2.08.11. Abandoned estates

(i) In 1971-72, the Company decided to set up commercial estates at Sonepat and Faridabad at an estimated cost of Rs. 16.80 lakhs and Rs. 16.81 lakhs respectively. The Company paid Rs. 0.21 lakh and Rs. 1.85 lakhs towards the cost of land in March 1972 and August 1972 respectively. These estates were considered to be un-remunerative and the Company decided (February 1973) to drop the scheme at Sonepat. The expenditure incurred up to 31st March 1983 on this estate worked out to Rs. 0.30 lakh.

The matter for the refund of cost of land (Rs. 0.21 lakh) was taken up with the Government in March 1973. The refund was awaited (December 1984).

No decision on the second estate at Faridabad on which the Company had incurred an expenditure of Rs. 2.49 lakhs up to 31st March 1984 had been taken so far (December 1984).

(ii) In 1977, the State Government entrusted the Company with the construction of sheds for setting up ancilliary units for an industrial unit at Jatheri. The State Government granted in March 1978 a loan of Rs. 6 lakhs to the Company towards the cost of land and construction of sheds on the basis of estimated cost. The Company was allotted 2.72 acres of land at a cost of Rs. 0.82 lakh in August 1979 and the possession was taken by it in December 1979. However, the industrial unit for which the sheds were to be constructed stated (March 1983) that it was not interested in the project due to abnormal delay. The Company had incurred Rs. 1.02 lakhs (including cost of land) on the project up to 31st March 1983.

Neither responsibility had been fixed by the Company for the delay in execution of the work nor action taken to utilise the land (December 1984).

2.09. Accounting system and internal audit

2.09.1. The Company has not prepared any accounting manual laying down the accounting policies and procedures for exercising effective financial control. A consultant firm was entrusted with the study of working procedure and preparation of accounts/office manual in December 1981. Advance payments amounting to Rs. 47,500 were made to the firm during November 1981 to March 1982 which were in excess of agreed fee of Rs. 45,000, The firm was required to submit its report within four and half months, but had not submitted the same so far (May 1985).

The Management stated (April 1984) that Rs. 2,500 were paid for preparation of project profile of photo type setting and printing project and that as the whereabouts of the sole proprietor of the firm were not known no suit had been filed against the firm.

2.09.2. A firm of chartered accountants was engaged (June 1978) on retainership basis at a monthly fee of Rs. 400 (Rs. 500 from June 1981) for conducting internal audit of the Company.The reports submitted by the firm were, however, not put up to the Managing Director/Board of Directors. The Company has, however, created an internal audit cell in September 1983 charged with the duties of vouching, helping in finalisation of accounts, conducting audit of expenditure, devising ways and means to streamline the accounting system, *etc.*

The Management stated (November 1984) that the reports of internal audit cell were now being submitted to the Managing Director from time to time.

The Company since inception had been following mercantile system of accounting both in regard to receipts as well as expenses up to 1982-83. However, it had changed the system of accounting from mercantile to cash basis from the year 1983-84. The adoption of cash system of accounting is contrary to the accepted principals of commercial accounting and mandatory provisions of section 209 and 211 of the Companies Act, 1956.

2.10. Other topics of interest

2.10.1. Extra expenditure

Against open tenders for the supply of 16 lakh bricks for Hindustan Machines Tools (HMT) ancilliary complex, Panchkula, four tenders were received, which were opened on 25th October 1978. None of the tenderers deposited earnest money required as per Notice Inviting Tenders (NIT). Firms 'A', 'B' and 'C' quoted Rs. 195, Rs.197 and Rs. 210 per thousand bricks against non-sponsored coal (coal to be procured by themselves) while firm 'D' quoted Haryana Schedule of rates *plus* royality and sales tax, if coal was supplied by the Company. It did not, however, quote rates for supply of bricks against non-sponsored coal. These firms were asked in February 1979 to quote rates against non-sponsored coal though firm 'A', 'B' and 'C' had already quoted their rates against such coal. However, firm 'D' quoted (April 1979) Rs. 205 per thousand bricks *plus* carriage charges (Rs. 24.35 per thousand bricks) against non-sponsored coal. The order for supply of 3 lakh bricks was placed on firm 'D' in May 1979 and full payment (Rs. 0.62 lakh) was made in advance in contravention of the provisions of the supply order on the ground that the bricks were in short supply.

For the balance 13 lakh bricks the Company invited fresh tenders in September 1979. In response, offers were received from three firms and the lowest offer of Rs. 279.65 per thousand bricks was from firm 'D' which had supplied 3 lakh bricks at Rs. 205 per thousand bricks. The order of 13 lakh bricks was placed on firm 'D' in October 1979 at its quoted rate of Rs. 279.65 per thousand bricks.

The non-acceptance of the lowest offer of Rs. 195 per thousand bricks of firm 'A' received in October 1978 without recording any reasons has resulted in an extra expenditure of Rs. 1.20 lakhs.

The Management stated (April 1984) that the lowest offer of firm 'A' was not accepted as the firm had mentioned delivery period of one year instead of 6 months and the work was time bound. The reply is not tenable as the Company placed order on firm 'D' for 3 lakh bricks in May 1979, *i.e.*, after the expiry of 6 months with delivery schedule of 6 months and order for 13 lakh bricks was placed in October 1979 with delivery schedule upto March 1980.

2.10.2. Avoidable loss of interest

In November 1975, the Company raised a short term loan of Rs. 10 lakhs (at 12 *per cent* per annum interest payable every month) from Haryana School Education Board for advancing to Haryana Polysteel Limited (now Haryana Concast Limited). The loan was guaranteed by the State Government and was repayable within six months, which was further extended up to 12th August 1976. According to the arrangement approved by the State Government, the loan was to be repaid on receipt of the amount from the Haryana Concast Limited. Haryana Concast Limited, however, did not repay the loan except monthly instalment of interest.

In September 1977, the Company converted the loan into equity share capital and the repayment of loan and interest thus became the liability of the

Company. Instead of discharging the loan immediately from the available funds, the Company approached (June 1977) the State Government for sanction of Rs. 10 lakhs for repayment of the above loan. The Government advised (February 1978) the Company to repay the loan out of Rs. 40 lakhs placed at its disposal in October 1977 for establishment of Public Sector Projects/preparation of feasibility reports. Out of Rs. 40 lakhs, Rs. 34 lakhs were invested by the Company in short term deposits at 2½ to 4 *per cent* interest initially for the periods ranging from 30 to 95 days which was subsequently extended for the same period. The total funds that remained invested in short term deposits, however, ranged between Rs. 15 to Rs. 52 lakhs during the period from November 1977 to June 1978. The loan was finally paid by the Company in April and June 1978 in two equal instalments of Rs. 5 lakhs each.

Delay in repayment of loan, even when its payment had become the liability of the Company, in spite of sufficient funds lying in short term deposits, resulted in an avoidable payment of interest amounting to Rs. 0.50 lakh for the period from November 1977 to June 1978.

2.10.3. Irregular payment of bonus

The Company has been paying bonus/ex-gratia at 8.33 *per cent* to its employees drawing emoluments even in excess of Rs. 1600 per month in contravention of the provisions of Payment of Bonus Act, 1965 from the year 1979-80. The amount of bonus/ex-gratia paid in contravention of provisions of Bonus Act to the employees who were drawing emoluments over Rs. 1600 per month for the period from 1979-80 to 1982-83 works out to Rs. 0.74 lakh.

The Management stated (November 1984) that the policy to be followed in future was under examination.

2.11. Summing up

(1) The Company had underwritten preference/equity shares of 31 industrial units. As on 31st March 1984 investment of Rs. 18.61 lakhs made in 5 units in preference shares was due for redemption but these have not been redeemed by the units concerned. The delay was ranging from 1 to 3 years. Dividend recoverable amounts to Rs. 40.72 lakhs in respect of 16 defaulting units.

(2) In respect of 5 units, the shares of which were quoted in the stock exchange, the market value of the shares was Rs. 45.56 lakhs as against the actual investment of Rs. 89.50 lakhs.

(3) Out of loans of Rs. 11,90.77 lakhs disbursed to 30 units, Rs. 1,44.67 lakhs were in default from 9 units.

(4) Six out of seven projects set up by the Company were running in losses from the beginning. The accumulated losses of 5 projects were 134,204, 271,320 and 473 *per cent* of their paid-up capital.

(5) Rupees 2.75 lakhs spent on 6 projects in respect of which letters of intent were cancelled were yet to be written off by the Company.

(6) The Company undertook development of 23 industrial estates on no profit no loss basis and 13 estates had been completed, 6 estates were in progress. Four estates were abandoned/held in *abeyance* on which an expenditure of Rs. 4.85 lakhs was incurred.

(7) Rupees 17.13 lakhs on account of maintenance charges in respect of 3 estates beyond the period of 5 years of completion were not recovered.

(8) Setting up of an industrial estate in flood prone area resulted in avoidable loss of Rs. 1.29 lakhs on account of remission of principal and interest to the allottees. Further, 35 allottees were in default to the extent of Rs. 0.91 lakh as on 31st March 1984.

(9) A sum of Rs. 21.66 lakhs was short realised due to non-implementation of revised rates of allotment of plots.

(10) The allottees of sheds in Panchkula estate were defaulting in payment of rent, which had accumulated to the extent of Rs. 16.74 lakhs as on 31st March 1984.

(11) A sum of Rs. 0.48 lakhs was paid to a firm for preparing accounting manual of the Company. The firm did not submit any report and whereabouts of the proprietor of the firm was not known to the Company.

SECTION III

HARYANA STATE MINOR IRRIGATION (TUBEWELLS) CORPORATION LIMITED

3.01. Introduction

Haryana State Minor Irrigation (Tubewells) Corporation Limited (HSMITC) was incorporated on 9th January 1970 as a wholly owned State Government Company. The main objects of the company are:

(i) to take over from the Government of Haryana, the existing system of State owned irrigation and augmentation tubewells ;

(ii) to instal new tubewells for direct irrigation and augmentation of water supplies in the existing or future canal systems and to undertake the installation and construction of tubewells and other connected works on behalf of other parties ; and

(iii) to engage in the manufacture and sale of spare parts, machinery, tools, tubewells equipment, *etc.*, for development of minor irrigation and high capacity lift irrigation pumps, gates for canals and to undertake structural works, *etc.*

3.02. Capital structure

The authorised capital of Rs. 6 crores at the time of formation of the Company was raised to Rs. 10 crores in March 1977 and to Rs. 20 crores in 1980-81. The paid-up capital as on 31st March 1984 was Rs. 9,99.94 lakhs which included Rs. 2,10.84 lakhs representing the value of net assets taken over from the Government (Irrigation Department). In addition, the Company borrowed funds from Government and financial institutions. The outstanding loans as on 31st March 1984 aggregated Rs. 95,69.56 lakhs (State Government: Rs. 42,74·00 lakhs ; banks and other institutions ; Rs. 52,95.56 lakhs). Out of this a sum of Rs. 22,10.32 lakhs was over due for repayment (Principal : Rs. 10,56.40 lakhs and interest : Rs. 11,53.92 lakhs), as on 31st March 1984.

3.03. Working results

The accounts of the Company for the year 1979-80 and onwards were in arrears.

Provisional accounts prepared by the Company disclosed that the losses incurred by the Company during the three years up to 1983-84 were Rs. 1,54.39 lakhs, Rs. 2,05.94 lakhs and Rs. 2,81.14 lakhs respectively and the accumulated loss as on 31st Mach 1984 stood at Rs. 6,41.99 lakhs after taking into account Rs. 1,99.07 lakhs towards the claims for forced idle hours of augmentation tubewells (on account of less demand) during 1978-79 (Rs. 82 lakhs), 1981-82 (Rs. 78.54 lakhs) and 1982-83 (Rs. 38.53 lakhs), which were not accepted by the Irrigation Department (January 1985).

3.04. **Performance analysis**

The activities of the Company mainly comprise installation, running and maintenance of direct irrigation tubewells and augmentation tubewells and services connected therewith, lining of watercourses, contract and deposit works, *etc*. The performance of activities connected with installation, running and maintenance of tubewells, contract work of Massani barrage, *etc*., has been analysed in the succeeding paragraphs :

3.05. **Direct irrigation tubewells**

3.05.1. The Company on its formation took over 637 direct irrigation tubewells from the Irrigation Department. The number of tubewells installed and brought under operation increased to 1,494 while 221 tube wells were in process of installation (March 1984).

The table below indicates the targets and achievements regarding commissioning of direct irrigation tubewells for the four years up to 1983-84:

Year	*Target*	*Achievement*	*Shortfall*
1980-81	99	57	42
1981-82	60	26	34
1982-83	49	37	12
1983-84	19	6	13

The following reasons were attributed by the Management (October 1984) for shortfall in the achievement of targets :

— delay in acquisition of land;

— delay in receipt of material due to heavy power cut in industries ;

— shortage of diesel and lubricants; and

—delayed decision of spacing criteria by Agricultural Refinance Development Corporation.

3.05.2. The project reports for various schemes of direct irrigation tubewells envisaged that each tubewell would run for 3000 hours in a year. The utilisation of these tubewells as compared to the projected hours during the three years up to 1983-84 ranged between 3 and 47 *per cent*. Due to this low utilisation, the Company consistently incurred heavy lossses and the total loss on this activity amounted to Rs. 11,10·42 lakhs up to 1983-84. The working results of direct irrigation tubewells for the three years up to 1983-84 are given below:

Year	*Expenditure*	*Income*	*Loss*
	(*Rupees in*	*lakhs*)	
1981-82	2,28·28	83·42	1,44·86
1982-83	3,26·14	95·30	2,30·84
1983-84	4,12·05	83·28	3,28·77*

According to the Management (July 1984) the major reasons for under utilisation of direct irrigation tubewells were :

(i) inadequacy and imbalance in power supply, as on an average power was available for 4-6 hours per day only against anticipated 12-15 hours; and

(ii) introduction of flat rate of power charges by the Haryana State Electricity Board for supply of power to private shallow tubewells.

3.06. Augmentation tubewells

3.06.1. The augmentation tubewells are used for augmenting water supplies in canals according to the requirements intimated by the Irrigation Department. The Company had installed and brought under operation 1,607 augmentation tubewells (including 279 tubewells taken over from the Irrigation Department up to 31st March 1984). In addition the work on 157 tubewells was in progress.

*Excludes Rs. 1,89.67 lakhs received as grant from Small Farmers Development Agency (Rs. 1,19.17 lakhs) and Rural Development Agency (Rs. 70.50 lakhs) in earlier years and taken as income in the year 1983-84.

3.06.2. The working results of augmentation tubewells for the three years up to 1983-84 are given below :

Year	*Expenditure*	*Income*	*Loss*
	(*Rupees in lakhs*)		
1981-82	3,60·07	2,81·53	78·54
1982-83	4,99·86	4,61·33	38·53
1983-84	5,40·95	3,28·99	2,11·96

It may be seen from the above that the losses of augmentation tubewells increased sharply from 38.53 lakhs in 1982-83 to Rs. 2,11.96 lakhs in 1983-84.

The Management stated (July 1984) that the increase in losses was mainly due to under utilisation of tubewells on account of less demand of water by the Irrigation Department.

3.07. The following points were noticed during the course of audit :

3.07.1. Measurement of works

(i) The scheme for installation of 158 augmentation tubewells along augmentation canal (Government scheme) included, *inter alia*, construction of carrier channel (link IV) to carry water of ten tubewells to be installed along the said channel. The following works of link IV were allotted to contractors in November 1980, January 1981 and February 1981, respectively :

(i) Earthwork and brick lining between RD 2000—4000

(ii) Earthwork and brick lining between RD 1750—2000

(iii) Earthwork and brick lining between RD 500—1750.

The first two works were entrusted to the same contractor. He commenced work in December 1980 and January 1981 and payment on running bills on the basis of measurements recorded by Company officials were made to him up to February 1982 (Rs. 1.38 lakhs). After that the contractor demanded further payment (Rs. 1.40 lakhs) for the work stated to have been done by him. To verify the claim of the contractor joint independent measurements of the work done were taken by two sub-divisional officers on 18th June 1982. The results of joint measurements revealed that the earthwork already measured by the company officials on the basis of which the contractor was paid was in excess to the extent of 1059.32 cum (Rs. 0.05 lakh) in RD 1750—2000 and 9838.44 cum (Rs. 0.40 lakh) in RD 2000—4000 involving an excess payment of Rs. 0.45 lakh.

The contractor went in for arbitration in January 1983. The arbitrator gave award (December 1983) in favour of the contractor for Rs. 4,214. The Company filed an objection application (February 1984) against the award and the decision thereon was in favour of the contractor (October 1984).

The contractor to whom the earthwork and brick lining work of link IV at RD 500—1750 was allotted (February 1981) left the work in March 1982 and did not turn up again. In this case the joint independent measurements were taken through the two sub-divisional officers on 24th June 1982 and it was noticed that earthwork measured earlier and paid for was in excess to the extent of 4826.38 cum involving an overpayment of Rs. 0.22 lakh. The contractor also went in for arbitration in March 1983 but the award was awaited.

The management stated (July 1984) that disciplinary proceedings against the defaulting officials have been initiated.

(ii) The installation of the 10 tubewells was completed at a cost of Rs. 11 lakhs (approximately) by April 1981. The expenditure on the construction of the carrier channel up to March 1983 was to the tune of Rs. 22.54 lakhs. The object of construction of the carrier channel was to carry water of these tubewells for irrigation purposes. The non-completion of the carrier channel has resulted not only in blocking of funds but also in non-fulfilment of the object of making available water for irrigation in the State and loss of revenue to the Company.

3.07.2. Advance payment for bricks

(i) Civil Construction Division, Karnal purchased 2.50 lakh 1st class bricks from contractor 'A' a kiln owner of Sakra (Kurukshetra) in July 1980 at Rs. 220 per thousand bricks for lining of the channel. Full payment amounting to Rs. 0.55 lakh for the bricks was made to 'A' in July and August 1980. An undertaking was given by him that bricks would remain in his custody and would be supplied to the Company according to its requirements. It was also agreed that bricks would not be sold by him and no rent on land used for safe custody of bricks would be charged by him. Out of 2.50 lakh bricks, 1.47 lakh bricks (value : Rs. 0.33 lakh) were received by the Company during February 1982 to March 1983. It was noticed (May 1982) by the sub-divisional officer incharge of the work that the bricks supplied included 0.20 lakh *pilla* (half burnt) bricks. Contractor 'A' was asked to supply the balance 1.03 lakh bricks and replace the *pilla* bricks but he neither supplied the balance quantity nor replaced the *pilla* bricks. A complaint regarding non-supply of 1.03 lakh bricks and non-replacement of 0.20 lakh *pilla* bricks lodged with the police against contractor 'A' (September 1983) was closed by the Police in November 1984 on the ground that there was no substance in the complaint.

(ii) The material at site accounts maintained by the junior engineer revealed that out of 1.27 lakh bricks (excluding 0.20 lakh *pilla* bricks) only 0.89 lakh bricks had been transferred to other works between February 1982 and March 1983, and there was a closing balance of 0.34 lakh bricks. Thus, there was a further shortage of 0.04 lakh bricks.

For classification of 0.20 lakh *pilla* bricks as 1st class bricks in the measurement books and non recovery of cost of 1.03 lakh bricks (Rs. 0.23 lakh) not supplied by the contractor 'A' the junior engineer incharge of the stock who left service of the Company in December 1981 without giving notice and handing over charge, had been held responsible by the Management and notice issued to him in September 1984. A civil suit has been filed against him in December 1984, which is pending in the Court (May 1985).

3.07.3. Aqueduct work on Ghaggar river

(i) The scheme for 'installation of augmentation tubewells in Ratia area' involving an expenditure of Rs. 6.55 crores and financed by the World Bank provided for installation of 150 tubewells along various carrier channels and the main feeder carrying water to the Bhakra main branch. *En route*, the main feeder passed through an aqueduct on the Ghaggar river. Forty-two tubewells were installed upstream and 102 tubewells down stream of the main feeder from the aqueduct.

Forty-two tubewells installed upstream of the main feeder from the aqueduct were energised and brought in operation between January and April 1983. On 6th April 1983, a portion of lined carrier channel along with a bridge close by upstream of the aqueduct was damaged putting the tubewells out of operation.

The Managing Director constituted (11th April 1983) a committee of Chief Engineer (Works) and Superintending Engineer of Tohana Lining Circle to enquire into design, adequacy, quality of masonry work, compaction of earthwork and to estimate the cost of damage and fix responsibility for the lapse.

As per findings of the Committee (May 1983) the main cause of failure was that the construction staff did not place the backfill material properly and without proper compaction which resulted in loss to the extent of Rs. 0.77 lakh.

The Management stated (July 1984) that action against officials concerned on the basis of the recommendations of the committee had been initiated.

(ii) In the meantime Haryana State Electricity Board (HSEB) had started billing minimum demand charges and service line charges in respect of 42 tubewells which were upstream and energised between January and April 1983. Thirty tubewells were brought in operation in stages during 1983-84 and connections of 12 tubewells were disconnected in January 1984. The Company had paid up to March 1984 a sum of Rs. 0.98 lakh as minimum demand charges and service line charges to HSEB for the period the tubewells remained out of operation.

3.07.4. Infructuous expenditure

The scheme 'Installation of 75 tubewells in Rania and Baraguda block', *inter alia*, provided for installation of 19 tubewells along link II carrier channel (Rori branch) which was to carry water to the Ottu feeder. Notification for acquisition of land for the channel was issued by Government in October 1980 but the landowners obtained stay order (February 1981) from the court against acquisition of land. In the meantime, Tubewell Division No. III, Sirsa installed seven tubewells along the alignment of the proposed link II channel between December 1980 and March 1981 and got these energised in July 1982 in spite of the fact that the proposal to construct link II channel was dropped in April 1981 due to non acquisition of land.

Ottu feeder was quite far away from these tubewells and on experimental basis, one of the seven tubewells at RD 21 O/L was linked (March 1983) with this feeder by laying 7,730 ft. long RCC pipe line at the cost of Rs. 2.46 lakhs.

The remaining six tubewells were not linked with the feeder and ultimately power supply of the six tubewells was got disconnected on 15th February 1983. As a result of this, the Division had to pay demand charges and service line charges of Rs. 0.76 lakh to the HSEB for the period from August 1982 to March 1984 without running the tubewells. This could have been avoided had the tubewells been not energised keeping in view that the proposal for construction of the link channel was dropped. This has resulted in blocking up of funds to the extent of Rs. 14.36 lakhs made on these six tubewells.

3.07.5. Non-operation of tubewells

Five augmentation tubewells on left bank of Narwana branch came in the alignment (side slope/edge) of Sutluj Yamuna Link (SYL) canal constructed by the Irrigation Department and had become inoperative since January 1977, April 1978, October 1979, January 1980 and February 1980 respectively. In order to save these tubewells and keep them in operation suitable protection measures by raising the tubewells and constructing *pucca* structure around them were considered and the matter was taken up (January 1977), with the Irrigation Department. But no action was taken either by the Irrigation Department or by the Company.

The Company lodged claim of Rs. 7.10 lakhs for loss of revenue up to March 1983, in June 1982 (Rs. 5.83 lakhs), in August 1982 (Rs. 0.23 lakh) in December 1982 (Rs. 0.52 lakh) and in March 1983 (Rs. 0.52 lakh) with Irrigation Department due to closure of these tubewells. However, the Company withdrew the claim (February 1983) after the Irrigation Department agreed to meet the cost of protective measures to make these tubewells operative. The Company prepared (February 1983) an estimate amounting to Rs. 1.11 lakhs for providing protective measures and sent the same to Irrigation Department for providing the funds.

In the meantime the Company continued to incur expenditure on minimum energy charges. Up to March 1984, a sum of Rs. 1.06 lakhs was paid to the HSEB on this account. The tubewells are still inoperative (July 1984), three tubewells were subsequently got disconnected (two in April 1982 and one in July 1983).

The Management stated (July 1984) that as the Irrigation Department failed to provide necessary remedies a claim for Rs. 8 lakhs had again been lodged with them by the field officers. The matter is still under correspondence with the Irrigation Department (May 1985).

3.08. Contract work—Massani Barrage

3.08.1. The Massani Barrage Project taken up by the State Government in October 1980 envisaged the construction of a flood control barrage on the Sahibi river near village Massani in Mohindergarh district. The project included (i) construction of 173 metre long barrage having 18 bays of 10 metres width each; (ii) raising of embankment ; (iii) construction of Massani canal and feeding channel ; and (iv) allied works, at a total cost of Rs. 35.96 crores.

On the request of the Company, Government allotted (February 1981) the work of construction of barrage to it on work order basis at the rates offered by a lowest tenderer (estimated value : Rs. 3.50 crores) in response to the tenders called by Irrigation Department. The Company commenced the execution of work in March 1981 by further allotting the work to sub contractors. As per tentative accounts of the Company it incurred a loss of Rs. 26.96 lakhs in 1981-82 and 1982-83 and earned a profit of Rs. 63.43 lakhs in 1983-84 in the execution of the work. A test check in audit revealed the following points :

3.08.2. After the allotment of work on work order basis the cross sections were jointly taken (March-April 1981) by the Company and the Irrigation Department to facilitate the measurement of excavation work to be done.

The Company got executed the earthwork through two contractors during March -June 1981 and payment of Rs. 2.89 lakhs for 35,821.5 cum was made on the basis of measurements recorded by the junior engineer in charge of the work. The executive engineer in charge of the division subsequently brought out (October 1982) that taking into account the cross sections recorded before the commencement of the work, the total quantity of earthwork executed worked out to 32,448.5 cum which included 6,739 cum of earthwork presumed to have been done with the help of dragline and dozers. The net quantity of work done by the contractors worked out to 25,709.5 cum for which the contractors should have been paid to Rs. 2.16 lakhs. Thus there was an excess payment of Rs. 0.73 lakh to the contractors for earthwork which was neither recovered from them nor responsibility fixed for excess payment.

The Management stated (July 1984) that the matter was being investigated departmentally.

3.08.3. The Irrigation Department recovered from the Company Rs. 2.51 lakhs as hire charges for use of dragline and dozers with which earthwork to the extent of 6,739 cum was reported to have been done during April to July 1981. However, the contractors had also been paid for the quantity of earthwork done with the help of machines without recovering the hire charges. The use of dragline and dozers proved very costly as the company received from the Irrigation Department only Rs. 6 per cum for earthwork done as against Rs. 37 per cum spent by the Company towards hire charges of machines. The Company had neither established the proper use of machinery nor worked out the amount of hire charges recoverable from the contractors.

3.08.4. The Company issued work order (March 1981) after inviting tenders, to a contractor for supply of 5,000 cum each of 5-10 mm and 10-20 mm size coarse aggregate at Rs. 79.15 per cum and Rs. 75.75 per cum (f.o.r. at site) respectively. A junior engineer of the company measured in June 1981 the quantity of coarse aggregate supplied by the contractor as 1,910 cum (5-10 mm size) and 2,223.90 cum (10-20 mm size) and check measurement was carried out by the sub-divisional officer. The material supplied by the contractor remeasured by two executive engineers in October 1981 and quantities of aggregate supplied by the contractor were found to be 1,324 cum (5-10 mm size) and 1,652.69 cum (10-20 mm size). By that time the contractor had already been paid Rs. 2.75 lakhs for 1,522 cum (5-10 mm size) and 2,040 cum (10-20 mm size) of aggregate resulting in excess payment of Rs. 0.45 lakh. The contractor, however, insisted on further payment of Rs. 0.45 lakh based on the quantities originally measured by the junior engineer.

In November 1981 the contractor went in for arbitration and the Arbitrator awarded (March 1983) Rs. 0.44 lakh in favour of the contractor. As the Company did not implement the award, the contractor filed a suit in the Court (May 1983) against the Company.

The Management stated (July 1984) that an appeal had been filed in the Court against the arbitration award and that departmental action against the defaulting officials concerned had been initiated. However, the appeal was pending in the court and action against the defaulting officials was still in progress (June 1985).

3.08.5. Massani Construction Division, Rewari, entrusted with the execution of contract work of Massani barrage was maintaining a store under the charge of a junior engineer. In June 1982 the physical verification of store by a sub-divisional officer revealed shortages of coarse aggregate and GC sheets amounting to Rs. 0.95 lakh.

While the case of above shortages was still under process another shortage amounting to Rs. 0.14 lakh (Jamuna sand) was noticed against the same junior engineer in March 1983. The Company was yet to fix responsibility for the above shortages and effect recovery from the concerned official.

The Management stated (July 1984) that the cases were under investigation.

3.09. **Purchases**

3.09.1. Tenders for supply of 153 automatic auto-transformer starters (9 items) for motors of different capacities were opened in January 1981. The offer of firm 'A' in respect of 124 starters (5 items) was found to be the lowest and technically acceptable. However, the offer was not accepted on the ground that starters supplied by this firm earlier against the order placed in April 1978 were not giving satisfactory performance and that the supplies were delayed. Orders were placed (April 1981) on firms 'B' and 'C' whose offers were found to be second lowest.

It was, however, noticed that as per report received from the field, the performance of the starters supplied by firm 'A' against the order placed in April 1978 was satisfactory and that the delay in supply pertained to only one item out of 5 items ordered on the firm which was for reasons beyond its control. On the contrary, there were complaints of unsatisfactory performance of starters supplied earlier by firm 'B'.

Thus due to rejection of lowest offer of firm 'A' the Company had to incur an extra expenditure of Rs. 4.47 lakhs in the purchase of starters.

3.09.2. Tenders for supply of 615 ball bearings and thrust bearings of 12 different sizes were opened on 27th March 1981. In all 12 firms tendered, out of which three firms deposited the earnest money and their offers were considered and the remaining offers were ignored. The rates quoted by firms

'A', 'B' and 'C' were found to be the first second and third lowest. The company had earlier been dealing with firms 'B' and 'C' and orders for similar items had been placed on them while firm 'A' was new. Another firm 'D' also sent its offer which was received late and was not considered. The Company, however, decided in April 1981 to ignore all the three offers as the rates quoted by them did not inspire confidence and there was doubt about supply of genuine product.

Fresh enquiries were made (May 1981) from firm 'D' (ignoring its offer of March 1981 which was received late) for quoting rates for all the 12 sizes of SKF make and from firm 'E' for four sizes of NBC make. While firm 'E' did not respond to the enquiry, firm 'D' quoted (May 1981) the rates which were higher than the rates quoted by it in March 1981. The fresh offer of firm 'D' was accepted without obtaining any earnest money on the ground that the said firm was authorised representative of foreign manufacturers and order for supply of 424 bearings (value : Rs. 63.64 lakhs) was placed on it in July 1981.

It was noticed that while firm 'B' had also quoted (March 1981) for SKF make bearings, firm 'C' had assured that it was a member of All India Ball Bearing Merchants Association, which as per policy of the Government of India was importing bearings on behalf of the members and that they would supply the bearings in original packings of the foreign manufacturers. The extra expenditure on the basis of rates offered by firm 'B' and 'C' works out to Rs. 2.30 lakhs and Rs. 2.15 lakhs respectively.

3.09.3. Tenders for purchase of 40 sumbersible pumps were invited and opened in March 1981. Four tenders were received. The tenders of firms 'A' and 'B' were not considered on the ground that their offers were received without earnest money. Firm 'A' had mentioned that the required earnest money had not been furnished by it as it was registered with DGS &D and that if the earnest money was still insisted upon, it would deposit the same. The firm was, however, not asked to deposit the earnest money though its offer was the lowest (Rs. 53,556.80 per pump). The tenders of firms 'C' and 'D' which were accompanied with earnest money were considered and the offer of firm 'D' was rejected as the pumps offered were of higher rating. The Company placed order (July 1981) for supply of 15 pumps on firm 'C' at its quoted rate of Rs. 65,789 per pump.

The non-acceptance of the lowest offer of firm 'A' who was ready to deposit the earnest money and placing the order on firm 'C' at higher rates resulted in an extra expenditure of Rs. 1.83 lakhs.

3.09.4. Similarly, for the purchase of six submersible pumps during December 1981, the offer of firm 'E' (Rs. 26,059 per pump) which was lowest and technically acceptable was not considered on the ground that the firm failed to send the pumps for testing at the Company's workshop, Karnal, though there was no such condition in NIT. Ignoring the offer of the above firm the company placed order at higher rates (Rs. 30,659 per pump) on firm 'C' resulting in an extra expenditure of Rs. 0.28 lakh.

3.09.5. Tenders for supply of 14 hallow shaft LT motors (30 HP 1440 RPM) were opened in March 1981. The offers of firm 'A' (Rs. 9,880 per motor) and firm 'B' (Rs. 13,977 per motor) were the first and second lowest and were as per specifications advertised by the Company. However, the purchase committee in its meeting held in April 1981 decided to recall the tenders without assigning any reason.

Tenders were reinvited in May 1981 and opened and considered in June 1981. Out of the three offers received, the rates quoted by firm 'B' (Rs. 16,374 per motor) was found to be the lowest and an order for supply of 10 motors was placed on it (August 1981).

Due to non-acceptance of lowest offers received in March 1981, the Company had to incur an extra expenditure of Rs.0.65 lakh in the purchase of motors at higher rates. Even comparing the rates quoted by firm 'B' in its earlier offer with that at which the order was subsequently placed the extra expenditure works out to Rs. 0.24 lakh.

3.09.6. Against the requirement of 6,000 metre pipes (6″ dia heavy duty) an order for the supply of 4,000 metres of pipes at Rs. 106.38 per metre was placed on a New Delhi firm in September 1979. The supply was completed by the firm in January 1980. The Superintending Engineer, Tubewells Circle No. III, Karnal sent a purchase requisition for 3,000 metres of pipes in February 1980. On enquiry, the authorised agent of the above firm informed (March 1980) the company that they were prepared to supply 2,000 metres or more pipes at the old rates. However, fresh tenders were invited and opened in May 1980 and the rates quoted by the New Delhi firm were found to be the lowest. The firm subsequently revised (June 1980), the rates to Rs. 124 per metre and an order for supply of 3,000 metres of pipes was placed on this firm at enhanced rates in July 1980. Non-availing of the firms, offer of March 1980 for supply of pipes at old rates resulted in an avoidable expenditure of Rs. 0.54 lakh.

The Management stated (July 1984) that the repeat order was not placed as the quantity required was more than 25 *per cent* but this was not tenable as the firm had offered (March 1980) to supply 2,000 metres or more pipes at old rates.

3.10. Non-realisation of sale proceeds of water

The position of amount recoverable in respect of water supplied through direct irrigation tubewells and augmentation tubewells at the end of each of the four years up to 1983-84 was as under:

Year	*Amount outstanding*	
	Direct irrigation tubewells	Augmentation tubewells
	(Rupees in lakhs)	
1980-81	1,55.99	1,05.29
1981-82	1,41.20	1,20.12
1982-83	1,60.75	3,82.11
1983-84	1,41.35	6,53.04

It will be seen from the above that heavy amounts were outstanding in respect of both direct irrigation tubewells and augmentation tubewells. The outstanding amount recoverable in respect of augmentation tubewells had been increasing year after year and no effective steps had been taken by the Company to recover the same.

3.11. Other topics of interest

3.11.1. Irregular payment of deputation allowance

In December 1975, Irrigation Department appointed 16 Assistant Engineers and posted them with the Company against the existing vacancies. In January 1976, the State Government finalised the general terms and conditions of deputation for the officers and staff of the Irrigation Department deputed to the Company. In pursuance of the terms and conditions laid down by

Government, the Engineer-in-chief, Irrigation Department ordered (September 1976) the Company to make payment of deputation allowance to the newly recruited assistant engineers posted with the Company.

The Finance Department, *inter alia*, clarified (May 1977) that for the purpose of admissibility of deputation allowance, the term, 'Deputation' would cover only appointments made by transfer on a temporary basis and in public interest. Appointment of serving employees either by promotion or by direct recruitment in competition with outside candidates, whether on a permanent or temporary basis would not be regarded as deputation. Similarly, permanent appointments made by transfers would also not be treated as deputation.

The Engineer-in-Chief without taking into account the clarification given by the Finance Department ordered (June 1978) that the deputation allowance was also payable to all newly recruited non-gazetted staff by the Irrigation Department and directly posted to the Company, as in the case of assistant engineers.

In December 1978, the Irrigation Department promoted 13 assistant engineers to the rank of Executive Engineers and also posted with the Company against existing vacancies. The Engineer-in-Chief, in September 1979, clarified that since they were senior most sub-divisional officers in their parent department, they were also entitled to deputation pay under the "Next below Rule" and as such the Company paid deputation allowance without confirming the dates from which the *pro forma* promotions were due to them.

In reply to the reference made by Irrigation Department, the State Government clarified in June 1982 that newly recruited officers directly posted with the Company or serving officers posted on promotion to higher ranks were not entitled to deputation allowance.

On the basis of the records of the Company made available to audit, it had been assessed that the Company had paid in excess, deputation allowance to the extent of Rs. 2.30 lakhs up to January 1983. Neither responsibility for irregular payment had been fixed nor the extent of unauthorised payment to non-gazetted staff assessed. The matter was reported to Government in September 1983; reply was awaited (May 1985).

3.11.2. Avoidable payment of sales tax

Under the Central Sales Tax Act, 'C' form can be issued by a registered dealer in order to avail the concessional rate (3 *per cent*) of central sales tax if the goods purchased on 'C' form are meant for re-sale and/or the dealer processes the material/goods for sale. The Company was a registered dealer with Sales Tax Department. For the purchase of material/stores required for the manufacture of pumps and other allied products for sale to the Irrigation Department, other Government Departments and outside parties, 'C' form can be used to avail the concessional rate of sales tax. However, for the material purchased for own use of the Company, the sales tax was payable at full prescribed rate (10 *per cent*). The taxation authorities while finalising (May 1977) the sales tax assessment for the year 1975-76 rejected the purchases worth Rs. 85 lakhs against 'C' form (on which sales tax at 3 *per cent* was paid) and ordered (30th May 1977) for payment of additional 7 *per cent* sales tax amounting to Rs. 5.95 lakhs on the ground that the material/components purchased were consumed for the purpose other than for resale. The Company paid this additional sales tax amounting to Rs. 5.95 lakhs on 22nd July 1977.

However, it was noticed later on (November 1977) that the purchases of Rs. 85 lakhs rejected by sales tax authorities against 'C' form included material and stores worth Rs. 32.67 lakhs purchased for the manufacture of pumps for supply to Irrigation Department. Therefore, sales tax to the extent of Rs. 2.29 lakhs on the above purchases was not leviable. The above facts were not brought to the notice of the sales tax authorities at the time of assessment for the year 1975-76. The Company also failed to file an appeal against the above assessment order within 60 days from the date of the order as prescribed under the General Sales Tax Act.

However, the Company filed (8th March 1978) *suo moto* appeal requesting for revision of the assessment order which was rejected by the Commissioner on 30th April 1979. No responsibility for the lapse had been fixed by the Management (December 1984).

3.12. **Summing up**

(1) The Haryana State Minor Irrigation (Tubewells) Corporation Limited was incorporated in January 1970 for undertaking minor irrigation projects. The Company suffered losses of Rs. 1,54.39 lakhs, Rs. 2,05.94 lakhs and Rs. 2,81.14 lakhs during the three years up to 1983-84.

(2) 1,494 direct irrigation tubewells were under operation and their utilisation was ranging between 3 to 47 *per cent.*

(3) The Company made payment for 2.50 lakh bricks at kiln site and against this only 1.47 lakh bricks were received. The remaining bricks costing Rs. 0.23 lakh were misappropriated.

(4) Due to non placing of the back fill material properly, a portion of lined carrier channel along with a bridge close by upstream of the aqueduct was damaged resulting in a loss of Rs. 0.77 lakh.

(5) The power supply of six tubewells was disconnected as these were not linked with the feeder. This resulted in the payment of Rs. 0.76 lakh as demand and service line charges without running the tubewells in addition to blocking of investment (Rs. 14.36 lakhs).

(6) In the contract work (Massani barrage) the Company made an extra payment of Rs. 0.73 lakh for earthwork and did not work out the hire charges recoverable from the contractor for use of dragline and dozers. The shortages of coarse aggregate, GC sheets and sand worth Rs. 1.09 lakhs were under investigation.

(7) The lowest offer of a firm for supply of automatic auto transformer starters was not accepted and purchases were made from second lowest firm at an extra cost of Rs. 4.47 lakhs.

(8) The deputation allowance Rs. 2.30 lakhs paid to 29 assistant engineers was not admissible.

The review was reported to Government in August 1984; reply was awaited (May 1985).

SECTION IV

HARYANA AGRO INDUSTRIES CORPORATION LIMITED

4.01. Irregular payment to staff

The State Government revised (February 1980) the pay scales of its employees with effect from 1st April 1979. In pursuance of this, the Company also revised in August/December 1980 the pay scales of its employees from 1st April 1979. The Managing Director further enhanced (April 1981) the revised pay scales of certain categories of staff with effect from 1st April 1979 without obtaining the approval of the Board of Directors. The Board (December 1982) did not approve the enhancement and ordered stoppage of payments in the enhanced scales forthwith. The Board further ordered that the details of the irregular payment already made to the employees be placed before it.

The amount of irregular payment for the period from April 1979 to December 1982 works out to Rs. 1.72 lakhs.

The matter was referred by the Company to the State Government (February 1984) for advice for taking legal and administrative action to effect recoveries.

Government to whom the matter was reported informed Audit (July 1984) that the overpayments could legally be recovered from the employees concerned failing which the Managing Director could certainly be held liable for this loss. It was further stated that the Company had been asked to take further necessary action in the matter.

The further developments were awaited in Audit (May 1985).

4.02. Purchase of gunny bags

For *Rabi* 1983 crop, the State Government allotted 3 *per cent* share of wheat procurement in Haryana to the Company. Accordingly, for achieving a target of procurement of 5.04 lakh quintals of wheat, the Company decided to purchase 5.10 lakh gunny bags and floated tenders in March 1984. The Board of Directors constituted (6th April 1983) a purchase committee for finalising the tenders. Offers received from 7 firms were opened on 8th April 1983. The offer of firm 'A' for 2 lakh bags at Rs. 528 per 100 bags free on lorry Calcutta (equivalent rate of Rs. 668.80 f.o.r destination) was found to be the lowest, but it was observed that none of the firms had deposited the full amount of earnest money with the tenders.

Though the purchase committee decided to call the parties for negotiations on 11th April 1983, firm 'A' was not called for negotiations, reasons for which were not recorded. On 11th April 1983 offers of four more firms were received before negotiations.

The lowest rate offered by firms 'H' and 'I' were Rs. 520 and Rs. 525 per 100 bags f.o.r. Calcutta (equivalent f.o.r. destination rates were Rs. 660.45 and 665.68 respectively). These offers were ignored by the Committee on the grounds that they had not deposited earnest money and their quotations were received after opening of tenders. After negotiations with 5 firms, orders for 3 lakh and 1.50 lakh gunny bags at Rs. 685.40 per 100 bags f.o.r. destination were placed on firm 'B' of Delhi and firm 'C' of Sonepat respectively (though they had not deposited the full amount of earnest money) without taking into account the rate of Rs. 668.80 per 100 bags f.o.r. destination of the lowest firm 'A'. While returning the earnest money, it was, however, intimated by the Company to firm 'A' (13th April 1983) that its offer being higher was rejected though nothing was on record about rejection/consideration of the offer.

The rejection of lowest offer of firm 'A' for 2 lakh bags without any recorded justification resulted in an extra expenditure of Rs. 0.33 lakh. On the basis of rates offered by firms 'H' and 'I' the extra expenditure in the purchase of 4.50 lakh bags worked out to Rs. 1.12 lakhs and Rs. 0.89 lakh respectively. The reasons for accepting the tenders of 'B' and 'C' though they too did not deposit the full amount of earnest money were not on record.

(ii) Against the requirement of 5.10 lakh gunny bags for *Rabi* crop 1983 as approved by the Board, the Company purchased only 4.50 lakh bags up to 19th May 1983 with the result that it fell short of bags. Reasons for short purchase were not on record. Emergent demands for bags started coming from procurement centres in May 1983. To meet the demand of bags short term tenders for the purchase of 0.60 lakh gunny bags were again floated on 26th May 1983. The tenders were opened on 28th May 1983 by a sub-committee (consisting of 5 officers) appointed by the Managing Director and the rate of Rs. 618.75 (per 100 bags f.o.r. destination) quoted by a Delhi firm was found to be the lowest. The tenders were not considered by the Purchase Committee on the ground that these should have been opened by it and not by the sub-committee. The Purchase Committee also did not decide any course of action with the result that no purchase of gunny bags was made. Due to non-availability of gunny bags, the Company could not achieve the target. The shortfall in procurement of wheat works out to 0.36 lakh quintals. As the Company was getting a margin of Rs. 6 per quintal of wheat procured and delivered to Food Corporation of India, it was deprived of an earning of Rs. 2.16 lakhs due to non-availability of gunny bags.

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

4.03. Export of defective canned products

The food and fruit processing plant of the Company at Murthal is engaged (since July 1976) in the production of various fruit products for sale at home and abroad. The export of fruit products is partly made through State Trading Corporation (STC) and the Company also makes export of the products directly to foreign markets.

In April 1982, the Company entered into an agreement with STC for supply (to be completed by January 1983) of different kinds of canned fruit products (1,125 tonnes) to a buyer in USSR. The Company engaged a contractor for filling and packing of cans. Three consignments comprising 153 tonnes (value: Rs. 21.23 lakhs) of mango juice, mango jam and mango pulp were shipped to the foreign buyer in October 1982. At the destination the consignments were inspected (January-March 1983) as stipulated in the agreement. Manufacturing and packing defects (*i.e.*, deformation, deep rust, swelling, leakage, less pulp contents, *etc.*) were pointed out during inspection. These defects could have been avoided had proper control and checks at manufacturing, filling and packing stage been exercised by the Company. As the supplies were not found to be in confirmity with the specifications, the foreign buyer imposed price cuts amounting to Rs. 1.86 lakhs on these consignments under the terms of the agreement.

The Management stated (April 1984) that against the claim of Rs. 1.86 lakhs by the foreign buyer through STC, a sum of Rs. 0.94 lakh only was deducted. As no instructions were received regarding the balance amount

(Rs. 0.92 lakh), the same was released by STC to the Company against a bank guarantee furnished by it. No responsibility for the supply of defective canned fruit products had, however, been fixed by the Management so far (May 1984).

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

4.04. **Purchase of mangoes**

The Food and Fruit Processing Plant of the Company at Murthal is engaged (since July 1976) in the production of various fruit products for sale in home market and for export.

In April 1982, the Company decided to procure 800 tonnes of mangoes of different varieties (*totapari* : 300 tonnes; *hasina* : 250 tonnes and *fazli* : 250 tonnes) by inviting tenders for executing an export order of mango products to U.S.S.R. The lowest rates offered by a Nagpur firm are given below :

Variety of mangoes	Period	Quantity	Rate per Kg.
		(Tonnes)	(Rupees)
Totapari	15th May to 31st May 1982	200	1·65
	1st June to June 1982	200	1·55
	25th June to 5th July 1982	200	1·65
Fazli	15th June to 30th June 1982	125	1·70
	1st July to 10th July 1982	125	1·75
Hasina	10th July to 25th July 1982	125	1·60
	26th July to 10th August 1982	125	1·70

The Management decided to place order on this firm for 300 tonnes only in the first instance and for the balance quantity it was decided (14th May 1982) that a survey of the mango producing area be conducted by the Purchase Committee by 24th May 1982 to ascertain the market trend. The intention was that in case the rates of the Nagpur firm were still found lowest as a result of this survey a further order for the balance quantity could also be placed on this firm, as its offer was open up to 29th May 1982. An order for 300 tonnes of mangoes (*Totapari*) at Rs. 1.55 (200 tonnes) and Rs. 1.65 (100 tonnes) per Kg. was placed on this firm on 1st June 1982 and the supplies were to be made during 1st to 20th June 1982 (200 tonnes) and 21st June to 5th July 1982 (100 tonnes) respectively.

Against the above order the firm supplied only 156.13 tonnes of mangoes at its quoted rates (Rs. 1.55 per Kg.) and demanded (June 1982) increase-in-rates for the balance quantity on the ground that mango crop was badly hit by rains and cyclone in the coastal area. Though the contracted rate was firm and no *force mjeure*/escalation clause existed in the purchase order, the Company accepted the increased rate of Rs. 1.85 per Kg. The firm supplied 135·35 tonnes of mangoes at the increased rates resulting in an extra expenditure of Rs. 0.31 lakh.

No survey of the mangoes producing area was conducted by the Purchase Committee and only rates from Delhi market were ascertained by an officer of the company on 8th June 1982 and that too after the expiry of the validity of the offer of Nagpur firm. The rates in Delhi market were found to be ranging between Rs. 2.25 to 2.50 per Kg. It was, therefore, decided (11th June 1982) to re-tender for the balance quantity. Accordingly, tenders were re-invited and the same Nagpur firm's rates were the lowest and after negotiations, order for supply of 400 tonnes of mangoes at Rupees 2.08 per kg. was placed on this firm on 26th June 1982. An order for supply of 88 tonnes of Fazli mangoes at Rs. 2.07 per kg. was also placed on 28th July on a Murad Nagar firm after negotiations.

Against the above orders, the Nagpur firm supplied 224.364 tonnes and Murad Nagar firm 87.995 tonnes of mangoes. The purchase of mangoes against orders placed in June 1982 at higher rates resulted in an addtional expenditure of Rs. 1.27 lakhs. Although both the purchase orders dated 1st June 1982 and 26th June 1982 placed on the Nagpur firm provided for the purchase of balance quantity at the risk and cost of the defaulting supplier the provision was not invoked by the Company and the purchases were made from the same firm at higher rates. Though the Nagpur firm failed to make the supplies, neither penalty was imposed nor earnest money deposits forfeited.

The Management stated (April 1984) that the survey of the producing area could not be conducted due to non-availability of the Chairman of the Committee and that the General Manager was also busy in the plant.

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

4.05. Non-execution of export order

The Company obtained (April 1982) through State Trading Corporation (STC) an export order for supply of 120 tonnes of Canned pineapple jam to a buyer in USSR. As per terms and conditions of the order (i) supplies were to be completed by November 1982 and (ii) 10 *per cent* penalty was leviable on value of un-executed order. The Company did not effect supplies even within the extended period due to non-procurement of pineapple fruit for producing the jam.

Due to non-execution of the order, STC levied a penalty of Rs. 0.70 lakh (equivalent to 5 *per cent* of the value of order) by invoking bank guarantee. The request of the Company (June 1983) for waiving the penalty was not accepted by STC on the ground that other suppliers from Delhi had supplied pineapple jam for export to USSR during the same period and there was, therefore, no valid ground for not executing the order.

The General Manager stated (December 1983) that the export of pineapple jam to USSR could not be made owing to delay in effecting purchase of pineapple.

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

SECTION V

HARYANA CONCAST LIMITED

5.01. Avoidable payment of damages

Under Employees' Provident Fund and Miscellaneous Provisions Act, 1952, the Company was required to pay employer's and employees' contribution of provident fund, family pension and deposit linked insurance contribution and administrative charges, within 15 days of the close of every month to the Regional Provident Fund Commissioner. However, the Company did not make payment of its own as well as the employees' contribution for the period from December 1978 to April 1980 within the stipulated period and there were delays ranging from 6 to 79 days in deposting the amounts.

The Regional Provident Fund Commissioner after issue of show cause notice (August 1980) to the Company imposed damages amounting to Rs. 0.32 lakh for the delays in payments.

The Company (November 1980) approached the Regional Provident Fund Commissioner for waiving the damages on the ground that the delays in depositing the amounts occurred due to lack of trained provident fund assistant and financial problem owing to strike in the factory in June and July 1979. The Commissioner found no merit in the Company's contention and ordered for recovery of damages (Rs. 0.32 lakh). The amount was deposited by the Company in December 1981.

The Management stated (February 1984) that due to financial stringencies during the period December 1978 to April 1979, the Company had defaulted in depositing its own as well as the employees' contributions. The reasons advanced by the Mangement in February 1984 to an audit query were at variance with those given to the Regional Provident Fund Commissioner for waival of damages. No responsibility for the lapse had been fixed by the Management.

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

5.02. Non-claiming of set off of excise duty

According to a notification issued by the Government of India in June 1979 set off of excise duty was allowed on steel ingots to the extent of so much of duty leviable thereon as was equivalent to the duty of excise already paid on inputs purchased and used in manufacture of such ingots. The claims were admitted by the Central Excise authorities within six months from the date of clearance of the goods provided the Company followed the prescribed basic statutory requirements.

The Company purchased duty paid raw materials, *viz.*, ferro silicon, ferro vanadium and ferro manganese during the period June to October 1980 and used them in the manufacture of steel ingots on which Rs. 0.28 lakh was admissible as excise duty set off.

The Company neither filed the required declaration with the Central Excise authorities nor furnished details regarding receipt of the inputs along with the evidence of payment of duty thereon. The claims for the refund of excise duty (Rs. 0.28 lakh) subsequently lodged (January 1981) by the Company were rejected by Central Excise authorities owing to Compay's failure to comply with the basic statutory requirements.

No responsibility for the lapse had been fixed by the Company so far (July 1984).

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

SECTION VI

Haryana Harijan Kalyan Nigam Limited

6.01. Non-utilisation of the earmarked funds

The State Government decided (February 1983) to undertake, through the Company, additional programme for economic development of members of Scheduled castes in the State for which special assistance of Rs. 3,75.30 lakhs was received from the Central Government for utilisation on nine schemes during the financial year 1982-83. The State Government released the funds amounting to Rs. 3,75.30 lakhs to the Company between 29th March 1983 and 31st March 1983. The amount could not, however, be utilised by the Company during the year 1982-83. On receipt of a letter from the State Government on 30th March 1983 suggesting the company to invest surplus funds in fixed deposits scheme of Haryana State Electricty Board (HSEB)and Haryana State Minor Irrigation (Tubewells) Corporation limited (HSMITC), the Company placed Rs. 3 crores in fixed deposit with the HSEB on 30th March 1983 in anticipation of the approval of the Board without finalising any terms and conditions and without even assessing its immediate/ future requirements. In April 1983 the Company approached the HSEB for the release of Rs. 3 crores required urgently for meeting expenses on the new scheme. But HSEB released only Rs. 1 crore on 26th August 1983. The balance amount of Rs. 2 crores was paid by HSEB only during June 1984 to November. 1984. Interest amounting to Rs. 16.31 lakhs (at 5 *per cent*) for the period 31st March 1983 to 23rd November 1984 was also paid by HSEB during April 1984 to December 1984. The management stated (June 1985) that in view of the directive issued by the Reserve Bank of India, a claim for additional interest of Rs. 6.53 lakhs (at 7 *per cent*) has been lodged with HSEB in February 1985.

The Company further received Rs. 1,58.20 lakhs as special central subsidy during 1983-84 making a total of Rs. 5,33.50 lakhs available with it for utilisation on the schemes. The Company had been able to utilise on three schemes only Rs. 3,26.87 lakhs (including Rs. 3,16.93 lakhs spent on one scheme against the allocation of Rs. 3,16.50 lakhs) for undertaking the additional programme for economic development so far (March 1984). The receipt of funds from Government was in advance of actual requirements.

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

SECTION VII

Haryana Land Reclamation and Development Corporation Limited.

7.01. Misappropriation/shortage of gypsum

The Company under pilot project sponsored by the Government of India in 1975-76, started procurement and distribution of gypsum for reclamation of saline and alkaline land in the State. The gypsum was distributed by the Company at subsidised rate which was met out of subsidy received from the Central/State Government. The task of procurement, grinding, bagging and distribution of gypsum was entrusted to the regional office of the Company at Karnal.

The gypsum received during 1975-76 in Regional Office, Karnal from the grindig contractor in unstandard bags was not being weighed and was stored in the open (both sides of Karnal bye-pass) without any watch and ward arrangements. No periodical physical verification of the gypsum stock was conducted during 1975-76 to October 1978.

During physical verification of the gypsum stocks conducted by the Company for the first time in November 1978, shortage of 2,186.084 tonnes was noticed. Out of this a quantity of 1,880.060 tonnes was reportedly salvaged by the regional manager from the storage site, leaving a net shortage of 306.024 tonnes (value : Rs. 0.44 lakh).

In March 1980, while the Company initiated action for the realisation of outstanding dues of gypsum sold, another shortage of 247.655 tonnes of gypsum (value :Rs .0.41 lakh) on account of double accountal of sales by issue of duplicate bills in June 1975, came to notice. On this, the Company had to refund to Government the excess subsidy amounting to Rs. 0.12 lakh received by it.

After the regional manager resigned from the service and his resignation accepted (June 1982), an enquiry into the shortages, was conducted by the Company in December 1982. The enquiry officer (an officer of the Company) found the ex-regional manager responsible for the shortage of 553.679 tonnes of gypsum (value : Rs. 0.85 lakh) referred to earlier.

A complaint for the shortages filed against the ex-regional manager on 23rd April 1983 was not registered by the Police on the ground that no criminal act was committed and the Company should take departmental action for effecting recovery for the loss. However, at the instance of State Government, the case was registered by the police in December 1983 and the results of the police investigation are awaited (May 1985).

(B) The entire quantity of gypsum (1,880.060 tonnes) salvaged from storage site at Karnal was shifted (February 1980) by the ex-regional manager to Company's farms at Munak (1000 tonnes) and Kawi (880.060 tonnes) through a single challan by paying transportation charges of Rs. 0.24 lakh. The gypsum was shown as used on farms on 20th April 1980 (880.060 tonnes) and in between 31st May 1980 to 15th April 1981 (1000 tonnes).

Another enquiry belatedly conducted by the Management in September 1983 in the transfer and use of gypsum in farms revealed that :

(i) Out of 1,880.060 tonnes of gypsum transferred to Munak and Kawi farms which were under the charge of ex-regional manager, only 873.945 tonnes were shifted to the farms and the remaining 1,006.115 tonnes of gypsum (value : Rs. 2.24 lakhs at subsidised cost) was not shifted to the farms and mis-appropriated by the ex-regional manager and the records of the farms were manipulated to show the receipt and use of gypsum in the farms.

(ii) Even the 873·945 tonnes of gypsum (value :Rs. 1.94 lakhs at subsidised cost) received in the farms which contained 50 *per cent* mud and pebbles and shown as used on farms on 31st March 1980 was also misappropriated by the ex-regional Manager as there was no evidence to show that the gypsum was applied in farms and no labour was employed for applying such a huge quantity of gypsum in fields.

(iii) As against Rs. 0.24 lakh paid for transportation of 1,151 tonnes of gypsum to farms by trucks, the quantity transported by trucks as per truck operators bills was only 688.945 tonnes (185 tonnes transported by company's tractor trolleys) and the transportation charges (Rs. 0.09 lakh) for balance quantity were also embezzled by the ex-regional manager.

As the use of gypsum (1,880.060 tonnes) on the farms could not be established, the Company became liable to refund to Government the entire subsidy amounting to Rs. 2.07 lakhs received by it. The reasons for delay in holding enquiries and allowing the regional manager to leave the service without holding enquiry in shortages were not on record.

The Management stated (May 1984) that since there was a *prima facie* case of embezzlement/mis-appropriation, a criminal case against the ex-regional manager had been lodged with Karnal Police in February 1984 and the matter was under investigation by them.

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

SECTION VIII

HARYANA BREWERIES LIMITED

8.01. Purchase of barley malt

For production of beer during the period from October 1978 to March 1979, the Company assessed (April 1978) the requirement of barley malt as 520 tonnes. In April 1978 limited enquiries were issued to 7 firms. The first four lowest offers received were as given below :

Firm	*Rate per tonne* (Rupees)
A	2,140
B	2,350
C	2,394
D	2,467

Though the offer of the firm 'A' which was the lowest, indicated (15th May 1978) that its earlier supplies to the Company had been approved, it was not accepted on the ground that the Company had no experience with the firm 'A' and was not sure about the quality of goods offered. However, a trial order for supply of 10 tonnes of malt was placed on this firm on 9th June 1978. On the same date orders for balance quantity (550 tonnes including 40 tonnes increased without any recorded reasons) were placed with other firms at negotiated rate (Rs. 2,350 per tonne) equal to the rate offered by firm 'B'. A chemical analysis conducted in June 1978 in respect of the supply effected by firm 'A' proved that the quality was satisfactory. The contention of the Company that it had no experience with the firm was not tenable as the firm had earlier supplied material of acceptable quality to the Company in 1974-75.

Although the supplies were to be made in a phased manner starting from October 1978, orders for the entire quantity were placed with firms 'B', 'C' and 'D' at higher rates of Rs. 2,350 per tonne on 9th June 1978 without waiting for the results of the analysis of the trial supply from the firm 'A' and this resulted in an additional expenditure of Rs. 1.16 lakhs.

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

CHAPTER II

STATUTORY CORPORATIONS

SECTION IX

9.01. Introduction

There were 3 Statutory Corporations in the State as on 31st March 1984, *viz.*, Haryana State Electricity Board, Haryana Financial Corporation and Haryana State Warehousing Corporation.

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

9.02. 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 Western Yamuna Canal Hydro Electric Project and Material Management Organisation and some other aspects of working of the Board have been dealt within Section X of this Report.

9.03. Haryana Financial Corporation

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

9.03.1. Paid-up Capital

The table below indicates the details of paid-up capital of the Corpora tion for the two years ending 31st March 1984 :—

	1982-83	1983-84
	(Rupees in	lakhs)
(a) State Government	2,30.65	242.65*
(b) Industrial Development Bank of India (IDBI)	2,15.66	225.66

*Includes Rs. 17.00 lakhs, shares for which issued in 1984-85.

	1982-83	1983-84
	(Rupees in	lakhs)
(c) Scheduled Banks, Insurance Companies, Co-operative Bank and other Financial institutions	34.26	34.26
(d) Parties other than (a), (b) and (c)	1.50	1.50
Total	4,82.07	504.07

9.03.2. **Guarantees**

The State Government had guaranteed the repayment of share Capital of Rs. 504.07 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 re-payment of loans raised by the Corporation and payment of the interest thereon :

Particulars	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1984
		(Rupees in	lakhs)
Bonds and debentures	1968-69 to 1983-84	1980.00	1,870.00
Fixed deposits	1967-68	100.00	37.20
Total		2,080.00	1,907.20

No guarantee was invoked during the year.

9.03.3. **Financial position**

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1983-84 :

	1981-82	1982-83	1983-84
Capital and liabilities		(Rupees in	lakhs)
(a) Paid-up capital	4,37.07	4,82.07	504 ·07
(b) Reserves and surplus	6,25.13	8,10.74	837.93
(c) Borrowings:			
—Bonds and debentures	13,20.00	15,67.50	1,870.00
—Deposits	49 ·42	44 ·44	37 ·20
—Others	12,41 ·79	18,69 ·74	22,16 ·17
(d) Other liabilities and provisions	6,20 ·46	824 ·77	7,51 ·20
Total	42,93 ·87	55,99 ·26	62,16 ·57
Assets			
(a) Cash and bank balances	1,52 ·12	37 ·35	55 ·37
(b) Loans and advances	38,80 ·78	51,67 ·99	58,27 ·69
(c) Net fixed assets	10 ·62	16 ·92	20 ·39
(d) Other assets	2,50 ·35	3,77 ·00	3 ,13 ·12
Total	42,93 ·87	55,99,26	62,16 ·57
Capital employed*	33,86 ·09	40,68 ·24	49,39 ·76

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

9.03.4. Working results.

The following table gives the details of the working results of the Corporation for three years up to 1983-84 :

Particulars	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
1. Income			
—Interest on loans and advances	4,75·93	6,00·54	3,27·88
—Other income	15·29	14·26	39·30
Total	4,91·22	6,14·80	3,67·18
2. Expenses			
—Interest on long terms loans	1,70·21	2,09·31	2,23·20
—Other Expenses	1,24·07	1,26·75	84·61
Total	2,94·28	3,36·06	3,07·81
3. Profit before tax	1,96·94	2,78·74	59·37
4. Surplus brought forward	0·01	..	..
5. Provision for tax	66·62	94·28	20·57
6. Other appropriations	1,16·70	1,69·50	23·75
7. Dividend (3 to 5 *per cent*)	13·63	14·92	15·73
8. Total return on capital employed	3,67·15	4,88·05	2,82·57
		(*per cent*)	
9. Rate of return on captial employed	10·84	12·00	5·7

9.03.5. Disbursement and recovery of loans.

The performance of the Corporation in the disbursement/recovery of loans during the three years up to 1983-84 is indicated below :

Serial number	Particulars	1981-82		1982-83		1983-84		Cumulative since inception	
		Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
(1)	Applications pending at the beginning of the year	119	7,94 ·46	137	16,95 ·74	83	5,83 ·47	..	..
(2)	Applications received	600	44,00 ·75	810	48,01 ·44	863	47,92 ·59	6,318@	2,66,53 ·98
	Total	719	51,95 ·21	947	64,97 ·18	946	53,76 ·06	6,318	2,66,53 ·98
(3)	Applications sanctioned	401	21,04 ·72	603	31,23 ·41	642	27,28 ·59	4,452	1,49,67 ·56
(4)	Applications cancelled/withdrawn/rejected	181	11,79 ·47	261	24,19 ·23	252	20,68 ·18*	1,814	98,17 ·77
(5)	Applications pending at the close of the year	137	16,95 ·74	83	5,83 ·47	52	3,52 ·92	52	3,52 ·92
(6)	Loans disbursed	387	8,27 ·34	564	16,85 ·98	572	13,56 ·60	4,070	81,11 ·79
(7)	Amount outstanding at the close of the year	1,387	38,21 ·31	1,705	51,03 ·86	1,987	57,62 ·89	1,987	57,62 ·89
(8)	Amount overdue for recovery (including suit filed cases)**	549	10,89 ·12	571	13,63 ·74	733	19,50 ·00	733	19,50 ·00
					(per cent)				
(9)	Percentage of the defaults to total loan outstanding	..	28 ·50	..	26 ·72	..	33 ·84	..	..

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

*Excludes part amount rejected (Rs. 226.37 lakhs).

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

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

Period	Number of cases	Amount overdue for recovery		Total
		Principal*	Interest	
		(Rupees in lakhs)		
Up to 1 year	234	52·19	41·28	93·47
1 to 2 years	19	10·47	8·66	19·13
Over 2 years	12	29·06	69·66	98·72
Total	265	91·72	1,19·60	2,11·32

The above excludes Rs. 17,38·68 lakhs in respect of 468 cases in which suits had been filed for recovery of dues.

9.04. **Haryana Warehousing Corporation**

9.04.1. Haryana Warehousing Corporation was established on 1st November 1967 under section 18(i) of the Warehousing Corporations Act, 1962.

9.04.2. **Paid-up Capital**

The paid-up capital of the Corporation as on 31st March 1984 was Rs. 4,38.07 lakhs (State Government : Rs. 2.19.04 lakhs and Central Warehousing Corporation : Rs. 2,19.03 lakhs) as against a paid-up capital of Rs. 4,12.07 lakhs (State Government : Rs. 2,06.04 lakhs and Central Warehousing corporation : Rs. 2,06.03 lakhs) as on 31st March 1983.

9.04.3. **Guarantees**

The State Government had guaranteed the repayment of loans of Rs. 1,11.75 lakhs and Rs. 2,70.00 lakhs drawn during 1977-78 and 1979-80 respectively. The Corporation obtained loans of Rs. 2,64.50 lakhs from two nationalised banks (United Commercial Bank : Rs. 99.50 lakhs, Punjab National Bank : Rs. 1,65 lakhs). The loans were refinanced under a scheme sponsored by the Agricultural Refinance Development Corporation (now National Agricultural Bank for Reconstruction and Development) against which a sum of Rs. 1,32.99 lakhs was outstanding as on 31st March 1984.

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

9.04.4. Financial position

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1983-84 :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Liabilities			
(a) Paid-up capital	3,72.07	4,12.07	4,38.07
(b) Reserves and surplus	1,24.42	1,28.13	1,75.91
(c) Borrowings	2,12.50	1,73.21	1,86.39
(d) Trade dues and other current liabilities	1,04.76	1,36.63	1,32.38
Total	8,13.75	8,50.04	9,32.75
Assets			
(a) Gross block	7,03.22	7,67.12	8,26.56
(b) *Less* Depreciation	86.07	1,02.61	1,21.46
(c) Net fixed assets	6,17.15	6,64.51	7,05.10
(d) Capital work-in-progress	0.77	13.98	58.10
(e) Investments	1.00	1.00	1.00
(f) Current assets, loans and advances	1,94.83	1,70.55	1,68.55
Total	8,13.75	8,50.04	9,32.75
Capital employed*	7,07.22	6,98.73	7,41.27

*Capital employed represents net fixed assets *plus* working capital.

9.04.5. Working results

The following table gives the details of the working results of the Corporation for the three years up to 1983-84—

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
(1) Income			
Warehousing Charges	1,51.16	2,01.57	2,38.91
Other income	4.83	6.65	19.07
Total	1,55.99	2,08.22	2,57.98
(2) Expenses			
Establishment charges	57.87	62.65	76.38
Interest	12.65	22.66	22.03
Other expenses	86.91	1,00.50	1,04.43
Total	1,57.43	1,85.81	2,02.84
(3) Profit (+)/Loss(—) before tax	(—)1.44	(+)22.41	(+)55.14
(4) Profit brought forward	0.48	0.17	0.63
(5) Previous year's adjustment (net)	(+)10.97	(—)1.23	(+)13.74

	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
(6) Other appropriations (excluding profit taken into balance sheet)	7.09	20.73	69.21
(7) Dividend paid	6.09	17.38	21.11
(8) Total return on capital employed	11.21	45.07	77.17
		(Per cent)	
(9) Rate of return on capital employed	1.59	6.45	10.41

9.04·6. **Operational performance**

The following table gives details about the operational performance of the Corporation for the three years up to 1983-84 :

Particulars	1981-82	1982-83	1983-84
Number of stations covered	68	68	68
Storage capacity as at the end of the year—		(Tonnes)	
(a) Owned	2,53,400	2,67,400	2,78,400
(b) Hired	1,80,693	2,09,125	2,12,285
Total	4,34,093	4,76,525	4,90,685
Average storage capacity utilised during the year*	3,70,923	4,19,823	4,11,139
Percentage of utilisation of average capacity	88.2	88.3	83.9
		(Rupees)	
Average expenses per tonne	42.44	44.26	49.33
Average income per tonne	42.05	49.59	62.75

* Including that of godowns closed during respective years.

SECTION X

HARYANA STATE ELECTRICITY BOARD

10·01. Capital

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

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs. 89,830.70 lakhs at the end of 1983-84 and represented an increase of Rs. 12,405.12 lakhs, *i.e.* 16.02 *per cent* on long-term loans of Rs. 77,425.58 lakhs at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the 2 years up to 1983-84 was as follows:

Source	Amount outstanding as on 31st March		Percentage Increase(+)/ Decrease(—)
	1983	1984	
	(Rupees in lakhs)		
State Government (including capitalised interest charges)	5,10,25·27	5,83,79·25*	(+)14·41
Other sources			
(i) Public borrowings	86,35·50	98,73·00	(+)14·33
(ii) Loans from			
(a) Life Insurance Corporation of India	67,53·20	71,06·13	(+)5·22
(b) Rural Electrification Corporation	33,56·19	41,92·54	(+)24·92
(c) Agricultural Refinance Development Corporation	9,67·12	10,07·47	(+)4·17
(d) Housing and Urban Development Corporation	3,17·28	2,15·26	(—)32·15

*The outstanding amounts as per statement Number 18 of the Finance Accounts is Rs. 522.12 crores. The difference of Rs. 61.67 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. (—) 2.57 crores under reconciliation,

(iii) Bills discounted under IDBI scheme	19,45·90	51,65·60	(+)165·54
(iv) Others	44,25·02	38,91·45	(—)12·06
Total	7,74,25·58	8,98,30·70	(+)16·02

10.02. **Guarantees**

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 2,90,87·74 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1984 was Rs. 1,84,42.00 lakhs.

10.03. **Financial position**

The financial position of the Board at the end of the three years up to 1983-84 is given below:

	1981-82	1982-83 (Rupees in lakhs)	1983-84
Liabilities			
(a) Loans from Government	4,45,29·12	5,10,25·27	5,83,79·25
(b) Other long-term loans*	2,32,11·80	2,64,07·09	3,14,65·27
(c) Reserves	35,96·13	25,72·40	17,35·69
(d) Current liabilities	1,80,19·55	2,67,94·87	2,94,07·41
Total	8,93,56·60	10,67,99·63	12,09,87·62
Assets			
(a) Gross fixed assets	5,60,34·86	6,41,05·00	6,92,81·36
(b) *Less* : Depreciation	50,66·63	50,66·63	51,24·39
(c) Net fixed assets	5,09,68·23	5,90,38·37	6,41,56·97
(d) Capital work—in—progress	1,68,37·42	2,37,99·02	3,07,89·28
(e) Current assets	2,13,14·60	2,24,81·62	2,60,41·37
(f) Accumulated loss	2,36·35	14,80·62	..
Total	8,93,56·60	10,67,99·63	12,09,87·62
Capital employed**	5,44,99·63	5,47,25·12	6,07,90·93

* Other long—term loans include bonds, deposits, consumers' contribution for service lines, etc.

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

10.04. **Working results**

10.04.1. The working results of the Board for the three years up to 1983-84 are summarised below:

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
(a) Revenue receipts	1,19,12·20	1,34,69·71	1,65,09·67
(b) Revenue expenditure	1,13,20·56	1,22,49·28	1,34,60·57
(c) Gross surplus	5,91·64	12,20·43	30,49·10

The revenue receipts of the Board during the three years up to 1983-84 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 distributed the available gross surplus towards the liabilities according to the priorities laid down therein, as detailed below:

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Gross surplus available	5,91·64	12,20·43	30,49·10
Transfer from general reserve	8,51·77	..	..
Total available for appropriation	14,43·41	12,20·43	30,49·10
Appropriations			
—payment of interest on loans not guaranteed under section 66	8,32,00	9,73·47	10,84·50
—payment of interest on loans guaranteed under section 66	8,47·76	14,91·24	12,64·15

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
—total appropriation towards interest	16,79.76	24,64.71	23,48.65
—appropriations towards repayments of loans raised under section 65	..	..	7,00.45
—total appropriations	16,79.76	24,64.71	30,49.10
—total return on capital employed	5,91.64	12,20.43	30,49.10
	(*Per cent*)		
—rate of return	1.09	2.23	5.02

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 1983-84, 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	1981-82	1982-83	1983-84	Cumulative as on 31st March 1984
	(Rupees in lakhs)			
Interest on loans from Government	23,60.58	26,03.91	29,63.58	1,78,40.57
Depreciation on fixed assets (carried over in terms of section 68 of the Act)	14,08.40	15,48.30	18,12.91	76,11.63
Total	37,68.98	41,52.21	47,76.49	2,54,52.20

10.04.2. 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 :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
(a) Gross surplus	5,91.64	12,20.43	30,49.10
(b)(i) Provision made towards interest on loans other than loans from Government	16,79.76	24,64.71	23,48.65
(ii) Charges not provided towards interest on loans from Government and depreciation (*vide* paragraph 10.04.1 supra)	37,68.98	41,52.21	47,76.49
Total	54,48.74	66,16.92	71,25.14
(c) Actual deficit if all the charges are provided for (a—b)	(—)48,57.10	(—)53,96.49	(—)40,76.04
(d) *Add* interest on long-term loans	40,40.34	50,03.27	52,25.05
(e) Actual return (c+d)	(—)8,16.76	(—)3,93.22	11,49.01
(f) Percentage of actual return on capital employed	..	..	1.89

10.05. Operational performance

10.05.1. The following table indicates the operational performance of the Board for the three years up to 1983-84:

Particulars	1981-82	1982-83	1983-84
	(MW)		
(I) Installed capacity			
(i) Thermal	477.5	477.5	477.5
(ii) Hydro	696.0	721.0	818.0
(iii) Others	3.2	3.2	3.9
Total	1176.7	1201.7	1299.4
(2) Normal maximum demand	843.0	869.0	959.0
	(Mkwh)		
(3) Power generated			
(i) Thermal	1570.27	1498.20	1376.14
(ii) Hydro	3197.79	3309.41	3251.99
(iii) Others	0.04	0.01	..
Total	4768.10	4807.62	4628.13
Less—Auxiliary Consumption	240.38	229.65	219.78
(4) Net power generated	4527.72	4577.97	4408.35
(5) Power purchased	147.30	190.07	288.45
(6) Total power available for sale (4+5)	4675.02	4768.04	4696.80

(7) Power sold (including power used on Board's work)	3866.77	3946.48	3954.67
(8) Transmission and distribution loss	808.25	821.56	742.13
		(*per cent*)	
(9) Percentage of generation to installed capacity	46.26	45.67	40.55
(10) Percentage of transmission and distribution loss	17.3	17.2	15.8
		(Mkwh)	
(11) Number of units generated per KW of installed capacity	4052	4001	3562

10.05.2. The following table gives other details about the working of the Board as at the end of the three years up to 1983-84 :

Particulars	1981-82	1982-83	1983-84
		(Number)	
(1) Villages/towns electrified	6,731	6,731	7,152
(2) Pump sets/wells energised	2,37,229	2,51,989	2,61,450
(3) Number of sub-stations	240	237	252
		(Kilometres)	
(4) Transmission/distribution lines			
(i) High/medium voltage	41,748	46,176	45,735
(ii) Low voltage	67,821	73,729	76,689
Total	1,09,569	1,19,905	1,22,424
		(MW)	
(5) Connected load	2563.310	2742.98	2899.45
		(Numbers)	
(6) Number of consumers	13,46,223	14,38,398	15,26,667
(7) Number of employees	32,378	33,027	33,484
		(Rupees in lakhs)	
(8) Total expenditure on staff	37,57·07	37,81·07	42,90·93
		(*Per cent*)	
(9) Percentage of expenditure on staff to total revenue expenditure	33·19	30·87	31·44

The following table gives the details of power sold and revenue, expenses and profit/loss per Kwh sold during three years up to 1983-84 :

	1981-82	1982-83	1983-84
		(Mwkh)	
(1) Units sold—			
(a) Agriculture	11,98·32	13,50·47	13,01·38
(b) Industrial	13,57·61	14,56·18	13,42·85
(c) Commercial	82·75	93·95	96·26
(d) Domestic	2,72·86	3,45·87	3,77·98
(e) Others	955·23	700·01	836·20
Total	3666·77	3946·48	3954·67
		(Paise)	
(2) Revenue per Kwh	30·81	34·13	41·75
(3) Expenditure per Kwh :			
(i) Without taking into account interest and depreciation	29·28	31·04	34·04
(ii) After taking into account interest and depreciation	43·37	47·81	52·05
(4) Profit (+)/Loss (—) per Kwh			
(i) Without taking into account interest and depreciation	(+)1·53	(+)3·09	(+)7·71
(ii) After taking into account interest and depreciation	(—)12·56	(—)13·68	(—)10·30

10.06. WESTERN YAMUNA CANAL HYDRO ELECTRIC PROJECT

10.06.1. Introductory

A project report for harnessing the hydro-potential available in the Western Yamuna Canal was prepared by the Board (October 1977) and submitted to the Government of India in October 1978.

The project envisaged in two stages, the development of hydro-potential available between proposed Hathnikund barrage on the Yamuna and Dadupur pond on the Western Yamuna Canal. Under stage-I, it was proposed to construct a 17·88 kilometres long hydel channel taking off from the existing Western Yamuna Canal at RD 762 metres (2500 feet) and three power houses each having 2 units of 8 MW each between the existing Tajewala Head Works across the Yamuna and Dadupur pond. Stage-II of the project envisages construction of a power house having 2 units of 8 MW each between the proposed Hathnikund barrage and the take-off point of the hydel channel under Stage-I of the project.

Stage-I of the project was cleared by the Planning Commission in March 1980, but the approval of stage-II (Power House-I) was withheld till the proposed Hathnikund barrage was cleared by the Government of India.

10.06.2. Commissioning schedule

The initial construction schedule for Stage-I envisaged commissioning of one unit of the first power house by January 1983 and every subsequent unit at an interval of 2 months thereafter, thereby commissioning the last unit by March 1984.

This schedule was revised from time to time. According to the Board's latest asessment (1983), the three power houses were expected to be commissioned during December 1984—February 1985 (not commissioned up to March 1985), February—April 1986 and April—June 1987 respectively.

The revision in the commissioning schedule was attributed by the project authorities (December 1983) to unpredictable strata, acute dewatering problem, lowering of full supply level, *etc.*

10.06.3. **Cost estimates**

The project (Stage-I and II) was estimated to cost Rs. 58.18 crores as per the projections made in the project report (October 1977). The cost increased to Rs. 75.88 crores as per the revised estimates prepared by the project authorities in October 1983.

The escalation in estimated cost was attributed (October 1983) by the project authorities to :

(i) increase in the cost of civil works like excavation, lining, power houses buildings, the bye pass channel, *etc.*, owing to general inflation in the cost of la bour material rates in the market ; and

(ii) increase in the cost of dewatering due to paying scant regard to the technical advice of Research Institute, Roorkee.

10.06.4. **Execution of the project**

Before undertaking execution of the project, detailed survey and investigations of the area regarding topographical and geological conditions were conducted by the project authorities during April 1976—May 1977. The Central Water Commission (CWC) and Central Electricity Authority (CEA) were appointed (June 1977) as consultants on time and cost basis with a ceiling of Rs. 30 lakhs as fees (Rs. 23.43 lakhs paid up to March 1984).

Certain aspects regarding execution of this project involving financial implications of Rs. 1,12.40 lakhs (approximately) were commented upon in the Report of the Comptroller and Auditor General of India for the years 1981-82 and 1982-83 Civll Government of Haryana. Further test check of the records of execution of the project disclosed the following:

10.06.4.1. **Dewatering of sub-soil water**

Preliminary studies about the strata along the proposed hydel channel carried out by the project authorities at the time of preparation of project reports disclosed that the sub-soil water level (SSWL) up to the first 10 Km was below the designed bed level of the channel whereas it changes abruptly thereafter at a depth of 2 to 3 metres. To facilitate the excavation of the hydel channel and the power house pits, the level of sub-soil water was required to be depressed. The UP Irrigation Research Institute (IRI), Roorkee was approached (December

1978) to conduct studies in this behalf and suggest suitable methodology for depressing the sub-soil water level. The IRI Roorkee advised (November 1979) that from the consideration of economy and convenience, the construction of hydel channel should be started from tail end, to facilitate drawing seepage water in Dadupur pond by gravity. In regard to excavation of power house-IV pit the IRI, Roorkee advised (June 1980) boring of 56 tubewells around it to facilitate the depressing of SSWL of the pit area. It also suggested that the work of excavation of pit should be taken up only after the hydel channel down stream power house-IV was completed.

Disregarding the advice of the IRI Roorkee, for undertaking the excavation of channel from the tail end, *i.e.*, from RD 18150 M to up-stream, the project authorities allotted the excavation work of the entire channel down-stream power house-IV in July 1980 (RD 11830M to 16200 M) and April 1981 (16200 M to 18150 M) and the work was taken up immediately after allotment in all these reaches. According to the project authorities the excavation of the channel in this manner obstructed the gravitational flow of sub-soil water and resulted in blockade of sub-soil water at various locations of the channel causing serious dewatering problems.

The non-execution of the earthwork of the channel in accordance with the concepts of dewatering advised by the IRI, Roorkee had contributed to considerable slippage in the commissioning schedule. Apart from the overall escalation in the project cost due to general rise in cost of equipment, materials and labour, not tackling the dewatering problem had the following repurcussions:

(*i*) *Abandonment and reallotment of works down-stream power house-IV*.—As per the contracts for excavation of channels awarded in July 1980/April 1981, the dewatering of sub-soil water was to be done by the project authorities to facilitate the excavtion. All the firms abandoned the work (August-September 1982) on account of difficult working conditions created as a result of failure on the part of the project authorities to carry out dewatering and sought enhanced rates for excavation of earth. One of the firms had, however, resumed the work (February 1983) on persuation but represented for extra rates for working under flowing water. The left over work, in respect of second firm (RD 16200 M to 18150 M) which demanded enhanced rate of Rs. 13.23 per cum was retendered and allotted at its risk and cost to another firm (June 1983) at Rs. 18.25 per cum resulting in an extra cost of Rs. 8.25 lakhs.

The extra cost of Rs. 8.25 lakhs includes a sum of Rs. 2.74 lakhs which became payable on account of rehandling of 16531 cum of excavated earth. No such rehandling was envisaged in the original contract and the project authorities had stated (January 1984) that this cost could have been avoided had the supervisory officers been vigilant and got the earth dumped in the deficit portion of the reach instead of allowing the contractor to dump the excavated earth in spoils. Responsibility in the matter had not been fixed (May 1985).

(*ii*) *Construction of escape channel*—The Commissioning of the power houses is dependent upon the completion of entire channel. Due to failure to under take construction of channel in the manner suggested by IRI Roorkee owing to non-completion of a portion of channel, the project authorities in order to commission power house-II and III independent of power house-IV decided (July 1983) to link the hydel channel from up-stream power house-IV with Western Yamuna Canal (Main line upper) by constructing an escape channel at an estimated cost of Rs. 50 lakhs. The channel had been designed and was under model studies with IRI Roorkee at a fee of Rs. 1 lakh (Rs. 0.50 lakh paid in October 1983). The escape channel would lose its utility after completion of the remaining portion of the channel along with bye-pass channel around power house-IV.

(*iii*) *Widening of pits of power house-III and IV*—At the time of taking up the excavation, extent of earthwork of power house-III and IV was assessed at 88,000 cum and at 1,34,000 cum respectively. In actual execution, however, the pits were further widened due to adoption of open dewatering system instead of boring tubewells. The extent of additional excavation done in respect of power house-III pit was 66,000 cum while additional excavation was estimated to 91,000 cum in respect of power house-IV pit (still under execution) involving additional financial burden of Rs. 9.13 lakhs and Rs. 12.17 lakhs respectively. Besides, Rs. 9.90 lakhs would be required for additional back filling in respect of power house-III pit (additional financial burden for back filling in respect of power house-IV pit was not ascertainable as the work was yet to be allotted). Apart from it an expenditure of Rs. 4.04 lakhs was incurred on hiring of 'Drag line' for excavation of earth departmentally (under standing water in power house-III pit) against which an amount of Rs. 0.28 lakh could only be recovered from the contractor by way of reduction in rates.

(*iv*) *Cracks in bye-pass channel of power house-III*—The work of bye-pass channel (PH-III) was taken up in September 1981 as a parallel activity along with the excavation of power house-III pit contrary to the advice of the design cell of the project. After excavation of bye-pass channel lean concrete and reinforcement was laid at a cost of Rs. 1.21 lakhs during March—April 1982. On 9th April 1982 due to blowing of the sand and fines from underneath area of bye-pass channel into the power house pit owing to the adoption of open dewatering system, cracks occured in the lean concrete laid in bye-pass channel. This caused a wasteful expenditure of Rs. 0.24 lakh on lean concrete which would further increase when the concrete laid was dismantalled and depression made good.

The project authorities while admitting the fact stated (January 1984) that the actual expenditure on dismantlement and making good the depression would become known only when the work was carried out.

10.06.4.2. Adoption of wrong 'full supply level'

Mention about adoption of wrong "Full supply level" at the take off point and consequential infructuous earth filling was made in paragraph 7.11 of the Report of the Comptroller and Auditor General of India for the year 1982-83 (Civil)-Government of Haryana. A further test check (January 1984) disclosed instances of extra expenditure aggregating to Rs. 3.86 lakhs as are brought out below :

(i) The work of excavation of channel between RD 3700 M to 4250 M was allotted to firm 'A' in May 1979. Simultaneously, the work of pre-cast cement concrete tile lining was also allotted in July 1980 to firm 'B'. As a result of redesigning the works by the project authorities (January 1981) with reduced FSL, the channel between these reaches required further deepening and widening by 1.5 metres. Firm 'A', when approached in May 1981 refused to undertake this job at the old rates on the ground that it had already executed the contracted quantity of work. The work of deepening and widening of the channel had ultimately to be got executed through contractor 'C' after calling for tenders (November 1981) entailing an extra cost of Rs. 1.24 lakhs.

Meanwhile the firm 'B' also refused (November 1981) to execute the tile lining job at its contracted rate, at this belated stage. Tenders for tile lining were accordingly re-invited in January 1983 and the work was allotted to contractor 'D' at an extra cost of Rs. 1.92 lakhs.

(ii) The work of construction of village road bridge at RD 1750 M allotted (April 1980) to contractor 'E' was commenced in May 1980. The drawings for execution were, *inter alia*, based on the bed level of the channel with designed FSL at 1062. 65 ft. and accordingly, piers and abutments were taken up on that basis, Subsequently, (February 1981) when the implications of the adoption of actual FSL 1056.48 ft. were examined by the design cell of the project, the piers and abutments of the bridge already constructed were considered unsafe due to further deepening of the channel. In spite of this, the construction work was continued and the piers and abutments came to full height in June 1981.

The consultants (CWC) to whom the matter was referred in February 1981, observed that foundation of the bridge would have no embedments in the channel bed and as such suggested certain remedial measures for the safety of the bridge. These measures cost Rs. 0.55 lakh and could have been avoided had the work been taken up initially on the basis of correct parameters.

The Project authorities stated (January 1984) that the lowering of FSL at take off point was beyond their control. The reply was not tenable as the actual FSL at take off point was made known to them by the Irrigation Department as early as November 1978.

10.06.4.3. Manufacture of PCC tiles

(a) The hydel channel up to the proposed power house-IV (approximate length 11.6 Km) was to be lined with pre-cast cement concrete tiles to ensure stability and minimise loss of water due to seepage. The work of maufacture and supply of 76,50,000 tiles (size $300 \times 300 \times 40$ mm) and 1,16,000 tiles (size $300 \times 150 \times 40$mm) at Rs. 94.90 and Rs. 47.50 per 100 tiles respectively was allotted to firm 'F' in October 1979. According to the terms and conditions of the contract, cement (ordinary portland) conforming to IS-269 was to be issued by the project authorities. The work was to be completed within a period of 24 months from the date of allotment, *i.e.*, by October 1981. The firm supplied only 30 *per cent* of the contracted number of tiles up to October 1981 due to non-supply of cement by the project authorities. It was, however, noticed that though 7460 tonnes of imported ordinary portland (Korean) cement was allotted to the Board during 1981-82, yet the project authorties, due to their failure to make transport arrangement, could lift only 359 tonnes of ordinary portland cement (OPC). Owing to the shortage of OPC, pozzolana portland cement (PPC) was issued to the firm as it was also useable under IS Specifications.

However, the firm represented against the use of PPC on the ground that it was causing excessive breakage. To compensate the firm 20 *per cent* extra cement was allowed on *ad hoc* basis in April 1982 which was increased to 40 *per cent* in March 1983 without getting the design mixed with PPC approved from any Government laboratory. The use of extra cement (PPC) resulted in extra expenditure of Rs. 1.01 lakhs which could have been avoided had the imported cement allocated to the Board been lifted.

In spite of issue of extra cement the production of tiles did not improve. On the other hand, the firm represented (May 1983) that due to heavy losses in the manufacture of tiles it would not be possible for it to increase production unless the rates of tiles were increased, in view of the increased cost of labour and material.

The Hydel Standing Committee of the Board (November 1983) enhanced the rates of about 30 lakh tiles remaining to be manufactured from Rs. 94.90 to Rs. 120 per 100 tiles (300×300×40 mm) and from Rs. 47.50 to Rs. 60 per 100 tiles (300x150x40 mm) entailing an extra financial burden of Rs. 7.50 lakhs (approximately) although there was no provision for escalation of rates in the contract. While approving enhanced rates the Hydel Standing Committee recorded that the project authorities had committed lapses in supply of ordinary portland cement and could not provide stacking space for tiles. The manufacture of tiles at the risk and cost of the firm was also considered by the Hydel Standing Committee as difficult because the firm had all along been rightly highlighting the lapses on the part of the project authorities.

10.06.4.4. Delay in finalisation of tenders

As per the prescribed procedure preparation and approval of technical estimates was necessary before floating tenders/allotment of work. The project authorities, however, in anticipation of approval to the estimates, floated tenders in January 1982 for the works of laying of PPC tile lining in various reaches which were valid for acceptance up to 15th May 1982. The Hydel Standing Committee, however, deferred (7th April 1982) its decision on allotment of these two works as the technical estimates had not been sanctioned. The estimates were sanctioned on 21st April 1982, but still the lowest rates of firm 'G' could not be availed of due to procedural delays due to which the validity of the offer (up to 15th May 1982) had expired. Ultimately the works had to be put to tender again in June and November 1982 respectively and allotment was made in January and March 1983 to firm 'H'and contractor 'I' entailing an extra cost of Rs. 6.26 lakhs. The works were in progress (April 1984).

The project authorities stated (January 1984) that the major cause of delay was that the observations/objections raised during scrutiny of tenders were not put up in one lot but these went on cropping up as the processing of tenders proceeded.

10.06.4.5. Avoidable extra expenditure

The contract awarded to firm 'K' in May 1980 envisaged excavation in all kinds of soils as per design of the pit of power house-II at RD 3000 M at the rate of Rs. 13.85 per cum with a provision for disposal of excavated earth within a lead of 200 metres. According to the assessment of the projects authorities (October/December1980), 40,600 cum excavated earth would be surplus to the requirement of back filling of the pit which could be utilised without any additional cost, by direct carriage within the lead of 200 metres in adjoining reach RD2800 M to 2940 M, where earth filling to the extent of 20500 cum (approximate) was required.

The excavation work of the pit was commenced in May 1980 and completed in November 1981. Initially during December 1980-January 1981 the excavated surplus earth of the pit to the extent of 10489.27 cum was shown as dumped in the filling reach, *i.e.*, RD 2800 M to 2940 M within the excavation rates. Subsequently, however, in March 1981 the earth filling work falling in the reach RD 2800 M to 2940 M was included in the scope of earth filling work awarded to another firm 'L' (RD 1750 M to 2800 M) at its quoted rate of Rs.16.12 per cum instead of getting it completed from firm 'K' without extra cost. 5195.75 cum on earth was shown as having been filled in reach RD 2800M 2940M during June-August 1981 by firm 'L' at a cost of Rs. 0.84 lakh. Further work of filling in this reach was stopped on the plea that this reach was being utilised by power house building contractor as working space, though land for the purpose had already been allotted to him.

Thus award of work regarding earth filling in RD 2800 M-2940 M to firm 'L' instead of getting the same done by firm 'K' free of cost resulted in an avoidable expenditure of Rs. 0.84 lakh.

10.06.4.6. Excess payment for earthwork

The earthwork of hydel channel was generally being got executed on composite through rate basis after inviting tenders. The scope of work and the detailed specifications were notified to the prospective tenderers through documents at the time of inviting tenders. The rates quoted were thus composite through rate covering all the items of work specified therein. The tender documents which form part of the contract specifically lay down that "ground surface under all canal embankments where it was below the maximum water level in the canal, shall be scored by making open furrows not less than 20 cm deep below natural ground surface at intervals not more than one meter." The quantities of earthwork for the purpose of taking measurement and regulating payment were to be worked out by super imposing the 'level' attained after execution of the work over the original 'level' taken before the commencement of work. In view of these, overriding provisions, the scope of work at tendered rates was inclusive of 'furrows' and hence the project authorities were not liable to make separate payment for making furrows and filling of earth therein. Contrary to this, the project authorities regarded this work as separate item in three reaches, *i.e.*, RD 1750 M to 2800 M, RD 5475 to 7400 M and RD 7400 to 7540 M and made payments amounting to Rs. 2.13 lakhs for 13,250 cum of earth filling in furrows which would increase to Rs. 2.19 lakhs on release of balance payment on this account.

10.06.4.7. Irregular transfer of machinery to contractor

Firm 'M' engaged in the excavation of power house-IV pit approached (July 1982) the project authorities for help in arranging earth disposal machinery from an inter-State project at Sundarnagar. According to the norms laid down by the Central Water Commission (CWC) such machinery (at book value) could be transferred only to Government departments/undertakings. The project authorities, however, arranged procurement of machinery (value: Rs. 6.71 lakhs) by taking delivery (September-October 1982) in their name from the inter-State project, Sundarnagar and handed over these to the firm against direct payment by it. By circumventing the purchase of machinery in Board's name at book value against the procedure laid down by CWC, the project authorities provided undue favour to the firm. The firm had already suspended (July 1982) the work due to dewatering problem and removed ihe enttre machinery from the project site. The matter was under enquiry by Vigilance Cell of the Board. The Hydel Standing Committee in its meeting (February 1983) decided that pension case of the then Engineer-in-Chief, under whose orders the machinery was arranged, be kept pending till final decision was made.

10.06.4.8. Purchase of substandard hose pipes

Tenders for the purchase of PVC hose pipes required for dewatering were floated in June 1980. After opening the tenders the Hydel Purchase Committee could not reach any conclusion as to quality and suitability of pipes offered by the tendrers and decided (November 1980) to constitute a special purchase committee consisting of Director (Construction), an Executive Engineer and Senior Accounts Officer for the purpose. The committee collected three spot quotations for 'COSMOS' brand rubber hose pipes and on its recommendations, an order for the supply of 2400 metres (4" dia 5 ply) and 300 metre (6" dia 7 ply) pipes was placed (January 1981) on the firm which quoted the lowest rate of Rs. 6.77 lakhs. The material was received against 100 *per cent* advance payment and directly sent to works. Subsequently, a repeat order on the same firm for supply of 895 metre (4" dia 5 ply) and 312.5 metre (6" dia 7 ply) pipes was placed in July 1981 for an aggregate value of Rs. 3.31 lakhs. The first lot of 150 metre pipes against this repeat order received in project store at Yamunanagar (September 1981) was found of substandard quality as the pipes with 4" dia were having 4 ply instead of 5 ply and pipes with 6" dia were having 6 ply instead of 7 ply. This lot as well as the subsequent supplies against the repeat order were taken on stock and issued to works by retaining samples for further checking in view of urgent need and firm's undertaking (September 1981) to accept the price fixed by the Chief Engineer for the pipes. Samples of pipes against both the purchases (original as well as repeat order) were got tested by the Vigilance Cell of the Board through a test house at Delhi which disclosed that pipes were below specifications. On the basis of recommendations of the committee (comprising Financial Advisor, Director (PPI) and one Executive Engineer) an amount of Rs. 1.28 lakhs (approximately) was worked out as recoverable from the firm against which balance payment due to it was Rs. 0.45 lakh only.

The project authorities stated (April 1984) that the matter was under investigation and the concerned officers had been charge-sheeted.

10.06.5. Summing up

(i) The Western Yamuna Canal Hydro Electric Project (Stage-I) envisaged construction of three power houses, each having 2 units of 8 MW each at an estimated cost of Rs. 45.71 crores. All the three power houses which were initially scheduled to be commissioned by March 1984 are now expected to be commissioned by June 1987. The cost of the Project (Stage-I) is now estimated at Rs. 61.63 crores.

(ii) Non-execution of earthwork of the channel and pits in accordance with the advice regarding dewatering by the Irrigation Research Institute, Roorkee contributed to considerable slippage in the commissioning schedule and avoidable escalation in the cost of the project on account of (a) abandonment and re-allotment of works, (b) provision of escape channel not originally contemplated, (c) widening of pits of power houses, and (d) cracks in bye-pass channel.

(iii) Re-design/reallotment of the works due to adoption of revised full supply level of water resulted in extra cost of Rs. 3.86 lakhs.

(iv) The enhancement of rates for manufacture and supply of pre-cast cement concrete tiles without any provision for it in the contract resulted in extra financial burden of Rs. 7.50 lakhs.

(v) Non-finalisation of tenders within validity of offers necessitated retendering entailing extra expenditure of Rs. 6.26 lakhs.

(vi) The earthwork of furrows was treated as a separate item and payment of Rs. 2.13 lakhs was made though as per specifications of the items of work awarded to the contractor it was included in the composite rate agreed to.

(vii) Samples drawn out of the hose pipes (value : Rs. 10.08 lakhs) purchased during January-July 1981 and got tested by the Board's Vigilance Cell disclosed that the pipes were below specifications.

The review was reported to Government/Board in July 1984 ; reply was awaited (May 1985).

10.07. Material Management Organisation

10.07.1. Functions

In order to streamline its procurement activities and purchase procedures, *inter alia*, the Board constituted a centralised agency namely, 'Material Management Organisation' (MMO) in February 1974. Simultaneously, regulations were also framed regarding the procedure to be followed for invitation, consideration and acceptance of tenders.

To assess the yearly demand for capital works with reference to physical targets to be achieved, *viz.*, kilometres of lines to be laid and energised, sub-stations to be commissioned, pump-sets to be installed, *etc.*, and for operation and maintenance, the MMO receives the annual indents from Chief Engineers, Operation, Planning and Construction. The following information is furnished along with indents :

(a) quantities available on stock ;

(b) quantities on order ;

(c) quantities indented for ; and

(d) consumption during the preceding 12 months as per stock issue register.

No material budget was being prepared till the end of 1983-84.

10.07.2. Review of purchases

The number and value of purchase orders placed by MMO during the last three years were 366 (Rs. 31.25 lakhs) in 1981-82, 285 (Rs. 31.93 lakhs) in 1982-83 and 203 (Rs. 52.48 lakhs) in 1983-84.

A test check in audit (July-December 1983) of purchase cases revealed the following points :

(i) incorrect assessment of the requirement of material ;

(ii) acceptance of unusual terms and deviation from the purchase regulations laid down ;

(iii) placing of orders without ascertaining the capability of the tenderers ;

(iv) delays in lodging claims and taking action for risk purchase in cases of breach of contracts and mounting arbitration cases ;

(v) acceptance of faulty price variation clause in deviation from purchase regulations ; and

(vi) acceptance of goods without adequate inspection.

Some cases of purchases are discussed in the succeeding paragraphs.

10.07.2.1. Inaccurate assessment of requirement

The indents for the capital items for schemes of 66 KV and above are required to be submitted by the Chief Engineer (Planning and Construction) at least 36/24 months in advance and indents for other works by the Chief Engineer (Operations) 12 months in advance of requirement. On receipt of the indents, the MMO prepares consolidated item-wise list of equipment and material to be procured during the year.

For the work of providing of new connections the requirement of 4 types of cables was assessed as 35 Kms during November 1978. The order was placed on two firms in May/June 1979 at rates varying from Rs. 0.47 lakh to Rs. 5.20 lakhs per Km. The quantity ordered and received was, however, found to be less than the actual requirement (April-June 1979) and fresh orders were (41.05 Kms) placed in February/June 1981 on the basis of tenders invited in September/December 1979. The rates at which orders for additional quantity of cables (41.05 kms) were placed was higher than those of which supplies were procured earlier. Had the required quantity of cables been assessed correctly in the first instance the Board would have saved Rs. 11.02 lakhs as detailed below :

Type of conductor	Rate paid per Km. (Rupees in lakhs)	Additional quantity purchased (in kms.)	Extra amount paid (Rupees in lakhs)
Unarmoured cable			
625 sq mm	1·500	2·00	3·00
95 sq mm	0·164	30·00	4·92
50 sq mm	0·200	3·45	0·69
95 sq mm	0·360	4·60	1·66
300 sq mm	0·750	1·00	0·75
Total		41·05	11·02

Reasons for the incorrect assessment of requirement in the first instance were awaited (March 1985).

10.07.2.2. Acceptance of unusual terms/delayed supplies

(i) Under the purchase regulations of the Board, delivery of the material within the stipulated period is considered the essence of the contract between the supplier and the Board. The regulations further lay down that when the supplier wants extension of the date of delivery under *force majeure* clause in exceptional circumstances, he is required to apply for extension before expiry of the scheduled date of delivery. In all such cases, the Board shall have the option to accept any portion of material and cancel the rest. The non-availability of raw material or any other similar cause is not to be considered as *force majeure* circumstances under these regulations.

By deviating from these provisions, the Board placed (April 1980) orders on six different firms 'C', 'D', 'E', 'F', 'G', and 'H' for supply of 46,500 numbers of 9 metres PCC poles (value : Rs. 1,72.41 lakhs including taxes) at the rates ranging from Rs. 361.94 to 409.49 per pole which, *inter alia*, contained a provision for the non-cancellation of the orders without the consent of the firms. As per terms and conditions of the purchase order, the supplies were to be completed by 31st October 1980 and 27th April 1981. The Stores Purchase Committee (SPC) while reviewing the position of execution of these orders, observed (February 1981) that firm 'C' had quoted comparatively lower equivalent rate of Rs. 345 per pole (further reduced to Rs. 317 per pole in April 1981) in subsequent tender opened in December 1980. By this time the firm 'E' had almost executed the order and the number of poles ordered and actually supplied by other four firms 'C', 'D', 'F', and 'G' was as under :

Name of firm	Equivalent rate per pole (In rupees)	Quantity ordered (Numbers)	Quantity supplied	Stipulated delivery date
C	409·49	9,000	3,711	October 1980
D	409·49	9,000	3,685	October 1980
F	408·94	6,500	2,385	April 1981
G	361·96	10,000	8,599	April 1981

The firms 'C', 'D', 'F' & 'G' sought extension of time between January and October 1981 respectively, *i.e.*, after the expiry of original delivery period on the ground of non-availability of control items and delay in inspection of material. In all, supply of 16,120 poles was yet to be made by these four firms at the time of expiry of the stipulated delivery period. Delayed supply of 971 poles was accepted without any request from the sixth firm 'H' for extension in delivery period. The SPC, taking note of the non-execution of the orders and downward trend in rates recommended (June 1981) for cancellation of balance quantity not supplied by the firms 'C', 'D', 'F' & 'G',. The Whole-Time Members decided (August 1981) to grant extension on account of delay in inspections and non-availability of controlled items. Accordingly extension in delivery period on account of delay in inspection and non-availability of controlled items was worked out and granted in each case by the SPC.

As the extension in delivery was sought after the expiry of scheduled delivery period the normal conditions if included in the orders would have conferred a right on the Board to cancel the balance quantity. But revised provision of non-cancellation of order without the consent of the firms included in the orders provided the firms an opportunity to enforce the delayed supplies when there was a downward trend in prices of poles. This resulted in acceptance of 12,976 poles even after the expiry of scheduled delivery periods at an extra cost of Rs. 11.34 lakhs.

The matter was reported to the Board in September 1983; reply was awaited (May 1985).

(ii) Orders for the purchase of 880 tonnes of GI wires were placed on firms 'M' and 'N' of Faridabad in April 1981 at Rs. 65,00 per tonne f.o.r. destination with price variation clause. The supplies were to commence within 4-6 weeks after the date of receipts of the order and be completed in lots of 80/100 tonnes per month (*i.e.*, up to October 1981). The firms, however, reserved the right to increase/decrease quantities at the time of delivery up to 4/5 *per cent* to 8/10 *per cent* under packing clause. The despatch of material was to be inspected by the Inspector of the Board for which the firm was to give written notice 15 days in advance.

Against 880 tonnes of wire, the firms supplied 620 tonnes within the scheduled delivery period. The balance 260 tonnes of wire was supplied during the extended (*post-facto*) delivery period. Meanwhile, the prices of GI wires against another tender enquiry opened on 4th March 1983 showed substantial decline and the lowest rate (f.o.r. destination) quoted by firm 'O' of Modinagar was Rs. 6,780 per tonne compared to the average rate of Rs.8,485.09 (including price increase) per tonne applicable in respect of purchase order placed in April 1981.

After execution of the supply of 880 tonnes, the firms 'M' and 'N' offered (May-June 1982) 43,850 tonnes and 35 tonnes of wire respectively under the packing clause on the plea that they had a right to deliver 4/5 to 8/10 *per cent* material in each consignment and 5 to 10 *per cent* material on over all supplies. The MMO decided (5th March 1982) to conduct inspection of the additional quantity offered by the firms although the declining trend in the rate of wire was evident on 4th March 1982 and the Board was not bound to accept the additional supplies offered after the execution of the order because the packing variation clause was operative along with the original supplies only. The additional quantities of 43,850 and 35 tonnes as offered by firms 'M' and 'N' were received during May—June 1982.

Thus as a result of accepting the additional supplies of 78,850 tonnes of wire over and above the quantities included in the orders the Board had to incur an additional expenditure of Rs. 1.36 lakhs.

The matter was reported to the Board in September 1983; reply was awaited (May 1985).

10.07.2.3. Procedure for placement of orders for supplies

(i) According to the purchase regulations of the Board,the Chief Engineer (Stores & Purchase) should prepare lists of approved suppliers for various items and get these lists approved by the Whole-Time-Members to ensure that tenders are submitted by all reliable and known sources of supply for different items of purchase.

The Board has, however, not identified reliable sources of supplies of all the items. A case of placement of an order for supply on a firm without verifying its capability and financial soundness is discussed below :

Four purchase orders for the suppy of 975 tonnes of GSS wire of different sizes worth Rs. 33.27 lakhs were placed on a Faridabad firm 'I' in March/April 1978 without ascertaining the financial position of the firm and facilities available with it to manufacture/supply the product. Earnest money was exempted as it was registered with the Director of Industries, Haryana. The supplies were to be completed by May 1978/March 1979 but the firm failed to execute the orders and risk purchase of 975 tonnes was effected from two firms of Faridabad in October 1978, August 1979, December 1979 and March 1980 at an extra cost of Rs. 13.77 lakhs.

In one of the cases, the risk purchase was made against limited tender enquiry. It was opined (April/May 1979) by the Law Officer of the Board that since the breach of contract took place quite long back, the question of risk purchase effected at that stage would be a futile exercise and that an adjudicator could, however, allow in arbitration reasonable compensation keeping in view the facts and circumstances of the case, and the evidence on record. It was accordingly, decided (June 1979) to refer the matter to arbitration. None attended the arbitration proceedings from the firms' side. Since notices served upon the firm were being received back undelivered, legal advise was sought as to whether the remaining cases might also be referred for arbitration.

Based on the legal advice, the matter was referred to Deputy Inspector General(Vigilance) of the Board for enquiry into the assets of the firm. The interim report of the Vigilance Department (February 1980) disclosed that even electric connection was not released to the firm although it was registered with the Director of Industries, Haryana as a manufacturer of G.I. pipe with total investment of Rs. 0.49 lakh only.

The Board stated (January 1982) that on receipt of necessary information from the Vigilance Cell, legal action as warranted would be taken. Further developments are awaited (May 1985).

(ii) With a view to provide procedural safeguards against firms not honouring commitments as per supply contracts, the Board issued (October 1979) the following executive instructions :

(a) Each transaction should be treated as an individual transaction covered by specific contract.

(b) In the event of a firm not honouring delivery commitments of the previous contracts; this fact should be taken as weighing against the firm tendering in response to a subsequent enquiry and be treated as disability.

(c) Before issuing the letter of intent of placing the order, MMO should squarely put the tenderer that subsequent order would only be awarded after the previous one had been fully discharged or a reliable undertaking given that it would be done within the scope of the previous contract.

(d) If the firm declines to give the undertaking it would be considered ineligible for participating in the subsequent order and the offer would automatically pass on to the next lower firm.

Pursuant to the above instructions, firms 'K' and 'L' whose offers (December 1979) for supply of conductor merited acceptance, were asked (January 1980) to give an undertaking for execution of previous orders before acceptance of their rates. The firms instead of furnishing the undertaking, represented that previous purchase cases were under arbitration and should not as such be considered a disqualification for placement of orders against the current enquiry. The Board, however, decided to avail of the offer of firm 'K' but ignored the offer of the firm 'L' under similar circumstances entailing an extra cost of Rs. 3.74 lakhs.

The matter was reported to the Board in July 1984; reply was awaited (May 1985).

(iii) The purchase of regulations of the Board provide that ordinarily, the firm rates quoted by the tenderers should be accepted but the provision of escalation clause may become necessary where the period of supply is sufficiently long. Further if the price variation clause is to be included, it should be both ways, *i.e.*, for increase as well as reduction in prices of raw material. It was, however, noticed in audit (February 1981) that the Board in August 1978 issued 35 orders on 15 firms for supply of ACSR conductors. Out of these orders, 10 orders placed on 5 firms included price variation clause for adjustment of rates for both increase and decrease in rates of raw material. Ten purchase orders placed with 3 firms included price variation clause which included a stipulation for upward increase only and not for any decrease in the prices of raw material. Due to this departure, the Board had to forgo Rs. 4.10 lakhs (excluding excise duty and sales tax) on account of reduction in the prices of raw material.

The Board stated (February 1981) that in order to avail of the various offers for the quantities of material which could be supplied within stipulated period, purchase orders were placed on firms which had quoted for price variation (increase and decrease) as well as those which had quoted for price increase only. The reply is not tenable as the tenders were invited in two parts, *i.e.*, first part containing technical and other terms and conditions and the other part being price bid. The Board could have sorted out the commercial terms, including applicability of price variation both ways *i.e.*, price increase as well as decrease, to bring it in line with stipulations made in the purchase regulations thereby safeguarding its interests.

(iv) Against a tender enquiry floated in October 1979 for the purchase of 100 km 4 × 50 mm LT PVC unarmoured cable, the basic rate of Rs. 34,974 per km (equivalent rate of Rs. 39,214.67 per km) quoted by firm 'P' of Faridabad was the lowest. The Whole Time-Members of the Board decided (23rd January 1980) that the MMO should explore the possibility of purchasing any quantity available against the Director General, Supplies and Disposal (DGS & D) rate contract with firms 'P' and 'Q' and the remaining quantity could be procured on the basis of lowest price. The DGS & D when approached on 28th January 1980, stated that the Board could place the order on firms 'P' and 'Q' as per terms of the rate contract (valid up to 29th February 1980). Accordingly, two purchase orders for the supply of 19.5 km. and 80.5 km. cables were placed on firms 'P' and 'Q' respectively on 22nd February 1980 on DGS & D rate contract. Besides, an order for supply of 100 km was placed on firm 'P' on 21st February 1980 at the quoted rate of Rs. 34,974 per km *ex*-works (against tender enquiry of October 1979). The Firm supplied 99,964 km of cable up to 27th February 1981 against the tender enquiry of October 1979.

Firm 'Q' refused to execute the order against rate contract on the ground that the order was received (3rd March 1980) after the expiry of the DGS&D rate contract. The Board cancelled the order on firm 'Q' in January 1981 on the advice of Legal Cell, as well as the opinion of DGS&D, that it was not a concluded contract.

Firm 'P' also did not execute the order against the rate contract though the purchase order was received by it before the expiry of validity of rate contract.

Non-execution of order (on rate contract) by 'P' and delay in placement of order on 'Q' resulted in an extra expenditure of Rs. 9.41 lakhs.

The matter was reported to the Board in July 1983; reply was awaited (May 1985).

10.07.2.4. Delay in taking risk purchase action

The purchase orders envisage that all matters, questions, disputes, differences or claims arising out of the contracts entered into by the Board may be referred to arbitration. The award of the Arbitrator is final and binding on the parties to the contracts.

As on 31st March 1984 as many as 65 cases involving Rs. 2,41.59 lakhs were in the process of arbitration. The age-wise details of such cases are as under:

Age	Number of cases	Amount involved (Rupees in lakhs)
Over 10 years	27	1,49·95
Over 5 years but less than 10 years	26	62·60
Over 3 years but less than 5 years	6	4·77
Below 3 years	6	24·27
Total	65	2,41·59*

Of these, in 9 cases, the firms had made counter-claims to the extent of Rs. 61.69 lakhs. These included two cases where a firm had lodged counter-claims aggregating Rs. 36·86 lakhs against the cancellation of purchase orders

*Excludes 20 cases where amount involved was not available.

after the expiry of delivery period though the firm had been requesting for extension in delivery period on account of *force majeure* reasons. In three other cases though suits for recovery of Rs 5.86 lakhs had been decreed in favour of the Board, the execution petitions could not be filed for want of details of property of the parties concerned. The chances of recovery in these cases seemed to be remote. In another case of Malerkotla firm involving Rs. 47.24 lakhs, the sole proprietor had since expired and his legal heirs had been impleaded as parties.

A further review disclosed the following :

(i) An order for the purchase of 2,250 distribution transformers of 63 KV rating was placed in January 1974 on Karnatka Vidhut Karkhana Limited, (KVL) a Government of Karnataka Undertaking, at the rate of Rs. 5,650 per transformer subject to the price variation with the maximum limit of Rs. 6,000 per transformer. Supplies were to be completed by March 1975. No acceptance was conveyed by KVL after the placement of the order. Commercial terms quoted by KVL in its offer such as delivery, negligence (risk purchase) and prices, *etc.*, were also at variance with those indicated in the purchase order. The Board, however, waived (March 1974) the signing of the contract by the firm on the ground that it was a State Government Undertaking.

The firm supplied 250 transformers and meanwhile, represented in April 1974 that price increase be allowed without any ceiling. The Board, rejected (December 1975) the claim for escalation and consequently, the firm did not make further supply. The Board wtihout giving notice of risk purchase, placed six orders during November 1975, March 1977, April 1978 and February 1979 for effecting risk purchase involving an extra expenditure of Rs. 44.63 lakhs. The Whole-Time-Members, decided (October 1978) that in order to adjust the extra expenditure incurred on this risk purchase, the pending payments (including earnest money, security and bank guarantee) against this order and against seven other purchase orders with KVL be withheld.

Although there was no arbitration clause in the order, the parties agreed (February 1981) to refer the matter for arbitration. The Arbitrator held (January 1982) that in the absence of any legally enforceable contract between the parties, the risk purchase clause could not be invoked and as such the Board should release the withheld principal amount of Rs. 32.51 lakhs (due to the firm) along with interest at the rate of 15 *per cent* on this amount, which worked out to Rs. 33.58 lakhs (calculated up to 31st January 1982). The decision of the Arbitrator was made rule of the Court in February 1983. Finally the Board paid a sum of Rs. 72.50 lakhs (Principal : Rs. 32.51 lakhs and interest : Rs. 39.99 lakhs) to the firm in May and July 1983.

The matter was reported to the Board in April 1984; reply was awaited (May 1985).

(ii) An order for the purchase of 1,100 tonnes of GI wire (value: Rs.36.66 lakhs) was placed on firm 'M' of Faridabad in April 1978 at a firm rate of Rs. 3,401 per tonne (less 2 *per cent* discount) against 100 *per cent* advance payment. The delivery of the material was to be completed by February 1979. The firm supplied 867.996 tonnes and for the balance, it demanded an increase of Rs. 950 per tonne. The demand of the firm was turned down on the ground that the rate were firm. The Board in December 1979 and February 1980 issued two risk purchase notices to the firm but no supply was received. The Board in February 1980 allowed the price increase resulting from increase in the rates of controlled raw material and statutory impositions.

The Board floated a fresh tender enquiry (July 1980), to meet the requirements of 1981-82, for the supply of 880 tonnes of GI wire. In response to this tender enquiry, 7 firms (including firm 'M') quoted their rates. Two orders for the supply of 440 tonnes each were placed (April 1981) on firm 'M' and 'N' of Faridabad at the rate of Rs. 6,500 per tonne. The rate was variable with reference to increase in prices of zinc and wire rod.

Subsequently, firm 'M' was allowed (April 1983) to supply the balance quantity (232.004 tonnes) against the order of April 1978 at the enhanced rate of Rs. 6,656.70 per tonne instead of invoking the risk purchase clause resulting in an extra expenditure of Rs. 7.48 lakhs.

The matter was reported to the Board in June 1982; reply was awaited (May 1985).

10.07. 2.5. **Purchases without adequate inspection**

(i) The Board, in March 1980, placed an order on firm 'V' of Baroda for the purchase of five power transformers of 10 MW (66/11 KV rating) valuing Rs.46.40 lakhs. All the transformers were subject to pre-inspection at the works of the supplier. The transformers carried a warranty for 12 months from the date of commissioning or 18 months from the date of supply, whichever was earlier.

Of the 5 transformers offered by the firm for inspection during July-October 1980, pre-inspection at the supplier's works was conducted in respect of two transformers (1st and 4th) only while the other three transformers were accepted without pre-inspection on the strength of test reports furnished by the suppplier though the past performance of the firm was not satisfactory. Out of these five transformers, three were damaged within 5, 7 and 13 months after energisation and two were working with lower insulation resistance values than those indicated in the manufacturer's test certificate:

Thus as a result of waiver of pre-inspection, the supply of transformers conforming to specifications could not be ensured and also the benefit of free repair within the warranty period was lost due to delay in commissioning in respect of 3 transformers which were damaged. These transformers purchased at cost of Rs. 27.84 lakhs were still (April 1984) lying unrepaired since the firm did not own any responsibilty to carry out repairs.

The matter was reported to the Board in November 1983 ; reply was awaited (May 1985).

(ii) The Board's purchase regulations provide the order preference, at the lowest rate of non-Haryana firms, to such Haryana firms whose offers were found to be otherwise technically and commercially acceptable.

On the basis of short term tender enquiry floated in August 1982 for purchase of 1,800 distribution transformers of 63 KV capacity, four orders for purchase of 700 distribution transformers valuing Rs. 67.55 lakhs were placed on four firms in November 1982. Of these, one order for the supply of 200 transformers was placed on firm 'S' of Haryana as this firm had accepted the order preference clause and also undertaken (September 1982) to execute the order on the lowest rates quoted by firms outside Haryana.

As per terms of the purchase order, firm 'S' was required to supply transformers conforming to Board's specifications (SD-RE-I/S-35) with 52 Kg aluminium and 125 litres transformer oil and core loss up to 200 watts and load loss up to 1,300 watts. Subsequently, however, on a request from the firm (November 1982) it was allowed to supply transformers having higher losses and less weight of aluminium coils/transformer oil, *etc*, without corresponding reduction in price. The testing of one transformer out of each lot for ascertaining no load/full load loss was also waived in the case of this firm only, while other firms were required to adhere to the terms of purchase order. This constituted a substantial deviation from the conditions of purchase order resulting in undue financial benefit to firm 'S' by way of use of lesser quantity of aluminium/oil and higher transformation losses to the Board.

The monetary value of the benefit to firm 'S' on account of use of less quantity of aluminium and oil on the basis of comparative study done by the MMO works out to Rs. 1.41 lakhs. The extent of loss on account of higher core/iron losses was not ascertainable as no such tests were carried out.

The mattter was reported to the Board in October 1983 ; reply was awaited (May 1985).

(iii) An order for the purchase of 25 tents made of top heavy duty double ply water-proof white/khaki cloth (14′ × 14′) at the rate of Rs. 1,975 each was placed (October 1980) by the Controller of Stores, Hissar on a State Government Undertaking. The Undertaking in turn directed its approved supplier 'R' to execute the order. The tents were offered for inspection on 9th December 1980 at the Board's store at Hissar but were rejected as these were found to be of poor quality and not according to specifications.

On 16th December 1980 the rejected tents were lifted by the firm but at the same time a request for fresh inspection at a different store located near their works was made. The request was agreed to and the same material was re-inspected by the officials of the new store on 30th December 1980 and accepted. Subsequently, one metre cloth of tent was sent to Director, Technological Institute of Textile Bhiwani at the instance of Vigilance Cell of Board (on receipt of an anonymous complaint) to ascertain the quality of the cloth. The results of the sample disclosed that the tents did not possess any water proofing and were unfit for use.

Due to acceptance of tents unfit for use the Board had been put to a loss of Rs. 0.49 lakh. No responsibility for the lapse resulting in loss to the Board has been fixed so far (December 1984).

10.07.2.6. Other topics of interest

(i) Purchase of sealed type transformers without repairing facilities

With a view to avoiding theft of spare parts/oil from the distribution transformers and enforcing economy, the Board decided (August 1974) to switch over to the use of sealed type transformers in place of bolted type conventional ones.

During March 1980 to July 1983, the Board purchased 6,363 sealed type distribution transformers for Rs. 5.94 crores. But the existing repair workshop was not revamped suitably by providing gas cutting facilities. Consequently, 160 sealed type transformers valuing Rs. 20.20 lakhs which were damaged after installation were lying unrepaired (December 1983) for a period ranging from 9 to 36 months.

Besides, against the supply of 1,500 sealed type transformers valuing Rs. 1.63 crores made by firm 'Y' of Ghaziabad, 258 transformers valuing Rs. 27.97 lakhs were damaged within the warranty period which constituted 17.2 *per cent* of the total supplies. Proper inspection of these transformers at the time of purchase to ensure required quality was lacking to the following extent :

(i) Work test certificates were not obtained/approved in most of lots (1389 transformers).

(ii) Dio-electric strength of oil was not tested in respect of 5 lots of 970 transformers.

(iii) Heat run and pressure tests were waived in respect of 330 transformers.

(iv) The transformers sent for tests at Board's laboratory at Dhulkote were not sealed in respect of 8 lots of the 1300 transformers.

Of the 258 transformers damaged within warranty period, 134 transformers were got repaired from the firm by invoking the warranty clause. In respect of the remaining 124 transformers valuing Rs. 13.44 lakhs, the firm failed to carry out repairs and the same were lying idle (February 1985) since the date of their damage (September 1980 to September 1982).

The matter was reported to the Board in December 1983; reply was awaited (May 1985).

(ii) Avoidable payment of interest

(a) It was noticed (April 1984) in audit that in 23 cases relating to supply of cement during December 1980 to November 1983, there was delay ranging from 5 to 20 months in issuing cancellation orders after the expiry of the period for which allotment made by the Cement Controller, was valid, resulting in delay in processing the claims for refund of deposits. Of these, in 5 cases refund (Rs. 1.43 lakhs) was still (May 1984) awaited while in 6 cases the Board had not applied for refund (Rs. 15.12 lakhs). Due to late receipt of refunds to the tune of Rs. 55 lakhs the Board had made an aviodable payment of interest of Rs. 9.49 lakhs on the cash credit limit availed during this period.

The matter was reported to the Board in May 1984; reply was awaited (May 1985).

(b) Against an order for the supply of 3,400 tonnes of steel billets placed on Steel Authority of India (SAIL) in November 1981, two rakes (3,400 tonnes valuing Rs. 1,28.60 lakhs) were despatched to the Board's Central Store at Delhi in Febraury 1982. The despatch documents in respect of one rake valuing Rs. 64.30 lakhs were sent by SAIL to its own branch office at Delhi for negotiation against payment to be made by the Board. The documents could, however, be got retired after 114 days due to non-availability of funds. Consequently, the SAIL charged a penal interest of Rs. 4.42 lakhs at 22 *per cent* which was even more than the rates charged by banks on cash credit availed by the Board. Had the documents been got released in time even by availing of cash credit limit as was ultimately done, there would have been a saving of interest amounting to Rs. 0.50 lakh.

The matter was reported to the Board in February 1984; reply was awaited (May 1985).

10.08. Construction of quarters

Construction of 14 staff quarters at 33 KV Sub-Station, Kailana was completed by the Sub-Divisional Officer, Panipat during April 1976 and February 1980 at a total cost of Rs. 2.67 lakhs. All the 14 quarters were lying vacant since then as no employee was prepared to accept the allotment due to unsuitable location of the quarters and non-provision of drinking water. The Board was paying house-rent allowance to the employees posted at the Sub-Station.

Consequently the Board's funds amounting to Rs. 2.67 lakhs had been lying locked up besides avoidable payment of house rent allowance of Rs. 0.29 lakh to the staff and loss of revenue by way of rent of Rs. 0.26 lakh for the quarters from May 1976/March 1980 to April 1984.

The Executive Engineer, Operation Division, Sonepat stated(May 1984) that the quarters could not be allotted as the water of the colony was saline.

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

10.09. Waiver of bank guarantee

An order for conversion of billets into various sections of M.S. flats for use on Board's works was placed (July 1981) on a firm of Bahadurgarh. As per terms and conditions of the order, bank guarantee at the rate of Rs. 3,700 per tonne of billets issued was required to be obtained from the firm before issuing the billets. The Stores Purchase Committee waived this condition at the request of the firm and instructed(September 1981) the Executive Engineer, Central Strores, Delhi to get the material re-rolled in the presence of the Board's representative. Accordingly, 28,868 tonnes of billets valunig of Rs. 0.99 lakh were supplied to the firm in October 1981 but without making any definite arrangements for getting the billets, re-rolled in the presence of Board's representative.

The firm did not execute the work order for one reason or the other. The Executive Engineer, Central Stores, Delhi informed the Chief Engineer telegraphically (22nd June 1982) that immediate police action was called for as the factory was looking deserted day by day. The Executive Engineer was directed (29th June 1982) to remove the billets from the firm's premises. The material had also not been physically verified at firm's works since October 1981, which was ultimately reported (February 1984) to have been disposed of by the firm. The matter was reported to Police in July 1982 but the case was registered only in March 1984. The case was still under investigation (May 1985).

The waiver of the bank guarantee had resulted in loss of Rs. 0.99 lakh to the Board.

The Board stated (April 1984) that legal action for recovery of billets was being taken. However, no responsibility had been fixed for not safeguarding the interests of the Board.

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

10.10 Loss due to irregular sanction of contract demand

According to the provisions in Sales Manual of the Board, "connected load" is the sum total of the rated capacity of all the energy consuming apparatus in the consumers' installation which can be operated simultaneously. The 'contract demand' is the maximum demand agreed to between the consumer and the Board. These provisions imply that the power to be consumed by a consumer cannot exceed the connected load, and the contract demand, therefore, should not exceed the connected load. Demand surcharge of 25 *per cent* on the supply of power is recoverable as per tariff if in any month the maximum demand exceeds by more than 7.5 *per cent* of the contract demand.

It was, however, observed in audit (January 1984) that in case of a consumer the connected load was 235.29 KVA, but the contract demand was increased to 300 KVA(May 1977) without corresponding increase in connected load which was irregular. The maximum demand recorded, as per maximum demand indicator installed at the premises of the consumer ranged between 255 KVA and 314 KVA and exceeded the connected load of 235.29 KVA by more than 7.5 *per cent* during the period from August 1977 to April 1984. But the demand surcharge of 25 *per cent* on the supply of power could not be levied as the same did not exceed the contract demand of 300 KVA. Owing to irregular increase of the contract demand in violation of provisions of the Sales Manual, the Board suffered a loss of Rs. 0.36 lakh (excluding electricity duty of Rs. 0.08 lakh).

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

10.11. Delay in bank reconciliation and remittances

As per standing instructions of the Board, the amounts collected towards energy bills by the units are required to be remitted by them in branches of 11 designated banks either on the same day or on the next day. The Sub-Divisional Officer/Revenue Accountant/Commercial Assistant is required carefully to check the pay-in-slips and see that the amount entered therein agrees with the entries made in the cash book/remittances register. The banks are in turn required to transfer the remittances exceeding Rs. 5,000 telegraphically and for lesser amounts by mail transfer on the same day to the credit of the Board's main accounts at Chandigarh. The depositing units should pursue with the banks such remittances which are either not credited or short credited in their daily advice to the Board's office and obtain credits for the same at the earliest. The banks are also required to send statements showing the date-wise collections and transfers to the Central Accounts Office of the Board where reconciliation is undertaken with reference to the details of remittances into banks received directly from the unit offices of the Board. However there was no effective system to ensure credits having been accounted for in time in the accounts of the Board. There were considerable delays in reconciliation of remittances in the Central Accounts Office as the reconciliation for the year 1980-81 was completed in July 1982, for 1981-82 in May 1983 and for 1982-83 in March 1984.

Due to non-pursuance of remittances by the depositing units and delays in reconciliation in the Central Accounts Office, discrepancies remained unnoticed/unsettled for long periods. In one case, Rs.0.78 lakh reportedly embezzled by the Cashier of Pipli Sub-Division between November 1980 and February 1982 by tampering with the pay-in-slips of remittances could be detected only in February 1982 due to delay in reconciliation. The matter was still under investigation by police.

The delays in remittances of collection also affects the ways and means position of the Board and leads to unnecessary payment of interest on bank overdraft/cash credits. A test check in audit of remittances of the year 1982-83 revealed that in 7,671 cases (amount : Rs. 22.08 crores) the banks did not transfer amounts promptly and the delays ranged from 1 to 304 days even after allowing 3 days for telegraphic transfers and 7 days for mail transfers. Out of interest of Rs. 65.35 lakhs paid by the Board during 1982-83 on cash credit/bank overdraft balances, interest amounting to Rs. 10.58 lakhs could have been saved if timely remittance had been made of balances from branches of the banks to main accounts at Chandigarh in respect of 8 banks (out of 11 banks) reviewed during test check. Besides this the reconcilation of credits in respect of 10 out of 11 banks disclosed that amounts aggregating Rs.16,72 lakhs (Rs.1.10 lakhs for the year 1973-74 to 1980-81, Rs. 2.79 lakhs for 1981-82 and Rs. 12.83 lakhs for 1982-83) had not been credited to Board's accounts up to December 1983.

The matter was reported to Board/Government in January/June 1984; reply was awaited (May 1985).

10.12. Fire in Faridabad thermal power station

During operation of thermal plants, the ash accumulating at the bottom of the furnace is required to be cleared so as to avoid outbreak of fire due to build up of abnormal pressure in the furnace. The variation in furnace pressure is to be controlled by the boiler controller of the power house. Due to defect in the ash scrapper system of Unit III (60 MW)of Faridabad Thermal Power Station, the project authorities made make shift arrangements by using compressed air and water to flush the accumulated ash in the furnace bottom hopper.

On 8th December 1983, a fire broke out in Unit III and the Unit remained shut down during 8th to 24th December 1983. The fire, which caused damage to control cables/equipment was attributed (December 1983) to non-clearance of ash from the furnace bottom hopper by the operating staff and not controlling the variation in furnace pressure by the boiler controller. Besides damage to control cables and other equipment valuing Rs. 11.74 lakhs for which a claim had been lodged with insurance company (August 1984), the fire caused loss of generation of power to the extent of 12.697 MKWH involving a loss of revenue of Rs. 40.10 lakhs.

No responsibility in the matter had been fixed by the Board (May 1985).

The matter was reported to Government in June 1984 ; reply was awited (May 1985).

10.13. Extra expenditure

An order for supply of one lakh (increased to 1.10 lakhs in November 1982) PCC poles at Rs. 220.50 per pole was placed on a firm of Faridabad in April 1982. The poles were to conform to Board's technical specification (one cubic metre of concrete should contain at least 380 kg of cement, *i.e.*, 60 kg per pole) as well as the relevant provisions made in the Indian Standards Institutions Specification (ISI). The relevant IS specifications referred to in the Board's technical specifications provided that the cement to be used in one cubic metre of concrete should not exceed 530 kg., *i.e.* 83 kg per pole. According to the stipulations made in the purchase order, the price was to be increased by 50 paise per pole for every increase of Rs. 4 or part thereof in the price of cement per tonne. The firm was required to intimate the concrete design mix indicating the ratio of aggregate and cement to be used before offering the poles for inspection. To ensure the manufacture of poles in accordance with the approved specifications supervision at various stages of production was to be carried out by the representatives of the Board.

As per design of control concrete mix the concrete should have attained strength of 270 to 280 kg. per square centimetre after four days whereas the strength of the cube tested during stage inspection (May 1982) was found to be less than the minimum requirement of 210 kg. At no stage the actual weight of cement was checked as it was considered that strength was the right criterion for checking the quality of mix.

The Chief Engineer, Purchase Organisation, opined (January 1983) that some other officer conversant with PCC poles should be deputed to the supplier's works to ascertain the exact quantity of cement used in the manufacture of poles by taking samples of concrete mix and making cubes in his presence. Another inspecting officer (an electrical engineer) was deputed (January 1983) and as per reports on the test of these cubes conducted by him (January-Februarry 1983) the average quantity of cement consumed per pole was assessed at 116.91 kg. The inspecting officer, however, stated that he was basically an electrical engineer, while the job was that of a civil engineer. The Chief Engineer (March 1983) proposed deputing a Civil Engineer for ascretaining the actual quantity of cement used in the manufacture of the poles but the proposal was not acted upon. The Whole-Time-Members while admitting a few facts of omissions and commission on the part of individuals felt (April 1983) that the supplier had balance of legalities in his favour and the matter had to be proceeded within a manner safeguarding the interest of the Board in as best a manner as possible. Accordingly, it was decided by the Board (May 1983) to allow price variation for past supplies on the basis of the average of the quantity of cement (116.91 kg. per pole) worked out by the inspecting officer in January-February 1983, and the payment of escalation bill of the entire lot of 50,883 poles was made accordingly.

In October 1983, the Whole-Time-Members, in view of the provision of the IS specification decided in meeting with the representative of the firm (though yet to be ratified by the Board) to restrict the use of cement to the maximum ceiling of 83 kg. per pole for balance supplies subject to actual consumption of cement as determined on the results of tests carried out during inspections by the representative of the Baord. However, the Board had received 50,883 poles up to October 1983 on which escalations (Rs. 46.30 lakhs) based on cement consumption of 116.91 kg per pole had already been paid.

The Board stated (April 1984) that the price variation for earlier supplies up to October 1983 had been paid on the basis of actual use of cement as per original contract and as such could not be compared with the maximum consumption of 83 kg. per pole agreed upon subsequently. The reply is not tenable because as per purchase order, the poles were required to conform to ISI specifications according to which the cement to be used should not exceed 83 kg. per pole. Consequently, the additional payment due to escalation in the prices of cement on the basis of cement consumed at 116·91 kg. per pole was not justified.

Had the payment of escalation been limited to consumption of cement provided in ISI specification *viz.*, 83 kg. per pole the Board would have saved Rs. 14.57 lakhs.

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

10.14. **Delay in recovery of enhanced security deposit**

To mobilise cash resources, the Board enhanced security deposit rates for supply of energy to the existing as well as prospective consumers with effect from 1st April 1981. The existing consumers were required to deposit the enhanced security within one month failing which their supplies were liable to be disconnected.

A test check of consumers security deposit registers of 30 sub-divisions (out of 153 sub-divisions) up to December 1983 revealed that 378 consumers (including 5 bulk consumers) had not deposited enhanced security deposits amounting to Rs. 65·08 lakhs. Rupees 50.57 lakhs were due from 83 consumers (out of 191 large consumers) while Rs. 11.54 lakhs were recoverable from 290 medium supply consumers (out of 980 consumers) alone.

On this being pointed out in audit (December 1983) the Board issued instructions (January 1984) to the field officers for taking effective steps to recover the security at enhanced rates from consumers failing which their supplies were to be disconnected. Actual amount of security due for recovery at enhanced rates in respect of all the sub divisions had not been worked out by the Board.Delay in recovery of enhanced security deposits resulted in not achieving the main aim of mobilising cash resources. Recovery of enhanced security deposits even to the extent of Rs. 65.08 lakhs noticed in audit would have resulted in saving of interest on cash credit/overdrafts to tune of Rs. 19.96 lakhs for the period

June 1981 to December 1983, after taking into account the interest payable to the consumers on such security.

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

S.K. Chakraborty

CHANDIGARH,

The 9 SEP 1985

(S.K. CHAKRABORTY)

Accountant General (Audit), Haryana.

Countersigned

T.N. Chaturvedi

NEW DELHI,

The 11 SEP 1985

(T.N. CHATURVEDI)

Comptroller and Auditor General of India.

June 1981 to December 1983, after taking into account the interest payable to the consumers on such security.

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

S. K. Chakraborty

CHANDIGARH,
The 9 SEP 1985

(S.K. CHAKRABORTY)
Accountant General (Audit), Haryana.

Countersigned

T. N. Chaturvedi

NEW DELHI,
The 11 SEP 1985

(T.N. CHATURVEDI)
Comptroller and Auditor General of India.

APPENDIX A

(Referred to paragraph 3 of the preface)

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

Serial number	Name of the Company	Total investment up to 1983-84 (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-B

(Reference : Paragraphs 1.02 ; page-I)

SUMMARISED FINANCIAL

Serial number	Name of Company	Name of department	Year of incorporation	Year of accounts	Total capital invested (A)
	(1)	(2)	(3)	(4)	(5)
					(Figures in
	Running concerns				
1.	Haryana State Minor Irrigation (Tubewell) Corporation Limited	Irrigation	1970	1976-77 (April-March)	23,00·00
				1977-78 (April-March)	23,93·77
				1978-79 (April-March)	31,05·60
2.	Haryana Dairy Development Corporation Limited	Animal Husbandry	1969	1981-82 (April-March)	7,46·56
				1982-83 (April-March)	6,28·38
3.	Haryana State Small Industries and Export Corporation Limited	Industries	1967	1982-83 (July-June)	1,35·65
				1983-84 (July-June)	1,45·67
4.	Haryana Economically Weaker Sections Kalyan Nigam Limited	Social Welfare	31st March 1982	1982-83 (March 82- March 83)	31·00
5.	Haryana Land Reclamation and Development Corporation Limited	Agriculture	1974	1982-83 (April-March)	1,61·96
6.	Haryana Agro Industries Corporation Limited	Industries	1967	1980-81 (July-June)	4,44·96
7.	Haryana State Handloom and Handicrafts Corporation Limited	Industries	1976	1983-84 (April-March)	1,68·61
8.	Haryana Harijan Kalyan Nigam Limited	Social Welfare	1971	1978-79 (July-June)	2,43·13

RESULTS OF GOVERNMENT COMPANIES

Profit(+)/ Loss(—)	Total interest charged to profit and loss account	Interest on long terms loans	Total return on capital invested (6+8)	Capital employed (B)	Total return on capital employed (6+7)	Percentage of total return on capital invested	Percentage of total return on capital employed
(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
columns 5 to 11 are in lakhs of rupees)						(*Per cent*)	
(+)31·95	1,45·42	1,41·61	1,73·56	18,41·19	1,77·37	7·55	9·63
(—)78·35	1,72·20	1,63·36	95·01	17,75·83	93·85	3·97	5·28
(+)29·37	1,76·06	176·06	2,05·43	23,65·57	2,05·43	6·61	8·68
(—)48·89	33·35	33·35	(—)15·54	4,19·97	(—)15·54	..	..
(—)55·93	39·46	39·46	(—)16·47	3,74·25	(—)16·47	..	..
(+)14·98	0·82	0·04	15·02	3,13·80	15·80	11·07	5·03
(+)13·90	11·39	0·36	14·26	362·45	25·29	9·79	6·98
(—)5·12	..	..	(—)5·12	25·57	(—)5·12	..	..
(—)37·13	9·65	3·12	(—)34·01	69·71	27·48	..	..
(—)72·45	46·33	1·62	(—)70·83	5,19·35	(—)26·12	..	..
(—)14·32	5·79	..	(—)14·32	1,40·79	(—)8·53	..	..
(—)0·04	0·28	0·28	0·24	2,43·13	0·24	0·10	0·10

(1)	(2)	(3)	(4)	(5)
II. Promotional Development Undertakings				——
9 Haryana Seeds Development Corporation Limited	Agriculture	1974	1982-83	2,82·11
			1983-84 (July-June)	4,47·89
10. Haryana State Electronics Development Corporation Limited	Industries	15th May 1982	1982-83 (May 82-March 83)	0·01
11. Haryana State Industrial Development Corporation Limited	Industries	1970	1983-84 (April—March)	—
III. Subsidiaries of Haryana State Industrial Development Corporation Limited				
12. Haryana Television Limited	Industries	1977	1978-79 (April-March)	72·36
13. Haryana Concast Limited	Industries	1973	1980-81	3,66·68
			1981-82	3,60·15
			1982-83 (April-March)	6,17·90
14. Haryana Minerals Limited	Industries	1972	1981-82	30·44
			1982-83	28·49
			1983-84 (April-March)	26·63
15. Haryana Breweries Limited	Industries	1970	1982-83	1,79·37
			1983-84 (April-March)	1,62·48
16. Haryana Tanneries Limited	Industries	1971	1982-83 (April-March)	2,04·49

(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) working capital.

(C) Represents mean capital employed *i.e.*, mean or aggregate of opening and closing balances of (i) paid-up capital, (ii) reserves and surplus, and (iii) borrowings.

(D) Represents net profit before charging interest, tax provisions and revenues under Sections 36(i) (viii) of the Income-Tax Act, 1961.

(Figures in Columns 5 to 11 are in lakhs of Rupees)

(6)	(7)	(8)	(9)	(10)	(11	(12)	(13)
			(6+8)		(6+7)	(Per cent)	
(+)7·00	16·82	..	7·00	4,92·97	23·82	2·48	4·83
(+)8·28	38·65	..	38·65	6,67·72	46·93	8·03	7·03
(—)1·83	..	..	(—)1·83	(—)2·25	(—)1·83	..	..
(+)28·84	23·40	..	(+)28·84	(C) 16,40·68	(D) 52·24	..	3·18
(—)12·29	5·79	1·60	(—)10·69	28·16	(—)6·50	..	..
(+)28·64	70·94	33·81	62·45	2,44·92	99·58	17·03	40·66
(+)8·24	64·98	33·10	41·34	2,29·94	73·22	11·48	31·84
(—)95·98	59·37	43·77	(—)52·21	6,53·33	(—)36·61	..	..
(+)26·46	1·20	..	26·46	26·14	27·66	86·93	105·81
(+)4·66	1·10	..	4·66	32·30	5·76	16·56	17·83
(+)0·39	0·36	..	0·39	32·61	0·75	1·46	2·30
(+)0·38	23·67	8·25	8·63	1,98·44	24·05	4·81	12·12
(+)15·68	14·52	..	15·68	1,72·47	30·20	9·65	17·51
(—)50·31	35·95	..	(—)50·31	(—)1·89	(—)14·36	..	..

(APPENDIX C)

(Referred to paragraph 9.01 page 56)

SUMMARISED FINANCIAL RESULTS OF

Serial number	Name of the Corporation	Name of the department	Year of incorporation	Period of account	Total capital invested (A)
(1)	(2)	(3)	(4)	(5)	(6)
				(Figures in columns	
1.	Haryana State Electricity Board	Irrigation & Power	1967	1983-84	91,580 ·21
2.	Haryana Financial Corporation	Industries	1967	1983-84	52,88 ·83
3.	Haryana Warehousing Corporation	Agriculture	1967	1983-84	7,99 ·36

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

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

(C) Represents mean of aggregate of opening and closing balances of (i) paid-up capital, (ii), bonds and debentures; (iii) free reserves; (iv) Borrowings including refinance; and (v) deposits.

STATUTORY CORPORATIONS

Profit	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)	(11)	(12)	(13)	(14)
			(7+9)		(7+8)		
6 to 12 are in lakhs of rupees)							
7,00·49	23,48·65	22,61·47	29,61·92	6,07,90·93	30,49·10	3·23	5·02
				(C)			
59·37	2,23·20	2,23·20	2,82·57	49,39·76	2,82·57	5·3	5·7
55·14	22·03	22·03	1,20·95	7,41·27	1,20·95	15·1	16·3