REPORT

OF THE

Comptroller and Auditor General of India

for the year 1986-87

(COMMERCIAL)

Government of Haryana

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PREFACE

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

(i) Government Companies ;
(ii) Statutory Corporations ; and
(iii) Departmentally-managed commercial undertakings.

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

3. There are, however, certain companies where Government have invested funds, but the accounts of which are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled Companies/ Corporations hold less than 51 *per cent* of the shares. A list of such Undertakings in which Government investment was more than Rs. 10 lakhs as on 31st March 1987 is given in *Annexure '1'*.

4. In respect of the Haryana State Electricity Board which is a Statutory Corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Haryana Financial Corporation and Haryana Warehousing Corporation he has the right to conduct the audit of their accounts indepen-

dently 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 1986-87 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 1986-87 have also been included wherever considered necessary.

CHAPTER I

1. Overview

1.1. The State had 19 Government Companies (including 6 subsidiaries), I company under the purview of the Section 619 (B) of the Companies Act, 1956 and 3 Statutory Corporations as on 31st March 1987.

(Paragraph 2.2.1. and 2.3.1.)

1.2. The aggregate paid-up capital of the Government Companies was Rs. 64.51 crores, of which Rs. 55.94 crores was invested by the State Government, Rs. 2.16 crores by the Central Government and Rs. 6.41 crores by others. The State Government loans to the extent of Rs. 10.30 crores were outstanding as on 31st March 1987 against 9 companies. The State Government had guaranteed repayment of loans raised by 6 companies and interest thereon ; the amounts guaranteed and outstanding thereagainst as on 31st March 1987 were Rs. 178.19 crores and Rs. 82.97 crores respectively.

(Paragraph 2.2.2.)

1.3. Six companies had finalised their accounts for the year 1986-87 ; the accounts of 10 companies were in arrears for the period ranging from 1 to 8 years (the accounts of 3 companies were not due).

(Paragraph 2.2.3.)

1.4. On the basis of latest available accounts which varied from company to company, the cumulative losses of 14 companies were Rs. 23.64 crores, 4 companies together earned profit of Rs. 1.50 crores during the year 1986-87. One company did not, however, finalise the accounts since its incorporation in April 1983. The cumulative losses of Rs. 17.27 crores incurred by 5 companies had exceeded their paid-up capital of Rs. 8.15 crores.

(Paragraph 2.2.2. and 2.2.4.2.)

1.5. As against the paid-up capital of Rs. 1,35.15 lakhs, the accumulated loss of Haryana Tanneries Limited, a Section 619 (B) company was Rs. 3,73.15 lakhs. The State Government had guaranteed the repayment of loans raised by the Company and interest thereon ; the amount guaranteed and outstanding thereagainst as on 31st March 1987 was Rs. 30 lakhs and Rs. 1,20.99 lakhs respectively.

(Paragraph 2.2.4.3.)

1.6. As a result of supplementary audit under Section 619 (4) of the Companies Act, 1956, of the accounts of 2 companies reported upon by the Statutory Auditors, there was increase in the net loss by Rs. 3,50.14 lakhs.

(Paragraph 2.2.5.)

1.7. Haryana State Electricity Board (HSEB) had finalised its accounts for the year 1986-87 and the accounts showed a net deficit of Rs. 70.50 crores during the year. Besides, sundry debtors for sale of power included debtors amounting to Rs. 4.90 crores who had either gone into liquidation or against whom claims were disallowed by the court.

(Paragraphs 2.3.2., 2.4.3. and 2.4.4.)

1.8. Haryana Financial Corporation and Haryana Warehousing Corporation had finalised the accounts for the year 1986-87 and earned profit of Rs. 34.58 lakhs and Rs. 5,51.23 lakhs respectively.

(Paragraphs 2.3.3., 2.5.4. and 2.6.3.)

1.9. The activities of Haryana Tanneries Limited, horizontal functioning in respect of three Government Companies viz., Haryana Harijan Kalyan Nigam Limited (HHKNL), Haryana Backward

Classes Kalyan Nigam Limited (HBCKNL) and Haryana Economically Weaker Sections Kalyan Nigam Limited (HEWSKNL) and purchase, performance and repairs of transformers by the Haryana State Electricity Board were reviewed in audit.

1.10. The Haryana Tanneries Limited which was formed as a subsidiary of Haryana State Industrial Development Corporation Limited became a deemed Government Company under Section 619 (B) of the Companies Act, 1956. The paid-up capital of the Company which was Rs. 1.35 crores as on 31st March 1987 had been completely eroded due to continuous losses right from the time of its inception.

The purchases of raw hides and skins were made by a purchase assistant and a selector only which were approved ex-post-facto by the purchase committee and the Managing Director. The Company while effecting purchases of raw hides and skins failed to take full advantage of the prevailing lower prices during the good season. Even after fifteen years of its existence, the Company had been making most of the purchases of raw-hides/skins from outside the State at higher cost and the scheme for setting up small mandies to ensure availability of skins within the State could not be implemented. The utilisation of the installed capacity was very low. However, to make good the under-utilisation of the capacity, the Company had undertaken the job works which proved financially uneconomical. The plan of the Company to export 50 *per cent* of its production could hardly be implemented. The funds received from the Government were diverted for other purposes. Though paucity of funds was cited as constraint, a test check in audit revealed instances of irregular grant of discount to customers, avoidable payment of surcharge for non-installation of capacitors of required capacity, purchase of material at higher cost, etc.

(Paragraph 3.1.)

1.11. A horizontal study of the working of HHKNL, HBCKNL and HEWSKNL revealed that these Nigams were incurring heavy losses which accumulated to Rs. 8.11 lakhs, Rs. 62.19 lakhs and Rs. 57.34 lakhs respectively up to 1985-86. Apart from incurring losses, their programmes of activities had not matched with the objectives for which these were set up. Though in the case of HHKNL sufficient funds were made available, the Nigam failed to keep pace with the programme of its activities and it could cover 24 *per cent* of the scheduled caste population since its inception. In the case of other two Nigams viz., HBCKNL and HEWSKNL the activities were on a much restricted scale due to non-availability of funds based on their requirements. Loans were granted by these Nigams without ensuring proper documentation and no post-disbursement inspections were carried out. Consequently, the Nigams could neither ensure the recovery of loans nor could ascertain whether the loans disbursed had helped in creating the requisite earning and paying capacity of the loanees. The shoe production centre set up by HHKNL incurred cumulative loss of Rs. 37.48 lakhs up to 1985-86 which constituted 62 *per cent* of the loss of the Nigam as a whole. The unit had idle capacity and in order to fulfil its commitments to Government departments it purchased shoes from private parties of Ambala and Agra. The socio-economic objective and upliftment of the scheduled castes for which this unit was set up could not be achieved.

(Paragraph 3.2.)

1.12. The HSEB failed to achieve the transformation and distribution capacity envisaged in the Sixth Five Year Plan and the first year of the Seventh Plan, thereby, occasioning an overloading of the system. Review of the purchases brought out cases of injudicious planning, extra expenditure and non-energisation of transformers for want of related equipments. The Board failed in maintaining history cards for the power as well as distribution transformers and in the absence of the records the Board could not keep track of the reliability of suppliers, the quality of repairs and the extent of future requirements.

The recommendations of the Committee on Public Undertakings contained in 22nd Report (1985-86) for fixing the responsibility for not maintaining proper records for transformers were not implemented.

The incidence of damage to distribution transformers was more than the prescribed norms, *inter alia,* on account of overloading and poor maintenance. Instances were noticed where distribution transformers were damaged within a short period of one to three months of installation.

Power transformers once repaired were damaged within short periods.

(Paragraph 4)

1.13. A test check of records of the Government Companies and Statutory Corporations revealed cases of avoidable and infructuous expenditure, losses etc. as under :

—two companies were deprived of a saving of Rs. 4.10 lakhs for not availing of the benefit under the Companies Deposit (Surcharge on Income Tax) Scheme;

(Paragraph 5.1.1. and 5.3.2.)

—an avoidable payment of Rs. 5.74 lakhs on account of income tax was made due to non-claiming of extra shift depreciation allowance;

(Paragraph 5.1.2.)

—an avoidable extra expenditure of Rs. 1.41 lakhs was incurred in allowing increase in rates to a firm against a firm rate contract;

(Paragraph 5.2.1.)

—failure to verify terms of lease agreement which prohibited the use of the premises for a purpose other than the State Emporium led to an infructuous expenditure of Rs. 1.66 lakhs on rent for general manager's residence-cum-guest house, re-imbursement of renovation charges to a company and furnishing of the guest house;

(Paragraph 5.3.1.)

—due to delay in recovery of its dues from a co-operative federation, a company could not repay on due dates the instalments of loans and interest thereon, resulting in an extra burden of interest amounting to Rs. 43.19 lakhs;

(Paragraph 5.4.1)

—an extra expenditure of Rs. 1.53 lakhs was incurred in remodelling of a defective water course;

(Paragraph 5.6.1)

—delay in disposal of rice bran oil resulted in a loss of Rs. 1.39 lakhs;

(Paragraph 5.7.1.)

—compensation of Rs. 1.25 lakhs had to be paid to growers due to supply of admixtured seed;

(Paragraph 5.8.1.)

—due to irregular stock transfers of television sets, extra sales tax amounting to Rs. 4.43 lakhs which was not recovered from the customers, was paid;

(Paragraph 5.9.1.)

—owing to supply of television sets to a firm without obtaining bank guarantee as stipulated in the agreement, recovery of Rs. 0.90 lakh could not be made from the firm; the claim had become time barred;

(Paragraph 5.9.2.)

—due to supply of television sets against part payments in contravention of the provisions of the agreement and laxity in pursuance of recovery, an amount of Rs. 2.83 lakhs had become time barred and irrecoverable;

(Paragraph 5.9.3.)

—in HSEB loss of revenue amounting to Rs. 1.57 lakhs was suffered due to non-clubbing of connections in the same premises and unauthorised extension of load;

(Paragraph 5.10 and 5.11.)

—owing to non-rejection of the conditional tenders in terms of tender enquiry for the construction of quarters at Karnal, the Board had to incur an extra expenditure of Rs. 13.40 lakhs in retendering;

(Paragraph 5.12(a).)

—due to delay in finalisation of the drawings and designs for construction of quarters at Gurgaon, the Board had to incur an extra expenditure of Rs. 2.18 lakhs on execution of works in retendering;

(Paragraph 5.12(b).)

—due to non-renewal of insurance policies/not impleading Insurance Company a party to the claim, the Board had to incur an avoidable expenditure of Rs. 1.11 lakhs towards payment of compensation ;

(Paragraph 5.13.)

—failure on the part of Panipat Thermal Project to file within prescribed time limit an appeal against excess water cess charges claimed by Water

Pollution Control Board resulted in an avoidable payment of water cess amounting to Rs. 0.59 lakh ;

(Paragraph 5.14.)

—owing to improper planning in the execution of 188 residential quarters at Panipat Thermal Project; not only huge funds of the Board to the extent of Rs. 59 lakhs remained blocked for more than four years, and also the Board incurred an extra expenditure of Rs. 15.35 lakhs in retendering of works;

(Paragraph 5.15)

—enhanced security deposit to the extent of Rs. 35.91 lakhs was not recovered from the domestic and commercial consumers;

(Paragraph 5.16)

—due to lack of rudimentary knowledge of operation practices to the operating personnel of Faridabad Thermal Plant, a fire broke out in Unit 1 of the Plant on 20th May 1985, causing damage to the equipment valuing Rs. 1.09 lakhs. Besides, the Board had to pay compensation to the extent of Rs. 3.74 lakhs to the heirs of 4 deceased workers of the Plant ;

(Paragraph 5.17)

—due to non-implementation of the decision of the Board of January 1980 for adoption of wind pressure of 100 Kg./sqm. for construction of lines and sub-stations, the Board suffered a loss of Rs. 40 lakhs on account of damage of poles/transformers during wind storm in June 1985;

(Paragraph 5.18)

—due to non-replacement of defective power transformer oil from a firm and its consequent use in distribution transformers in place of less costlier oil, the Board incurred an avoidable expenditure of Rs. 7.88 lakhs;

(Paragraph 5.19)

—due to non-commissioning of a conveyor belt at Thermel Project, Panipat, the Board's funds to the extent of Rs. 5.53 lakhs were tied up for a period of five years; and

(Paragraph 5.20)

—delay in placing an order within the validity period and consideration of an invalid offer resulted in an avoidable expenditure of Rs. 0.62 lakh on the purchase of polythene covers.

(Paragraph 5.21)

CHAPTER II

2. GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

2.1. Introductory

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

Paragraph 2.2 gives a general view of Government Companies, paragraph 2.3 deals with general aspects relating to the Statutory Corporations and paragraphs 2.4 to 2.6 give more details about each Statutory Corporation including its financial and operational performance.

2.2. GOVERNMENT COMPANIES—General View

2.2.1. There were 19 Government Companies (including 6 subsidiaries) and one company under the purview of Section 619 (B) of the Companies Act, 1956, as on 31st March 1987, as against 20 Government Companies (including 7 subsidiaries) at the close of 31st March 1986.

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

(a) Against the aggregate paid-up capital of Rs. 58.64 crores in 20 companies (including

7 subsidiaries) as on 31st March 1986, the aggregate paid-up capital as on 31st March 1987 stood at Rs. 64.51 crores in 19 companies (including 6 subsidiaries) as per particulars given below :

Particulars	Number of companies	Investment by			Total Investment
		State Government	Central Government	Others	
		(Rupees in crores)			
1. Companies wholly owned by the State Government	9	50.60	—	—	50.60
2. Companies jointly owned with the Central Government/others	4	4.73	2.16	0.47	7.36
3. Subsidiary Companies	6	0.61	—	5.94	6.55
	19	55.94*	2.16	6.41	64.51

(b) The balance of long-term loans outstanding against 15 companies (including 5 subsidiaries) as on 31st March 1987 was Rs. 38.48

*The figure as per Finance Account is Rs. 55.85 crores; the difference is under reconciliation.

crores (State Government Rs. 10.30 crores : others Rs. 25.60 crores and deferred payment credits Rs. 2.58 crores) as against Rs. 144.02 crores outstanding against 15 companies (including 5 subsidiaries) as on 31st March 1986.

(c) The State Government had guaranteed the repayment of loans raised by 6 companies and payment of interest thereon. The amounts guaranteed and outstanding thereagainst as on 31st March 1987 were Rs. 178.19 crores and Rs. 82.97 crores respectively.

2.2.3. A synoptic statement showing the financial results of all the 19 companies based on their latest available accounts is given in *Annexure* 3.

Six companies (including 2 subsidiaries) had finalised their accounts for the year 1986-87 (serial numbers 8, 11, 12, 13, 17 and 18 of *Annexure* 3). The accounts of 3 Government Companies (serial numbers 5, 7 and 9), which have accounting year as July-June were not due. In addition, 5 companies (including 1 subsidiary) have finalised their accounts for earlier years since the previous report (serial numbers 2, 3, 5, 6 and 16 of *Annexure* 3).

It will be observed from *Annexures* 2 and 3 that the accounts of 10 companies (including 4 subsidiaries) were in arrears. The position is summarised as under :

Extent of arrears	Number of years involved	Number of companies involved	
		Companies	Subsidiary companies
1	2	3	4
1979-80 to 1986-87	8	—	1
1980-81 to 1986-87	7	1	—
1982-83 to 1986-87	5	1	—
1983-84 to 1986-87	4	—	1
1984-85 to 1986-87	3	1	—
1985-86 to 1986-87	2	1	—
1986-87	1	2	2

In the absence of finalisation of accounts, the pro-

Investment				Reference to serial number of *Annexure* 2
Government		Holding companies		
Capital	Loans	Capital	Loans	
5	6	7	8	9
(Rupees in crores)				
—	—	0.19	—	14
9.73	1.14	—	—	1
10.89	0.86	—	—	2
—	—	1.16	2.55	15
3.07	—	—	—	4
3.55	2.67	—	—	3
2.86	1.36	0.37	0.12	6,10,16,19

ductivity of investment of Rs. 36.13 crores (capital

Rs. 30.10 crores; loans Rs. 6.03 crores) by the State Government in these companies could not be conclusively vouchsafed.

The position of arrears in finalisation of accounts was last brought to the notice of Government in October 1987.

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

2.2.4.1. In respect of 6 companies which had finalised the accounts for 1986-87, the following position is reflected :

(a) Four companies (including 1 subsidiary) earned profit of Rs. 1,49.70 lakhs during 1986-87; particulars in respect of these companies indicating the comparative position during the previous year are given below :

	Name of company	Paid-up capital		Profit(+)/Loss(—)		Percentage of profit to paid-up capital	
		1985-86	1986-87	1985-86	1986-87	1985-86	1986-87
1	2	3	4	5	6	7	8
				(Rupees in lakhs)			
1.	Haryana Land Reclamation and Development Corporation Limited	1,56.30	1,56.30	(—)9.61	(+)64.26	—	41.1
2.	Haryana State Industrial Development Corporation Limited	14,52.58	16,47.58	(+)65.36	(+)66.15	4.5	4.0
3.	Haryana State Electronics Development Corporation Limited	1,45.00	1,45.00	(+)1.51	[(+)3.54	1.0	2.4
4.	Haryana Breweries Limited	1,21.18	1,71.74	(+)54.02	(+)15.75	44.6	9.2
	Total :	18,75.06	21,20.62	(+)1,11.28	(+)1,49.70		

During the year 1986-87, one company viz., Haryana State Small Industries and Export Corporation Limited declared dividend of Rs. 3.54 lakhs, which worked out to 0.06 *per cent* of the total investment of Rs. 55.94 crores by the State Government.

(b) Two companies (including 1 subsidiary) incurred losses aggregating Rs. 1,59.13 lakhs during the year 1986-87. Particulars in respect of these companies giving the comparative position during the previous year are given below :

Name of company	Paid-up capital		Profit(+)/Loss(—)	
	1985-86	1986-87	1985-86	1986-87
1	2	3	4	5
	(Rupees in lakhs)			
1. Haryana Dairy Development Corporation Limited	2,57.35	2,57.35	(—)44.97	(—)48.68
2. Haryana Concast Limited	3,10.85	3,11.15	(+)1,36.54	(—)1,10.45
Total :	5,68.20	5,68.50	(+)91.57	(—)1,59.13

2.2.4.2. The accumulated losses in respect of following 5 companies (including 3 subsidiaries) as reflected in the accounts received up to the period noted against each had exceeded their paid-up capital as at the close of that year :

Name of company	Year up to which accounts prepared	Paid-up capital at the close of the year	Accumulated loss up to the year	Serial number of *Annexure* 2
1	2	3	4	5
		(Rupees in lakhs)		
1. Haryana Agro Industries Corporation Limited	1985–86	2,14.66	7,24.72	5
2. Haryana Dairy Development Corporation Limited	1986–87	2,57.35	5,88.88	12
3. Haryana Television Limited	1978-79	19.40	64.78	14
4. Haryana Matches Limited	1985-86	12.50	19.31	16
5. Haryana Concast Limited	1986-87	3,11.15	3,29.02	17
		8,15.06	17,26.71	

2.2.4.3. Haryana Tanneries Limited coming under the purview of Section 619 (B) of the Companies Act, 1956, had a paid-up capital of Rs. 1,35.15 lakhs (State Government : Rs. 63.75 lakhs and others : Rs. 71.40 lakhs) as on 31st March 1987. The Company had finalised the accounts up to 1984-85 only. The Company had been incurring losses which accumulated to Rs. 3,73.15 lakhs as on 31st March 1985. The State Government had guaranteed the repayment of loans raised by the Company and payment of interest thereon. The amount guaranteed and outstanding thereagainst as on 31st March 1987 was Rs. 30 lakhs and Rs. 1,20.99 lakhs respectively.

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

(i) The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directions to the statutory auditors of Government Companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the statutory auditors on the accounts of two companies for the year 1985-86 were received during the year. Some of the defects pointed out in these reports are summarised below :

Serial number	Nature of defects	Number of companies in which defects were noticed	Serial number of companies as per *Annexure* 3
1	2	3	4
1.	Absence of accounting manual	2	9,18
2.	Absence of internal audit manual	1	9

1	2	3	4
3.	Non-preparation of annual budgets	2	9,18
4.	Absence of regular costing system	2	9,18
5.	Non-fixation of minimum/ maximum limits of stores and spares	1	18
6.	Non-fixation of norms for manpower	1	18

(ii) Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the audit reports of the statutory auditors. Under this provision, review of the annual accounts of the Government Companies is conducted in selected cases. As a result of the comments issued under Section 619 (4) of the Act, during the period of report the net loss in respect of 2 companies increased by Rs. 3,50.14 lakhs.

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

(a) Haryana State Minor Irrigation and Tubewells Corporation Limited (1981-82)

The net loss of Rs. 1,54.40 lakhs in the accounts was understated by Rs. 2,31.80 lakhs due to non-provision of interest (Rs. 1,77.36 lakhs) on loans from Government and depreciation (Rs. 42.10 lakhs) and non-adjustment of depreciated value of tubewells/pumps written off during the previous years (Rs. 12.34 lakhs).

(b) Haryana Tanneries Limited (1984-85)

No provision was made in accounts for doubtful debts of Rs. 2.59 lakhs.

2.3. STATUTORY CORPORATIONS—General Aspects

2.3.1. There were three Statutory Corporations in the State as on 31st March 1987 :

— Haryana State Electricity Board;

— Haryana Financial Corporation; and

— Haryana Warehousing Corporation.

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

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

The Board had finalised its accounts for the year 1986-87. The separate draft Audit Report thereon was issued to the Board and Government in November 1987. The replies of the Board/Government are still awaited (November 1987). The accounts of the Board alongwith separate Audit Report thereon up to the year 1985-86 had already been presented to Legislature.

2.3.3. The Haryana Financial Corporation was constituted on 1st April 1967 under Section 3(i) of the State Financial Corporations Act, 1951 and Haryana Warehousing Corporation was constituted in November 1967 under Section 18(i) of the Warehousing Corporations Act, 1962.

Under the respective Acts, the accounts of the organisations are audited by the Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India; and the latter may also undertake audit of the Corporations separately. Separate Audit Reports in respect of the Corporations are also issued by the Comptroller and Auditor General of India. The annual accounts of both the Corporations had been certified by the Chartered Accountants up to 1986-87. Separate Audit Reports up to 1985-86 had been issued in respect of both the Corporations. The separate Audit Reports on the accounts of Haryana Financial Corporation for the years 1984-85 and 1985-86 though issued to Government on 7th March 1986 and 9th September 1987 respectively were yet to be presented (September 1987) to the State Legislature. The Reports of both the Corporations for the year 1986-87 are under finalisation.

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

Salient points about the accounts and physical performance of these Statutory Corporations are given in paragraph 2.4—2.6.

2.4. HARYANA STATE ELECTRICITY BOARD

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

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding on 31st March 1987 was Rs. 13,06.87 crores and represented an increase of Rs. 1,66.90 crores (14.6 *per cent*) on the long-term loans of Rs. 11,39.97 crores outstanding at the end of the previous year. Particulars of loans obtained from the State Government and other sources and outstanding at the close of March 1986 and March 1987, are as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	1986	1987	
	(Rupees in crores)		
State Government	7,66.25	8,98.13	17.2
Other sources	3,73.72	4,08.74	9.4
Total :	11,39.97	13,06.87	14.6

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 4,77.78 crores and the payment of interest thereon. The amount of principal guaranteed and outstanding thereagainst as on 31st March 1987 was Rs. 2,75.07 crores.

2.4.2. The table below summarises the financial position of the Board for the three years up to 1986-87.

	1984-85	1985-86	1986-87
A. Liabilities	(Rupees in crores)		(Provisional)
1. Loans from Government	6,59.61	7,66.25	8,98.13
2. Other long-term loans (including bonds and consumers contributions)	3,20.85	3,45.71	4,29.14
3. Deposit from public	26.86	28.20	29.35
4. Reserves and Reserve funds	4.76	4.16	44.33
5. Current liabilities	2,67.37	3,08.26	3,61.02
Total-A	12,79.45	14,52.58	17,61.97

	1984-85	1985-86	1986-87
B. Assets	(Rupees in crores)		(Provisional)
1. Gross fixed assets	7,51.97	7,93.82	8,22.40
2. Less depreciation	51.24	51.24	73.54
3. Net fixed assets	7,00.73	7,42.58	7,48.86
4. Capital work-in-progress	3,46.60	4,29.80	5,11.16
5. Current assets	2,32.12	2,80.20	5,01.95
Total-B	12,79.45	14,52.58	17,61.97
C. Capital employed*	6,65.48	7,14.52	8,89.79
D. Capital invested**	10,11.99	11,44.24	13,11.27

2.4.3. Up to 1984-85, the order of allocation of gross surplus was prescribed according to the then existing Section 67 of Electricity (Supply) Act, 1948. The provisions of the Act had been revised to provide for presentation of working results on commercial accounting system, w.e.f. 1985-86 onwards.

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

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

The working results of the Board for three years up to 1986-87 on comparative commercial basis are summarised below :

	1984-85	1985-86	1986-87
	(Rupees in crores)		(Provisional)
1. (a) Revenue receipts	1,63.43	1,99.23	2,33.00
(b) Subsidy from the State Government	1.53	19.97	—
Total :	1,64.96	2,19.20	2,33.00
2. Revenue expenditure including write-off of intangible assets	1,53.11	1,80.40	2,14.21
3. Gross surplus for the year	11.85	38.80	18.79
4. Appropriations :			
(a) Interest on Government loans	34.82	41.25	48.80
(b) Interest on other loans	31.42	36.81	40.49
(c) Contribution to repayment of loans under Section 65 of the Act	—	—	—

	1984-85	1985-86	1986-87
	(Rupees in crores)		(Provisional)
5. Net deficit	(—)54.39	(—)39.26	(—)70.50
6. Total return :			
—On capital employed	23.20	38.80	19.20
—on capital invested	21.24	21.81	(—)30.24
7. Percentage of return :	(*per cent*)		
—on capital employed	3.49	5.43	2.16
—on capital invested	2.10	1.91	—

2.4.4. Under Section 69 (2) of the Electricity (Supply) Act, 1948 comments are being made on the accounts of the Board. The following major irregularities and ommissions were pointed out in the draft Separate Audit Report on the annual accounts of the Board for the year 1986-87, referred to in para 2.3.2.

(1) The register of fixed assets with the details of their life, value, date of acquisition/commissioning etc., has not been maintained.

(2) Additions to the fixed assets (Rs. 28.59 crores) during the year were not supported by Completion Reports.

(3) The closing stock of stores/stock represents balances as per financial books without any reconciliation with the priced stores ledgers.

(4) Sundry debtors for supply of power (Rs. 1,37.27 crores) included Rs. 4.90 crores in respect of debtors who had either gone into liquidation or against whom claims were disallowed by the court or whose cases were closed by the negotiation committee of the Board.

(ii) Besides, a sum of Rs. 9.29 crores on account of penalty charges for delayed payments due from the Irrigation Department though waived off by the State Government, had not been written off.

(5) Cash and Bank balance (—Rs. 9.15 crores) is understated by Rs. 3.80 crores due to the banks not adjusting the amounts deposited by the Board pertaining to the period from 1980-81 to 1986-87.

(6) Total Current Assets (Rs. 3,77.52 crores) included material valuing Rs. 0.23 crore drawn by 7 officials (who were no longer in service with the Board), for which no accounts had been rendered so far (October 1987).

2.4.5. The table below indicates the physical performance of the Board for the three years up to 1986-87 :

Particulars	1984-85	1985-86	1986-87
1	2	3	4
		(MW)	(Provisional)
1. Installed capacity			
—Thermal	477.5	587.5	697.5
—Hydel	830.0	831.0	847.0
—Others	3.9	3.9	3.9
Total :	1,311.4	1,422.4	1,548.4

1	2	3	4
		(Mkwh)	
2. Power generated			
—Thermal	1,604.31	1,634.09	1,823.00
—Hydel	2,937.69	3,142.64	3,397.00
—Others	—	—	—
Total :	4,542.00	4,776.73	5,220.00
3. Auxiliary consumption	219.40	216.20	224
4. Net power generated (2—3)	4,322.60	4,560.53	4,996
5. Power purchased/ procured from other sources	284.58	595.99	681
6. Total power available for sale (4+5)	4,607.18	5,156.52	5,677
7. Normal maximum demand	913.00	967.00	1,042
8. (a) Power sold*	3,725.25	4,256.39	4,638.58
(b) Free supply to own works	7.8	14.7	16.1
9. Transmission and distribution losses	881.93	900.13	1,038
		(*per cent*)	
10. Load factor	50.1	36.7	50.6

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

1		2	3	4
11.	Percentage of transmission and distribution losses to total power available for sale	19.1	17.5	18.3
12.	Number of units generated per KW of installed capacity		(kwh)	
		3,463	3,358	3,371
13.	Number of villages/towns electrified	7,073	7,073	7,073
14.	Number of pump sets/wells energised	2,70,649	2,77,327	2,92,693
	—awaiting energisation	40,694	41,641	40,670
15.	Number of sub-stations (33 KV and above)	272	278	292
16.	Transmission/ distribution lines (Kms.)			
	(i) High/Medium voltage	46,509	48,121	49,857
	(ii) Low voltage	78,139	79,850	82,983
17.	(i) Connected load (MW)	3,034.02	3,187.97	3,399

1		2	3	4
	(ii) Load awaiting energisation (MW)	42.03	48.94	46.11
18.	Number of consumers	16,24,936	17,26,346	18,64,644
19.	Number of employees	34,103	36,664	37,021
20.	Total expenditure on staff (Rupees in lakhs)	47,08.68	51,92.27	82,06.71
21.	Percentage of expenditure on staff to total revenue expenditure	30.76	28.78	38.31
22.	Break up of sale of energy according to category of consumers		(Mkwh)	
	(a) Agriculture	1,375.22	1,366.49	1,624.05
	(b) Industrial	1,147.16	1,322.46	1,368.40
	(c) Commercial	94.61	112.65	123.66
	(d) Domestic	400.89	486.06	581.88
	(e) Others*	707.37	968.73	940.59
	Total :	3,725.25	4,256.39	4,638.58

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

1	2	3	4
		(in paisa)	
23. (a) Revenue per Kwh**	43.87	46.81	50.23
(b) Expenditure per Kwh***	64.19	65.81	70.36
(c) Profit (+) Loss (—) per Kwh	(—)20.32	(—)19.00	(—)20.13

2.5. HARYANA FINANCIAL CORPORATION

2.5.1. The paid-up capital of the Corporation as on 31st March 1987 was Rs. 6.31 crores (State Government : Rs. 2.98 crores, Industrial Development Bank of India (IDBI) : Rs. 2.98 crores, others : Rs. 0.35 crore) as against Rs. 5.51 crores as on 31st March 1986 (State Government : Rs. 2.73 crores, IDBI : Rs. 2.43 crores, others : Rs. 0.35 crore).

2.5.2. Government had guaranteed the repayment of share capital of Rs. 5.68 crores (excluding special share capital of Rs. 0.63 crore) under Section 6 (i) of the Act, ibid and payment of minimum dividend thereon at 3 to 5 *per cent*.

Government had also guaranteed repayment of market loans (through bonds and debentures) of Rs. 24.25 crores

**The revenue per Kwh sold for 1984-85 and 1985-86 had been arrived at after excluding subsidy from the State Government on account of rural electrification losses.

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

raised by the Corporation. Amount of principal outstanding thereagainst as on 31st March 1987 was Rs. 24.25 crores.

2.5.3. The table below summarises financial position of the Corporation for three years up to 1986-87 :

	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
A. Liabilities			
1. Paid-up capital	5,21.07	5,51.07	6,31.07
2. Reserve fund, other reserves and surplus	9,08.28	9,46.46	9,50.70
3. Borrowings :			
(i) Bonds and debentures	17,05.00	20,67.50	24,25.00
(ii) Others	29,81.69	32,47.69	35,62.43
4. Other liabilities and provisions	9,11.49	9,75.70	10,32.06
Total—A	70,27.53	77,88.42	86,01.26
B. Assets			
1. Cash and bank balances	32.49	1,54.22	1,07.72
2. Loans and advances	65,91.86	71,71.36	79,49.07
3. Net fixed assets	20.81	20.66	20.73
4. Other assets	3,82.37	4,42.18	5,23.74
Total—B	70,27.53	77,88.42	86,01.26

	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
C. Capital employed*	56,06.62	62,72.80	69,99.38
D. Capital invested**	59,24.46	66,21.14	73,77.62

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

The following table gives details of the working results of the Corporation for three years up to 1986-87 :

Particulars	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
1. Income			
(a) Interest on loans and advances	5,52.32	6,04.06	6,43.09
(b) Other income	22.37	17.15	17.54
Total—1	5,74.69	6,21.21	6,60.63

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

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

Particulars	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
2. Expenditure			
(a) Interest on long-term loans	3,38.95	4,13.12	4,92.26
(b) Other expenses	1,05.60	1,25.01	1,33.79
Total—2	4,44.55	5,38.13	6,26.05
3. Profit before tax	1,30.14	83.08	34.58
4. Provision for tax	43.09	27.42	11.41
5. Other appropriations	70.36	38.18	13.83
6. Amount available for dividend	16.69	17.48	18.93*
7. Dividend paid	16.69	17.48	18.93*

*Includes Rs. 9.59 lakhs transferred from General Reserve Fund under Section 35 of State Financial Corporations Act, 1951.

Particulars	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
8. Total return			
(a) on capital employed	4,69.09	4,96.20	5,26.84
(b) on capital invested	4,69.09	4,96.20	5,26.84
9. Percentage of return		(*per cent*)	
(a) on capital employed	8.4	7.9	7.5
(b) on capital invested	7.9	7.5	7.1

2.5.5. The performance of the Corporation in the disbursement/recovery of loans during the three years up to

1986-87 is indicated below :

Serial number	Particulars	1984–85		1985–86	
		Number	Amount	Number	Amount
1	2	3	4	5	6
			(Rupees in lakhs)		(Rupees in lakhs)
1.	Applications pending at the beginning of the year	52	3,52.92	57	4,94.67
2.	Applications received	869	38,10.42	617	51,89.06
3.	Total	921	41,63.34	674	56,83.73
4.	Applications sanctioned	562	21,87.79	364	24,87.72
5.	Applications cancelled/withdrawn/ rejected	302	13,15.90	132	9,93.13
6.	Applications pending at the close of the year	57	4,94.67	178	20,86.81
7.	Loans disbursed	552	15,79.06	357	14,77.48
8.	Amounts outstanding at the close of the year	2,383	65,26.03	2,505	71,01.79
9.	Amounts overdue for recovery at the close of the year	777	22,03.25	906	30,49.03
10.	Percentage of default to total loans outstanding	—	33.8	—	42.9

It would be seen

*Includes 13 applications (amount : Rs. 77.02 lakhs) at the time of reorganisation of the States.

**Excludes part amount rejected (Rs. 3,33.07 lakhs).

***This includes Rs. 19,89.24 lakhs due from industrial

1986–87		Cumulative	
Number	Amount	Number	Amount
7	8	9	10
	(Rupees in lakhs)		(Rupees in lakhs)
178	20,86.81	—	—
524	58,46.11	8,328*	4,14,99.57
702	79,32.92	8,328	4,14,99.57
357	28,19.57	5,735	2,24,62.64
184	21,08.18**	2,432	1,42,34.98
161	26,72.10	339	47,58.91
426	16,96.67	5,405	1,28,65.00
2,538	78,79.18	2,538	78,79.18
1,035	25,18.38***	1,035	25,18.38
—	32.0	—	—

from the above table that out of outstanding loans

received from erstwhile Punjab Financial Corporation

concerns against which suits are pending in courts.

of Rs 78.79 crores from 2,538 loanees on 31st March 1987 an amount of Rs. 25.18 crores was overdue for recovery. The percentage of overdue amount to the total outstanding at the end of the year which was 33.8 *per cent* in 1984-85 increased to 42.9 *per cent* in 1985-86 and came down to 32.0 *per cent* in 1986-87.

The following further points in regard to overdue loans were noted :

(i) Age wise analysis of the overdue loans other than suit filed cases as on 31st March 1987 is as under :

Serial number	Age of overdue	Number of units	Amount		
			Principal	Interest	Total
			(Rupees in crores)		
1.	Up to 1 year	355	1.15	1.23	2.38
2.	1 to 2 years	41	0.53	0.29	0.82
3.	Over 2 years	18	0.69	1.40	2.09
		414	2.37	2.92	5.29

The total amount outstanding in civil suits lodged by the Corporation for recovery of its dues was Rs. 19.89 crores. The age wise break up of the outstanding in regard to suit filed cases was not available with the Corporation.

(ii) The investment of the Corporation in 437 closed units up to the close of 31st March 1987 amounted to Rs. 25.37 crores, of these Rs. 21.23 crores (including Rs. 13.07 crores as interest) were overdue for recovery as on that date.

2.6. HARYANA WAREHOUSING CORPORATION

2.6.1. The paid-up capital of the Corporation as on 31st March 1987 was Rs. 5.41 crores (State Government : Rs. 2.92 crores, Central Warehousing Corporation : Rs. 2.49

crores) against Rs. 5.06 crores (State Government: Rs. 2.62 crores; Central Warehousing Corporation : Rs. 2.44 crores) as on 31st March 1986.

2.6.2. The table below summarises the financial position of the Corporation for three years up to 1986-87 :

	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
A. Liabilities			
1. Paid-up capital	4,88.07	5,06.07	5,41.07
2. Reserves and surplus	3,45.50	6,73.27	11,91.98
3. Borrowings	1,85.83	1,89.93	4,40.00
4. Trade dues and other current liabilities	13,47.35	12,24.81	18,71.12
Total—A	23,66.75	25,94.08	40,44.17
B. Assets			
1. Gross block	9,81.71	11,71.69	17,77.30
2. Less : depreciation	1,44.88	1,70.43	2,10.25
3. Net fixed assets	8,36.83	10,01.26	15,67.05
4. Capital work-in-progress	50.44	1,53.97	1,27.03
5. Investment	1.00	1.00	1.00
6. Current assets, loans and advances	14,78.48	14,37.85	23,49.09
Total—B	23,66.75	25,94.08	40,44.17
C. Capital employed*	9,67.96	12,14.30	20,45.02

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

2.6.3. The following table gives details of the working results of the Corporation for three years up to 1986-87 :

Particulars	1984-85	1985-86	1986-87
	(Rupees in lakhs)		
1. Income			
(i) Warehousing charges	4,34.75	6,29.82	6,69.72
(ii) Other receipts	7.41	12.22	3,25.15
Total—1	4,42.16	6,42.04	9,94.87
2. Expenditure			
(i) Establishment charges	93.11	1,03.02	1,40.89
(ii) Interest	18.73	15.88	22.94
(iii) Other expenses	1,53.63	1,87.20	2,79.81
Total—2	2,65.47	3,06.10	4,43.64
3. Profit before tax	1,76.69	3,35.94	5,51.23
4. Profit brought forward	0.30	0.47	0.23
5. Previous years adjustment (Net)	(+)16.30	(+)21.18	(+)8.13
6. Other appropriations (excluding profit transferred to Balance sheet)	1,92.82	3,57.59	5,59.42
7. Dividend paid	23.42	29.36	35.77
8. Return on capital employed	1,95.42	3,51.82	5,74.17

(*per cent*)

9.	Percentage of return on capital employed	20.2	29.0	28.1

2.6.4. The following table gives details about the operational performance of the Corporation for three years up to 1986-87 :

Serial number	Particulars	1984-85	1985-86	1986-87
1.	Number of stations covered	79	79	96
2.	Storage capacity created up to the end of the year (tonnes in lakhs)			
	(a) Owned	3.04	3.66	4.52
	(b) Hired	3.82	3.86	3.88
	Total :	6.86	7.52	8.40
3.	Average storage capacity utilised* during the year (tonnes in lakhs)	7.12	8.44	8.70
4.	Percentage of utilisation of average capacity	103.2	112.2	103.6
			(Rupees)	
5.	Average expenses per tonne	37.28	36.27	50.99
6.	Average income per tonne	62.09	76.07	114.35

*Including that of godowns closed during respective year.

CHAPTER III

3. Reviews relating to Government Companies

This Chapter contains reviews on the working of following companies :

3.1. Haryana Tanneries Limited

3.2. Horizontal review on the working of three Government Companies viz., Haryana Harijan Kalyan Nigam Limited, Haryana Backward Classes Kalyan Nigam Limited and Haryana Economically Weaker Sections Kalyan Nigam Limited.

3.1. HARYANA TANNERIES LIMITED

3.1.1. Highlights

The Company was incorporated in September 1972 as a subsidiary of Haryana State Industrial Development Corporation Limited (HSIDC) with the object of processing 10.50 lakh goat/sheep skins per annum.

With the conversion of Government loan of Rs. 50 lakhs into equity in December 1983, the Company became a deemed Government Company under Section 619 (B) of the Companies Act, 1956. As against the projected 100 ***per cent*** **capacity utilisation after 2 years of operation, even after a period of 11 years of commencement of commercial prodution, the production of the Company was far below the capacity and even the yearly targets fixed were not achieved. The expectations in the report that the Company would start earning profits from 2nd year of its working (1977-78) were belied and the Company had been incurring heavy losses since inception, the accumulated loss up to 1986-87 being Rs. 5.20 crores**

(provisional) which had wiped out the entire paid-up capital of Rs. 1,35 lakhs. Because of its poor performance, the Company had also not been able to repay the loans obtained from the HSIDC and financial institutions : the outstanding amount of loans and interest thereon which was overdue amounted to Rs. 3,80.77 lakhs as on 31st March 1987.

The main reasons responsible for the poor performance were under-utilisation of capacity, high cost of production, excessive man power, critical condition of some of the machinery and equipment and insufficiency of the working capital, etc.

The Company was not able to procure the requirment of raw hides and skins from local sources by organising small mandies, despite having been in the business for 15 years and the grant from the State Government for the purpose. Huge purchases of hides/skins were entrusted to a purchase assistant and a selector, who effected the purchases mostly from outside the State. The percentage of procurement from within the State ranged from 1.1 *per cent* to 34.8 *per cent* in respect of buff/cow hides and nil to 16.9 *per cent* in respect of sheep/goat skins during the six years up to 1986-87.

As per terms and conditions of industrial licence 50 *per cent* of the Company's finished products were required to be exported. The Company could export only insignificant quantity of its production and made no efforts to identify the export markets by getting in touch with various export agencies. The Company generally suffered losses on the export of its products.

Instances were noticed of irregular grant of discount to customers, avoidable payment of surcharge on account of non-installation of capacitors of the required capacity, purchase of material at higher cost, etc.

3.1.2. Introductory

3.1.2.1. The Company was incorporated on 12th September 1972 as a subsidiary of HSIDC in a notified backward area of Haryana with a view to utilise the local resources of raw skins. The Company became a deemed Government Company under Section 619 (B) of the Companies Act, 1956 with the conversion of Government loan into share capital from December 1983.

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1979-80 (Civil) Government of Haryana. The recommendations of the Committee on Public Undertakings thereon are contained in its 16th Report (1983-84).

3.1.2.2. The affairs of the Company are managed by a Board comprising of 10 Directors including a Chairman and a Managing Director who are appointed by the State Government. As on 31st March 1987, the Board consisted of 10 Directors including one non-official member and a nominee of a nationalised bank.

The registered office and works of the Company are located at Jind in Haryana. It was, however, seen in audit that the non-official Chairman appointed by the State Government in May 1983 kept his headquarter at Delhi from June 1983 to May 1986. Though the State Government communicated its disagreement with the above arrangement (December 1984), the Chairman continued to keep his headquarter at Delhi till May 1986.

The post of General Manager of the Company's works remained vacant for 22 months from January 1984 to October 1985. The incumbent who joined on 6th November 1985 left the service of the Company in September 1986 after a brief stay of about nine months and the post is lying vacant since then (October 1987).

3.1.3. The authorised capital of the Company as on 31st March 1987 was Rs. 2,00 lakhs, against which the paid-up capital was Rs. 1,35.15 lakhs, subscribed to the extent of 39.5 *per cent* (Rs. 53.40 lakhs) by HSIDC, 47.2 *per cent* (Rs. 63.75 lakhs) by the Government of Haryana and 13.3 *per cent* (Rs. 18 lakhs) by others.

3.1.4. In addition to the paid-up capital, the Company had been borrowing funds from HSIDC, Haryana Financial Corporation and from commercial banks, etc. Out of total loans of Rs. 1,63.75 lakhs obtained by the Company, loans amounting to Rs. 1,08.95 lakhs and interest of Rs. 2,71.82 lakhs thereon were overdue as on 31st March 1987.

Besides, the Company had cash credit arrangement with a commercial bank up to a limit of Rs. 20 lakhs against hypothecation of stock and stores. The cash credit limit was exhausted in January 1980 and, thereafter, the account could not be operated. The amount payable to the bank, including interest as on 31st March 1987 aggregated to Rs. 52.52 lakhs.

The accounts of the Company for the years 1985-86 and 1986-87 had not been finalised so far (October 1987). The working results of the Company for the three years up to 1986-87 based on provisional figures are summarised below :

	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
1. Income			
(a) Sales (including job work and finished goods)	1,07.94	1,02.47	70.53
(b) Other income	0.53	1.40	2.04
Total—1	1,08.47	1,03.87	72.57

	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
2. Expenditure			
(a) Manufacturing expenses	1,04.79	1,06.29	65.73
(b) Salaries, managerial expenses and other over heads	18.04	15.51	14.89
(c) Interest	41.29	46.90	55.20
(d) Depreciation	5.71	5.73	5.76
(e) Accretion (—)/ Decretion (+) in stock	(—)1.13	(—)1.60	(+)8.53
Total—2	1,68.70	1,72.83	1,50.11
(a) Net loss for the year	60.23	68.96	77.54
(b) Accumulated loss	3,73.15	4,42.11	5,19.65
(c) Net worth*	(—)2,34.10	(—)2,93.91	(—)3,71.05

The project report envisaged that the Company would start earning profit from the second year of its working (1977-78). However, the Company has been incurring heavy losses since inception. The accumulated loss up to 1986-87 was

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

Rs. 5.20 crores (provisional) against the profit of Rs. 1.22 crores envisaged in the project report and had wiped out the entire paid-up capital of Rs. 1.35 crores.

The persistent heavy losses were attributed by the Management (December 1985) to :

— constant insufficiency of working capital;

— steady decline in credibility of the Company in the supply market;

— substantial rise in the price of hides and chemicals and non-responsiveness of finished leather market to increased cost of production;

— a sudden ban on the export of natural sheep gloving leather by the Government of India in September 1985;

— critical condition of some of the machinery and equipment; and

— frequent disruptions/restrictions in power supply by the Haryana State Electricity Board.

The Committee on Public Undertakings in its 16th Report presented to State Legislature on 29th March 1984 had recommended diversification of Company's activities to some other profitable business like plastic and foam leather to compensate for its losses. The Management stated (October 1986) that the proposal of diversification was not feasible and economical in the existing circumstances and as such it was decided to drop the idea.

3.1.5. Production performance

3.1.5.1. The Company started commercial production from Ist December 1976. The table below indicates the installed capacity, targets and achievements thereagainst for the three years up to 1986-87 :

Year	Installed capacity	Targets(ii)	Skins processed(i)		Percentage of skins processed to	
			Own production	Job work	Installed capacity	Targets
			(Number of skins in lakhs)			
1984-85	10.50	4.30	2.51	0.45	28.3	69.1
1985-86	10.50	4.40	1.92	0.89	26.8	63.9
1986-87	10.50	3.20	0.98	0.50	14.1	46.3

It would be seen from the above table that the yearly targets fixed by the Company were far below the installed capacity. The fixation of targets on lower side was mainly due to non-availability of adequate funds.

Though the project report envisaged 100 *per cent* capacity utilisation after two years of operation, the Company was not able to achieve the installed capacity, the actual production was even far below the targets fixed. The low capacity utilisation was attributed (October 1986) by the Management mainly to paucity of working capital which was, however, the result of high cost of production.

In order to make optimum utilisation of the available capacity, the Company decided (1980-81) to undertake job work

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(i) Since the installed capacity is in terms of goat and sheep skins, the buff/cow hides processed have been converted into skins @ 3.5 times.

(ii) Targets fixed in square feet have been converted into skins @ 5 square feet per skin.

of processing raw skins of private parties on rates arrived at after negotiations, without co-relating with the cost of production. The job work registered 18.06, 31.59 and 33.9 *per cent* of the work done by the Company during the three years up to 1986-87.

3.1.5.2. The leather produced by the Company is categorised in different grades (grade 1 to IV and table-run mixed grade). No norms for gradewise production have been fixed so far. The table below shows the gradewise production of buff finished leather in the Company during the three years up to 1986-87.

Year	Grade I	II	III	IV	T/R (Mixed)	Total
			(In lakhs square feet)			
1984-85	2.03	1.21	1.11	0.13	3.10	7.58
Percentage	27	16	15	2	40	
1985-86	1.93	1.40	1.20	0.09	3.60	8.22
Percentage	24	16	15	1	44	
1986-87	1.22	1.16	1.25	0.11	1.32	5.06
Percentage	24	23	25	2	26	

The grading in respect of production aggregating 4.46 lakh square feet of sheep skins, 0.23 lakh square feet of cow hides and 115 square feet of goat skins during the three years up to 1986-87 was not done.

The Company had been producing mainly the mixed grade leather during the two years 1984-85 and 1985-86, while the production of grade I which had a higher realization value was declining.

A test check of the records revealed that the Company accumulated huge stock of finished leather which was returned by the buyers as it was of sub-standard quality. No records were maintained by the Company to assess the extent of such stocks lying with the Company. During the period from December 1983 to March 1986, the Company sold sub-standard leather at a loss of Rs. 0.74 lakh (book value : Rs.3.72 lakhs). The Company had not ascertained , how far the rejections, etc. could be attributed to the quality of raw skins procured.

3.1.6. Purchase of raw hides and skins

3.1.6.1. Hides and skins are the basic raw materials for tanning industry constituting about 60 *per cent* of the cost of the finished product and the quality of the finished product depended on quality of raw hides and skins processed. The Board of Directors, while considering the purchase policy, decided (December 1977) that a committee consisting of Managing Director, General Manager and Financial Controller should be constituted for formulating the purchase programme of raw skins with full powers to make purchases. It was further desired that a team consisting of the General Manager or a technically qualified officer alongwith selectors be deputed to visit the raw hide markets to effect purchases of the required quantity of skins at competitive rates and periodical review of the effective functioning of the purchase team be done by a Managing committee consisting of the Managing Directors of HSIDC, Haryana Financial Corporation and the Company.

It was, however, observed that no purchase programme had been formulated by the Company and during the period from 1983-84 to 1986-87, purchases of hides/skins valuing Rs. 45.93 lakhs, Rs. 52.06 lakhs, Rs. 54.24 lakhs and Rs. 20.19 lakhs were made without reference to good or lean season, mainly by a purchase assistant and a selector in the absence of a General Manager. The purchases were later on recommended by a committee consisting of Factory Manager, Sales Manager and Accounts Officer for approval of the Managing Director. Periodical review of purchases, as desired by the Board had never been done. The Company had no means of ensuring that the hides/skins purchased from different markets were of the required quality and were obtained at competitive prices.

3.1.6.2. The basic aim of setting up the tannery was to utilise the resources of raw hides and skins available in the State. It was envisaged in the project report that 6.06 lakh goat and sheep skins would be available in the State and any short-fall with reference to installed capacity was to be met by purchasing skins from nearby places viz Delhi, Agra and Amritsar.

It was, however, observed that the percentage of buff/cow hides purchased from within the State was only 9.2 and 4.5 during the years 1981-82 and 1982-83 and of goat/sheep skins was 12.2 and nil during the same years.

The State Government entrusted to the Company in February 1983 the schemes for (i) construction of tanning pits at three centres (Rohtak, Jind and Rewari) in the State (Rs. 20 lakhs), (ii) organising and maintaining small *mandies* of raw hides (Rs. 4.85 lakhs), and (iii) purchase of raw hides and skins direct from the flayers without intervention of middle-men (Rs. 14.84 lakhs). Funds amounting to Rs. 40 lakhs against these schemes were received by the Company in April 1983.

With the introduction of the scheme (iii) above the purchase of buff/cow hides within the State increased to 22.1 *per cent* and 34.8 *per cent* in 1983-84 and 1984-85 while that of goat/sheep skins rose to 10.8 and 16.9 *per cent* respectively.

Instead of organising small *mandies*, the funds amounting to Rs. 4.85 lakhs meant for the purpose were diverted (November 1985) to the revolving fund meant for purchase of raw hides from flayers.

Since the Company could not pay the cost of raw hides (Rs. 19.72 lakhs) as well as the cash withdrawn (Rs. 9.40 lakhs) into the accounts of the schemes, the revolving fund, earmarked for the purpose of purchase of raw skins direct from the flayers in the State, got exhausted. Consequently, the purchases from within the State came down to 8.8 and 1.1 *per cent* in case of buff/cow hides during the years 1985-86 and 1986-87 respectively while in case of sheep/goat, it decreased to 0.1 and nil *per cent*.

The Company was unable to tap the local sources even after 15 years of its incorporation. An analysis of purchase cost revealed that the average cost of a buff hide purchased from Haryana varied between Rs. 44.52 and Rs. 61.88 as against Rs. 54.03 and Rs. 92.41 from outside the State during the last six years up to 1986-87. The average cost per sheep skin purchased from markets in Haryana was Rs. 17.41, Rs. 17.61 and Rs. 23.30 as against Rs. 18.26, Rs. 26.01 and Rs. 39.7 from outside the State during the three years from 1983-84 to 1985-86. Dependence on purchases from outside the State contributed substantially to increase in cost of production.

3.1.6.3. The period from October to April is considered a good season from the point of view of availability and rates of raw hides/skins, while the period from May to September is treated a lean season. It was observed that the average price of buff hides purchased during good seasons of 1983-84 (45,422 hides) and 1984-85 (23,393 hides) was Rs. 60.16 and Rs. 81.17 as against Rs. 65.23 (22,244 hides) and Rs. 95.55 (22,399 hides) during the following lean seasons. Similarly, the average price of sheep skins purchased during the good seasons of 1983-84 (29,217 skins) and 1984-85 (32,994 skins) was Rs. 19.83 and Rs. 31.78 as against Rs. 20.72 (31,630 skins) and Rs. 34.27 (4,119 skins) during the lean seasons. The Company failed to take advantage of the prevailing lower prices during good seasons.

3.1.7. Job work

3.1.7.1. The table below indicates the proportionate variable processing cost and income realised thereagainst on job work during the three years up to 1986-87 :

Year	Quantity processed	Variable expenditure	Income	Loss(—) Profit(+)
	(Square feet in lakhs)	(Rupees in lakhs)		
1984-85	2.49	6.74	6.25	(—)0.49
1985-86	4.46	13.89	9·10	(—)4.79
1986-87	3.32	10.99	10.61	(—)0.38

The variable expenditure incurred on the execution of job work was more than the income derived as a result of which the Company incurred loss of Rs. 5.66 lakhs during the three years up to 1986-87. The loss would go up further if the fixed charges i.e. salaries and allowances, depreciation and interest, etc. were taken into account. The Board of Directors desired (June 1985) that the rates should be rationalised in such a way that no loss was incurred by the Company on the execution of job work. However, the rates had not been rationalised so far (October 1987).

3.1.8. Export

3.1.8.1. As per terms and conditions of industrial licence

50 *per cent* of the Company's finished product was required to be exported.

The table below indicates production and quantity exported during the three years up to 1986-87.

Year	Production	Export	Percentage of exports
	(Square feet in lakhs)		
1984-85	12.13	3.11	25.6
1985-86	9.31	0.08	0.9
1986-87	5.07	Nil	Nil

It would be seen from the above that as against the export of 50 *per cent* of production envisaged in industrial licence the Company could export only insignificant quantity during the last three years. The Company did not make efforts to identify the export markets by getting in touch with various export promotion agencies. No separate accounts to assess the profitability of exports were maintained by the Company.

The Board of Directors desired (April 1984) that the economics of the export orders should be worked out and decided (June 1984) that only those orders where the Company did not incur loss should be accepted. This was not done by the Company. However, on the exports valuing Rs. 19.70 lakhs made during the year 1984-85, the Company suffered a loss of Rs. 1.19 lakhs.

The Company earned a marginal profit of Rs. 0.05 lakh on exports valuing Rs. 0.79 lakh during the year 1985-86 which were channalised through State Trading Corporation of India Limited (STC).

The reasons for not routing the exports through STC in earlier years and accepting the orders on loss in contravention of Board's decision of June 1984, were not on record.

3.1.9. Sundry debtors

The table below indicates the outstanding debtors and percentage of debtors to sales for the three years up to 1986-87:

Year	Sales (including job work)	Debtors	Percentage of debtors to sales
	(Rupees in lakhs)		
1984-85	107.94	18.13	16.8
1985-86	102.47	24.26	23.7
1986-87	70.53	19.58	27.8

It would be observed from the above that percentage of debtors to sales was showing an increasing trend. As a result, a substantial amount remained blocked affecting adversely the liquidity position of the Company. Out of the amount of Rs. 19.58 lakhs outstanding on 31st March 1987, a sum of Rs. 3.70 lakhs was outstanding for three years and more.

3.1.10. Cost of production

The Company prepared monthly cost sheets on the basis of expenditure incurred and the actual production during a month. A scientific costing system for ascertainment of fixed and variable costs, fixation of standards for each element of cost, analysis of variances, etc., was not introduced. The Company was not, therefore, in a position to identify the areas where economy in costs could be effected and take timely management decisions based on costs.

The average cost of production per square feet of processed leather and the average selling price for the three years up to

1986-87 are compared below :

	1984-85	1985-86	1986-87
(i) Production (in lakh square feet)	12.13	9.31	5.07
Cost of production (Rupees in lakhs)	156.13	162.90	127.74
Cost per Square foot (Rupees)	12.76	17.49	25.19
(ii) Quantity sold (in lakhs of square foot)	12.06	9.28	6.01
Sale Value (Rupees in lakhs)	96.61	89.60	56.10
Sale price per square foot (Rupees)	7.91	9.65	9.33
(iii) Loss per square foot (Rupees)	4.85	7.84	15.86

The average cost of production was higher than the average sale price during all the three years up to 1986-87 resulting in loss per square foot, which was showing an increasing trend. The higher cost of production was attributed mainly to under-utilisation of capacity, paucity of funds, critical condition of some of the machinery and equipment, etc. During 1985-86 even the variable cost to the extent of Rs. 2.82 lakhs could not be recovered.

3.1.11. Manpower analysis

The project report envisaged employment of 242 technical and 93 non-technical persons for the production of 5,000 skins per day. The table below indicates, the number of personnel employed, the rated capacity and actual production per head per day during the three years up to 1986-87 :

		1984-85	1985-86	1986-87
(1)	Number of skins processed (in lakhs)	2.97	2.81	1.48
(2)	Staff in position as on 31st March (including daily wages)			
	Technical	163	145	113
	Non-technical	64	61	50
		227	206	163
(3)	Rated capacity per head per day as per project report (number of skins)	15	15	15
(4)	Actual production per employee per day (number of skins)	4	5	3
(5)	Percentage of under-utilisation	73.3	66.7	80.0

It would be seen from the above that the production per employee per day was not only lower than that envisaged in the project report but also decreased from 5 skins in 1985-86 to 3 in 1986-87.

The Committee on Public Undertakings in its 16th report (March 1984) had desired that the Company should thoroughly investigate the employment of excessive labour, low production and consequent losses. The actual requirement of manpower on a realistic and scientific basis had not been assessed so far (October 1987).

3.1.12. Finished goods unit

The District Rural Development Agency (DRDA) set up (July 1982) a training-cum-production centre for imparting training in fancy footwear and leather goods, in the premises of the Company. The centre was closed on 31st March 1984. The Board authorised (April 1984) the Managing Director to settle the accounts with DRDA. The Company without settling the accounts and obtaining the approval of the State Government/DRDA took over the assets (Rs. 3.46 lakhs) and liabilities (Rs. 2.15 lakhs) of the agency and established a finished goods unit with effect from Ist April 1984. Thus, through the finished goods unit, the Company entered into fabrication and marketing of shoes/other leather goods.

In November 1984, the fabrication of finished goods was entrusted to a co-operative society, established within the premises of the Company, and the Company kept with itself only the marketing of finished goods. Under the arrangement, the Company supplied leather to the society and allowed the use of its building and machines for fabrication. It purchased the finished goods from the society at cost and sold the product (mainly to Government departments) through office and a shop. It was noticed in audit that by entering into manufacturing business in a limited manner, the Company incurred a loss of Rs. 0.85 lakh during the first two years. Working results for the year 1986-87 had not been prepared so far (May 1987).

3.1.13. Idle Machinery

Five machines of an aggregate cost of Rs. 1.44 lakhs were lying idle with the Company (May 1987). It was noticed that :

(i) two level bed glazing machines (cost Rs. 0.67 lakh) installed in March 1976 were in excess of requirement. The factory manager recommended (September 1985) for their disposal but the machines could not be disposed of as these were hypothecated with a bank. No efforts were made by the Company to get them released from the Bank for sale with a view to save interest on loan;

(ii) one area measuring machine (cost Rs. 0.41 lakh) installed in November 1977 went out of order in December 1977. Despite repairs at a cost of Rs. 0.15 lakh the machine did not work satisfactorily. Ultimately a new machine costing Rs. 0.60 lakh was purchased (July 1982). Responsibility for purchase of defective machine in the first instance was not fixed as desired by the Board of Directors in April 1982 ;

(iii) one stacking machine purchased in December 1982 at a cost of Rs. 0.20 lakh was rendered unuseable after 4 months due to manufacturing defects. The machine was recommended for disposal (September 1985) by the factory manager; and

(iv) one batcher machine for sodium sulphide, imported in May 1976 at a cost of Rs. 0.16 lakh, could not be put to use as the Company had been using sulphide flakes instead of solid sulphide and it hardly required any machine for dissolving the chemical.

3.1.14. Other points of interest

A test check of the financial transactions revealed that economy was not the over-riding consideration in the management of the Company. Consequently, the Company incurred avoidable extra expenditure as under :

3.1.14.1. Irregular grant of discount

As per the policy of the Company till 1982-83, discount on all sales at the rate of 5 *per cent* was admissible provided payments were made within 7 days of billing. It was decided (June 1983) by the Company to allow this discount as a commission to agents only on sale of Rs. 20,000 and above. Further, to boost up sales, special discount of 1 to 3 *per cent* was also provided depending upon the value of the firm orders above Rs. 20,000. The terms of payment i.e. 7 days from the date of billing remained the same.

The Company, however, did not appoint Commission agents and allowed discount to parties without insisting on payment within 7 days of billing till October 1983, when the policy was revised. The irregular discount allowed to several parties up to October 1983 was regularised by the Board of Directors (December 1983) without even ascertaining the amount of such irregular discount allowed. A test check in Audit revealed that the amount of irregular discount allowed for the period April to October 1983 alone worked out to Rs. 1.01 lakhs.

The revised marketing policy (November 1983) provided payment of discount at 3 to 5 *per cent* depending upon the value of orders, subject to the condition that payment was made within 15 days for Delhi and Agra and 7 days for Punjab. In addition, provision for discount at 1 *per cent* was made for cash payments.

A test check in Audit revealed that in Agra office discount was allowed invariably to every party even though the payment was not received within the stipulated period of 15 days. From November 1983 to March 1987, irregular payment of discount of Rs. 3.53 lakhs was made to such parties who failed to make payments within the stipulated period.

3.1.14.2 Avoidable payment of surcharge

The terms and conditions of Haryana State Electricity Board (HSEB) governing the supply of power, *inter alia*, stipulated that the power factor at any point of industrial supply must not be less than 85 *per cent* failing which the consumer had to pay a surcharge of 1/2 *per cent* of the energy charges for each one *per cent* decrease in the power factor.

As the Company's power factor was low (55 to 60 *per cent*) the HSEB insisted (June 1982) on installation of capacitors of suitable ratings to improve the power factor. The Company, placed (November 1983) order on the manufacturer who had earlier recommended (August 1982) installation of capacitors of aggregate capacity of 250 KVAR, for the supply of 56 capacitors of 222 KVAR aggregate capacity. Out of 56 capacitors ordered, 45 capacitors (187 KVAR) were received in January 1983 and these were installed in January 1983 (33), March 1984(4) and July 1984 (8). The order for the balance quantity was cancelled (March 1983) in view of addition of new machinery and the decision to puchase the remaining 12 capacitors of 56 KVAR aggregate capacity. The capacitors had, however, not been purchased so far (October 1987).

Due to non-installation of capacitors of the required capacity, the power factor remained below 85 *per cent* (from 72 to 83 *per cent*) and the Company had to pay surcharge amounting to Rs. 0.69 lakh during June 1982 to March 1987.

3.1.14.3. Non-purchase of transformer

Under the HSEB Tariff, surcharge of 25 *per cent* of energy charges is imposed for the supply of energy at 400 volts.

The Company had been drawing power at 400 volts from the HSEB transformer. A study of the economics and technical feasibility of the installation of its own transformer for drawing power at higher volts conducted by the Company revealed (July 1982) that the cost of the transformer would be recovered within a year. The Board of Directors, accordingly, approved (November 1982) the installation of its own transformer.

Despite heavy burden of surcharge, and decision to install its own transformer, no action for the purchase of transformer was taken till July 1984 when various firms were asked to offer their rates. Of the seven offers received, the purchase committee, after consulting HSEB, recommended the purchase of a transformer from firm 'A' for Rs. 1.08 lakhs. The Board of Directors after considering the recommendations of the purchase committee authorised (November 1984) the Managing Director to purchase transformer keeping in view the quality. A committee comprising the Chairman, Managing Director and Factory Manager was, however, constituted for the negotiation of rates/making efforts to purchase the transformer on DGS & D rate contract. However, as the transformer was not purchased, the Company continued to pay surcharge for supply of energy from HSEB transformer. Had the Company purchased the transformer after Board's decision in November 1982, it could have avoided extra expenditure of Rs. 2.23 lakhs on payment of surcharge (April 1983 to March 1987) and the cost of the transformer could have been recovered long ago. Reasons for non-purchase of the transformer were not on record.

3.1.14.4. Purchase of sodium sulphide

In response to an enquiry made by the Company in July 1983 to meet the requirement of about 12 tonnes of sodium sulphide per month, Rajasthan Chemical Works Didwana (a

Government of Rajasthan Undertaking) offered to supply sodium sulphide with 58-60 *per cent* purity at Rs. 5,110 per tonne. The terms and conditions offered by the firm provided for payment in advance or on 45 days credit on production of bank guarantee.

The Company placed orders (August 1983 to March 1984) on the firm for 30 tonnes of sodium sulphide for immediate supply. The Company, however, failed to furnish requisite bank guarantee to the satisfaction of the firm. As such, the supply could not be made immediately. The Company during September 1983 to March 1984 purchased 33.122 tonnes of sodium sulphide from various firms (at landed rates ranging from Rs. 6560 to Rs. 8740 per tonne) at an extra cost of Rs. 0.70 lakh which could have been saved, had the purchases been made from Rajasthan Chemical Works.

The Review was reported to the Company and Government in August 1986; their replies had not been received (October 1987).

3.2. HORIZONTAL REVIEW ON THE WORKING OF HARYANA HARIJAN KALYAN NIGAM LIMITED, HARYANA BACKWARD CLASSES KALYAN NIGAM LIMITED AND HARYANA ECONOMICALLY WEAKER SECTIONS KALYAN NIGAM LIMITED

3.2.1. Highlights

The three Nigams had incurred losses aggregating Rs. 1,27.64 lakhs up to 1985-86 mainly due to low rate of interest on loans and high incidence of salaries/wages, administrative expenses, etc. Though Haryana Harijan Kalyan Nigam Limited (HHKNL) had surplus funds at its disposal, it covered only 24 *per cent* of the scheduled castes population since inception under loaning scheme. The Haryana Backward Classes Kalyan Nigam Limited (HBCKNL) and Haryana Economically Weaker Sections Kalyan Nigam Limited (HEWSKNL) were short of funds and the coverage was only 9 and 1 *per cent* respectively. Due to incomplete documentation and absence of post disbursement inspections, neither the recovery of loans could be enforced nor the Nigams were in a position to ensure whether payments of loans had resulted in creating the requisite earning and repaying capacity on the part of the loanees. Shoe Production Centre set up by HHKNL incurred cumulative loss of Rs. 37.38 lakhs which constituted 62 *per cent* of the cumulative loss of the Nigam as a whole after taking into account the unrealised interest of Rs. 52.43 lakhs. The unit, inspite of the idle capacity, resorted to purchase of shoes from private parties of Ambala and Agra, to enable it to meet its commitment of supply of shoes to various Government Departments.

3.2.2. Introductory

For the socio-economic and educational upliftment of scheduled castes, backward classes and economically weaker sections of the society in Haryana, the State Government set up HHKNL in January 1971 and Haryana Backward and Economically Weaker Classes Kalyan Nigam Limited in December 1980. In March 1981, the latter Nigam was renamed as Haryana Backward Classes Kalyan Nigam Limited (HBCKNL) and its scope was restricted to the upliftment of backward classes only. In March 1982, a separate Nigam known as Haryana Economically Weaker Sections Kalyan Nigam Limited (HEWSKNL) was set up for upliftment of economically weaker sections.

3.2.3. The main objects of these three Nigams are (i) granting of loans on easy terms, (ii) promotion of projects for providing employment, (iii) construction of housing colonies for giving them on hire purchase basis, (iv) exporting of commodities produced by the Nigams/members of the community, and (v) planning, promoting and arranging latest techniques in designs/instruments for village and cottage industries.

The activities relating to (iii) to (v) (except imparting some training) have not been undertaken by any of the Nigams. Promotion of projects for providing employment to the beneficiaries had been undertaken only by HHKNL.

3.2.4. As on 31st March 1987, the paid-up capital of the three Nigams contributed wholly by the State Government was Rs. 9,72.50 lakhs (HHKNL), Rs. 3,06.99 lakhs (HBCKNL) and Rs. 1,11.00 lakhs (HEWSKNL).

The table below indicates the position of funds received in the form of share capital, loans and grants up to the year 1985-86 :

Serial number	Nigam	Share capital	Unsecured loans	Grants and special central assistance	Total
			(Rupees in lakhs)		
1.	HHKNL	7,17.60	1,27.40	12,26.00	20,71.00
2.	HBCKNL	2,65.00	—	14.03	2,79.03
3.	HEWSKNL	76.00	—	2.85	78.85

3.2.5. Financial position and working results

The accounts of HHKNL were in arrears from 1980-81 to 1986-87, HBCKNL from 1984-85 to 1986-87 and HEWSKNL for 1986-87.

As per the provisional accounts, the three Nigams had incurred cumulative losses aggregating Rs. 1,27.64 lakhs up to 1985-86 (HHKNL : Rs. 8.11 lakhs, HBCKNL : Rs. 62.19 lakhs and HEWSKNL : Rs. 57.34 lakhs). In the case of HHKNL, the accumulated loss of Rs. 8.11 lakhs is after taking credit for Rs. 52.43 lakhs on account of accrued but unrealised interest on loans advanced. The reasons for losses had not been analysed by the management.

The losses were mainly due to low rate of interest on loans advanced, poor quantum of its recovery and the high incidence of salaries, wages, administrative expenses, etc.

3.2.6. Cash management

(i) The Nigams had no system to assess the inflow and outflow of funds. It was observed that HHKNL and HBCKNL had been keeping surplus funds in saving bank accounts which if kept in term deposits would have earned the HHKNL and HBCKNL additional interest of Rs. 8.94 lakhs (April 1982 to March 1986) and Rs. 0.84 lakh (April 1982 to March 1984) respectively.

(ii) During April 1984 to April 1986 an embezzlement of cash of Rs. 0.50 lakh occurred in the district office of Jind of HBCKNL. The embezzlement was made possible as :

—the cash book, main ledger and loanees ledgers were not posted regularly;

—receipt books were not maintained properly;

—district Manager who was drawing and disbursing officer did not exercise any check; and

—the cash and accounts work was being handled by the clerk in addition to other office work.

The clerk-cum-typist was placed under suspension in September 1986 and an FIR was lodged with the police in December 1986. Further developments were awaited (October 1987).

3.2.7. Activities undertaken

The results of the review of the activities of the Nigams are contained in the succeeding paragraphs.

3.2.7.1. Loan operations

Each Nigam has a separate unit office in each district headed by a district manager to process loan applications and to watch recoveries. The Nigams concentrate mainly on providing financial assistance to persons belonging to respective sections of the society. Applications for loan received by the unit offices of the Nigams are forwarded to financing banks after verification and recommendation. The financing banks also verify the applications and sanction the loans. The margin money/subsidy is paid to the banks for disbursement with the loan amount.

3.2.7.2. Disbursement of loan

(i) During the period from 1970-71 to 1981-82 HHKNL disbursed direct loans amounting to Rs. 3,77.21 lakhs to 14,523 beneficiaries. Similarly, HBCKNL disbursed direct loans amounting to Rs. 1,00.92 lakhs to 2,300 beneficiaries up to 1981-82. The Nigams started granting loans under margin money scheme from 1982-83, while in the case of HEWSKNL the margin money scheme was introduced from 1982-83 after its formation.

(ii) The data given in *Annexure* 5 indicates the physical and financial targets and achievements of the three Nigams in the loan operations for the five years ending 1986-87. HEWSKNL could not achieve its targets on account of financial constraints.

3.2.7.3. A test check of loan cases revealed the following irregularities :

(a) In Jind unit of HEWSKNL, loans of Rs. 0.28 lakh were paid to 24 beneficiaries without executing proper loan agreements, hypothecation deeds and surety-cum-indemnity bonds. In Rohtak, Ambala and Jind units of HHKNL loan agreements had not been executed in 16,60 and 815 cases respectively. In all the six units of HHKNL test checked in audit, hypothecation deeds had not been executed. In the absence of such safeguards, the recovery of loans was not enforceable.

(b) No insurance cover for the assets acquired with the financial assistance received from the Nigams was obtained by the loanees.

(c) A test check (six units of each Nigam) revealed that there was no regular post-disbursement inspection by the Nigams to verify procurement of the assets with the help of loans and their continued availability with the loanees, in the absence of which accrual of benefits to the loanees on a long-term basis could not be conclusively established.

3.2.7.4. Coverage of population under loaning schemes

The total population of scheduled castes, backward classes and economically weaker sections in the State as per census of 1981 and population covered under the loaning schemes since inception of the Nigams is given below :

Serial number	Nigam	Population of the respective class as per census of 1981	Population covered under loaning schemes*		Percentage of population covered to total populaton	
			During 5 years up to 1986-87	Since inception up to 1986-87	During last five years	Since inception
			(Number in lakhs)			
1.	HHKNL	24.64	5.10	5.85	21	24
2.	HBCKNL	12.92	1.04	1.15	8	9
3.	HEWSKNL	59.79	0.76	0.76	1	1

* Coverage had been worked out taking a family as of five members.

The following points were noticed :

(i) Inspite of the fact that the HHKNL had adequate funds at its disposal, the Nigam's activities lacked momentum. During the period of 17 years since inception, the percentage coverage was only 24 *per cent* of which the major portion i.e. 21 *pet cent* was only during the last 5 years.

(ii) Similarly, HBCKNL covered only 9 *per cent* of the population of the backward classes since inception.

(iii) In the case of HEWSKNL, though the total population of economically weaker sections in the society was 59.79 lakhs (46 *per cent* of the total population of 1,29.23 lakhs of the State), HEWSKNL covered only one *per cent* of the weaker sections during the 5 years of its existence, lack of funds being the main constraint in its operations.

The percentage of coverage by the Nigams as indicated in the above table was with reference to the 1981 census and could vary with subsequent increase in population.

3.2.7.5. Recovery of loans

(i) The table below indicates the total amount due, recovered and in default as on 31st March 1987:

Serial number	Nigam	Amount due			Recovered		
		Principal	Interest	Total	Principal	Interest	Total
				(Rupees in lakhs)			
1.	HHKNL	3,10.89	1,05.60	4,16.49	1,40.12	48.25	1,88.37
2.	HBCKNL	1,44.58	27.78	1,72.36	92.87	18.21	1,11.08
3.	HEWSKNL	22.01	1.74	23.75	14.76	0.41	15.17

Serial number	Nigam	Overdue			Percentage of overdue to total due	
		Principal	Interest	Total	Principal	Interest
		(Rupees in lakhs)				
1.	HHKNL	1,70.77	57.35	2,28.12	55	54
2.	HBCKNL	51.71	9.57	61.28	36	34
3.	HEWSKNL	7.25	1.33	8.58	33	76

— Yearwise break up of overdue amount of loans and interest was not available.

— The percentage of default was very high in the case of HHKNL followed by HBCKNL and HEWSKNL.

— Reasons for heavy amounts remaining in default were not analysed by the Nigams so as to take remedial action.

In the absence of post-disbursement inspections, the Nigams were not in a postion to ensure whether sanction of loans had resulted in creating the requisite earning and repaying capacity on the part of the loanees.

(ii) A test check of the records revealed the followings:

(a) In 2 units of HEWSKNL whereabouts of 17 loanees (outstanding amount Rs. 0.17 lakh) were not known to the Nigam.

(b) 1,672 loanees (outstanding loan:Rs. 17.74 lakhs) of HHKNL, 1,284 loanees (outstanding loan:Rs. 17.60 lakhs) of HBCKNL and 131 loanees (outstanding loan:Rs. 1.58 lakhs) of HEWSKNL did not repay even a single instalment of loan (in case of 6 units).

(c) An amount of Rs. 57.51 lakhs outstanding against 2,048 loanees of 8 units of HHKNL was considered by the management (October 1986—May 1987) as doubtful of recovery. Reasons for non-recovery were not investigated. The extent of debts doubtful of recovery in HBCKNL and HEWSKNL had not been worked out.

(d) Under the terms and conditions for the grant of loans (i) the Nigams could recall the entire loan in case of default in payment and (ii) the loanee was liable to pay penal interest at the rate of 3 *per cent* per annum (HBCKNL and HEWSKNL) and at the rate of 4 *per cent* per annum (HHKNL).

None of the Nigams recalled the loans in case of default in payment as per the terms of the agreements with the loanees. HBCKNL did not invoke penal interest clause in the case of defaults. In the case of HHKNL, under the loan agreement, the loans in default could be recovered as arrears of land revenue. The Nigam had filed (June 1987) recovery certificates in respect of loans amounting to Rs. 0.69 lakh (32 beneficiaries) only as against Rs. 2,28.12 lakhs in default.

(e) Possession of assets hypothecated in favour of the Nigams in case of default was not taken in six units test checked of each Nigam.

(f) None of the Nigams took any action against the sureties in case of failure of the loanees to repay the loans.

3.2.7.6. Delay in refund of margin money/subsidy

On sanction of the loan applications by the Nigams, the amount of margin money/subsidy is deposited with the sponsoring bank. The bank keeps the amount in sundries account pending disbursement of loans to the loanees. In some cases the loanees did not avail of the loan and the amount of margin money/subsidy remained with the banks in sundries account for months together. The margin money/subsidy deposits were returned by the banks in such cases after a lapse of 1 month to 49 months. The Nigams did not effectively liaise with the banks to ensure timely refund of margin money/subsidy where loans were not disbursed. A test check revealed that there was a loss of interest of Rs. 0.55 lakh due to delayed refund as detailed below :

Serial number	Nigam	No. of units	Amount of refund (Rupees in lakhs)	Period of delay after giving a margin of two months (In months)	Loss of interest (Rupees in lakhs)
1.	HHKNL	4	7.16	1 to 49	0.41
2.	HBCKNL	8	3.52	1 to 47	0.11
3.	HEWSKNL	8	1.60	1 to 11	0.03
			12.28		0.55

3.2.8. Industrial units

With a view to augment the sources of employment for persons belonging to scheduled castes community, the HHKNL set up Shoe Production Centre at Karnal, Packages unit at Murthal and Binders and Printers unit at Panchkula. The working of these units is discussed in the succeeding paragraphs. The other two Nigams had not set up any industrial unit.

3.2.8.1. Shoe Production Centre, Karnal

(i) Shoe production centre with a capacity of 300 pairs per day (for 300 days in a year) with piece rate workers started manufacture of shoes/chappals in February 1973 at Karnal.

The annual production of footwear was, however, 25,634 pairs, 36,862 pairs, 19,129 pairs, 19,880 pairs and 29,695 pairs during the five years from 1982-83 to 1986-87 and the average production per day was 85 pairs, 123 pairs, 64 pairs, 66 pairs and 99 pairs respectively which was far below the capacity. The unit purchased 14,790 pair of shoes during 1984-85 to 1986-87 at a cost of Rs. 11.50 lakhs from private parties of Ambala and Agra for eventual supply to Government Departments to meet their orders.

In view of the fact that (a) the unit had idle capacity, (b) no marketing problem existed as the Centre was declared an approved source of supply to State Government Departments and (c) it was a promotional venture for economic betterment of scheduled castes community, the purchase of shoes from private parties was uncalled for. It would be pertinent to note that the cumulative loss of this Centre was Rs. 37.48 lakhs which constituted 62 *per cent* of the cumulative loss of the Nigam as a whole, taking into account the unrealised interest of Rs. 52.43 lakhs.

(ii) The unit incurred losses of Rs. 5.66 lakhs, Rs. 7.14 lakhs, Rs. 8.03 lakhs and Rs. 5.59 lakhs during 1982-83 to

1985-86 and earned a marginal profit of Rs. 0.52 lakh in 1986-87. The income earned during 1982-83 and 1983-84 was not sufficient even to cover the variable cost.

(iii) Inventory control

In February 1986, the Nigam constituted a committee to identify unsaleable old stock and to suggest ways and means for its disposal. The Committee identified old stock worth Rs. 4.53 lakhs (footwear : Rs. 3.57 lakhs, leather goods : Rs. 0.23 lakh and raw material : Rs. 0.73 lakh) relating to the years 1976 to 1985 which could not be sold due to obsolescence and deterioration in quality. The Board decided in October 1986 to dispose of the old stocks by reduction/auction sale at a proposed realisable value of Rs. 1.38 lakhs. However, on sale of old stock worth Rs. 0.90 lakh the Nigam suffered a loss of Rs. 0.69 lakh up to 31st March 1987. The loss would further increase when the entire [obsolete stock would be sold.

(iv) The Nigam is having an emporium at Chandigarh for the sale of footwear. It was estimated (June 1983) that the emporium would earn a marginal profit of Rs. 0.35 lakh per annum on sales at least of Rs. 7.35 lakhs. Till 1985-86, profitability of the emporium was not separately worked out. The actual annual sales during the years 1982-83 to 1986-87 were Rs. 3.05 lakhs, Rs. 2.64 lakhs, Rs. 2.67 lakhs, Rs. 2.66 lakhs and Rs. 1.30 lakhs respectively.

During 1986-87 against the direct revenue expenditure of Rs. 1.45 lakhs, the sales realisation amounted to Rs. 1.30 lakhs.

In May 1987, the Management constituted a committee to enquire into the reasons for unprofitable functioning of the emporium. The committee was yet to submit its report (October 1987).

3.2.8.2. Haryana Binders and Printers Unit, Panchkula

The unit set up in January 1976 for the manufacture and supply of various types of exercise and answer books, also undertakes printing and binding works. The unit earned a profit of Rs. 0.62 lakh, Rs. 2.74 lakhs and Rs. 4.91 lakhs during 1982-83, 1985-86 and 1986-87 and incurred losses of Rs. 0.72 lakh and Rs. 0.29 lakh during 1983-84 and 1984-85 respectively.

3.2.8.3. Packages unit, Murthal

(i) The unit was set up in June 1976 to manufacture various types of corrugated paper boxes. The installed capacity of 18 lakh boxes of different ply was increased to 27 lakh boxes in October 1985 on three shift working basis. The actual production during the five years from 1982-83 to 1986-87 was, however, 1.25 lakh, 2.73 lakh, 3.86 lakh, 4.46 lakh and 6.91 lakh boxes which was far below the capacity. The shortfall in utilisation of the capacity was attributed to lack of orders and irregular supply of power.

(ii) Idle Machinery

One paper gum tape machine purchased in January 1981 (Rs. 0.75 lakh) and utilised only for a period of 7 days during May 1983 was lying idle as the cost of production of gum tape was much higher than market value. The machine had not been disposed of because of low offers received in auction (October 1987).

(iii) Working results

The unit incurred losses of Rs. 1.00 lakh, Rs. 1.49 lakhs Rs. 2.94 lakhs and Rs. 2.73 lakhs during the four years ending 1985-86 and earned a marginal profit of Rs. 0.44 lakh during 1986-87 .

The profit during 1986-87 was arrived at after taking into credit the amount of Rs. 0.75 lakh recoverable from Haryana Breweries Limited on account of interest for belated payment which was, however, under dispute. The losses were attributed (May 1987) by the unit to:

— under utilisation of installed capacity;

— heavy over-heads;

— sale of boxes below cost; and

— shortage of power.

3.2.9. Other topics of interest

HBCKNL hired a building with a carpet area of 3,600 sq. ft. spread over two floors on a monthly rent of Rs. 3,200 in January 1981 as against the requirement of 1,925 sq. ft. on the basis of norms fixed by Government. Though the Board decided in April 1986 to vacate the surplus space, the same had not been vacated resulting in an avoidable expenditure of Rs. 1.31 lakhs from January 1981 to October 1987.

The Review was reported to the Nigams and Government in August 1987; their replies had not been received (October 1987).

CHAPTER IV

STATUTORY CORPORATIONS (REVIEW)

This chapter contains a review on the purchase and performance of Transformers of the Haryana State Electricity Board

4. Transformers

4.1. Highlights

The increase in the transformation capacity envisaged in the Sixth Five Year Plan was not achieved by the Board. The connected load was more than distribution capacity indicating the overloading of the system.

A transformer costing Rs. 68 lakhs received in June 1986 was awaiting installation on account of non-completion of sub-station, indicating injudicious planning.

In a number of cases, power transformers were damaged beyond repairs long before completion of their prescribed life. A transformer was damaged due to direct lightning as the lightning arrestors were not provided. The Board had to incur an expenditure of Rs. 2.08 lakhs on repair of the transformer. Another transformer purchased in June 1983 at a cost of Rs. 3.73 lakhs could not be energised for want of protection relays.

The incidence of damage to distribution transformers was more than the prescribed norms, *inter alia*, on account of overloading and poor maintenance. Instances were noticed where distribution transformers were damaged within a short period of one to three months of installation.

Power transformers once repaired were damaged within short periods.

During the 3 years up to 1986-87, spare parts worth Rs. 5.66 lakhs and transformer oil worth Rs. 82.30 lakhs were found short in the damaged distribution transformers received in the repair workshops.

A firm on whom an order for purchase of 1400 distribution transformers was placed in July 1984 backed out but the risk purchase orders were placed as late as in May-July 1986 involving an extra expenditure of Rs. 40.21 lakhs. The amount was yet to be recovered.

The Board had to incur an extra expenditure of Rs. 6·34 lakhs on the purchase of transformer oil on account of escalation owing to delay in amending the order as per offer of the firm.

A transformer valuing Rs. 11.25 lakhs was damaged during local transporation. The extent of damage was yet to be ascertained.

4.2. Introductory

A transformer is a static equipment used for stepping up or stepping down voltage in transmission and distribution of electricity. The transformers used at the generating stations and in the high voltage sub-stations (transmission system) are known as power transformers while low voltage transformers used in the distribution system are known as distribution transformers.

Review on the working of "Manufacture and Performance of Transformers" was included in the Report of the Comptroller and Auditor General of India for the year 1979-80 (Civil)-Government of Haryana which was considered by the Committee on Public Undertakings whose recommendations are contained in its 22nd Report (1985-86).

4.3. Growth of transformer capacity

4.3.1. The table given below indicates the transformation and distribution capacities created by the Board during the 7 years ending 1985-86 :

Year	Power transformers*		Distribution transformers	
	Number	Capacity (MVA)	Number	Capacity (MVA)
1979-80	371	2236	29160	2244
1980-81	375	2294	31385	2421
1981-82	403	2539	34137	2612
1982-83	427	2778	35992	2741
1983-84	472	3297	38392	2981
1984-85	487	3629	41446	3183
1985-86	515	3936	43601	3318

4.3.2. The Board had envisaged an increase of 3401 MVA (2375.5 MVA--revised) in transformation capacity during the Sixth Five Year Plan against which a capacity of 1393 MVA was only achieved.

During 1985-86 against the target of 1248.5 MVA, a capacity of only 307 MVA was achieved.

Though the power and distribution system forms a sensitive and vital part of the entire power network, the transformation and distribution capacity created by the Board during the Sixth Five Year Plan period and first year of Seventh Five Year Plan

*Note : This does not include the capacity made available through the sub-stations under the control of Bhakra and Beas Management Board (BBMB).

had not increased correspondingly with the growth in the connected load.

4.3.3. The table below indicates the growth of transformation, distribution and generation capacities, maximum demand and connected load during the 6 years up to 1985-86 :

Serial number	Particulars	1979-80	1985-86	Percentage of increase
		(In MW)		
(1)	Installed capacity (Power generation)	1076.5	1556	45
(2)	Maximum demand on the grid	710	967	36
(3)	Transformation capacity	1900	3346	76
(4)	Distribution capacity	1908	2820	48
(5)	Connected load	2135	3188	49

The Board's installed generation capacity, transformation capacity and distribution capacity were 49 *per cent*, 105 *per cent* and 88 *per cent* of the connected load, which shows that the growth of inter-related systems was disproportionate.

A test check of the records of Material Management Organisation, five central stores, four operation divisions and manufacture and repair workshops of the Board revealed the following:

4.4. Purchases

All purchases of transformers were being made centrally at the Board's headquarters. The Board has 6 central stores which receive among other materials, transformers and issue them on store requisitions of field divisions executing the works. During 3 years up to 1986-87 the Board placed orders for supply of 67 power transformers (aggregate capacity : 445 MVA) valuing Rs. 2.89 crores and 19,017 distribution transformers (aggregate capacity : 1047 MVA) valuing Rs. 20 crores.

Some cases of purchase of transformers noticed during test check in audit are discussed in the succeeding paragraphs.

4.4.1. Delay in invoking risk purchase clause

Tenders were invited and opened in April 1984 for the purchase of 1400 distribution transformers of 63 KVA capacity. The lowest rate of Rs. 12,229.86 of firm 'A' was not accepted on account of unsatisfactory past performance. The second lowest offer of Rs. 12,246.92 of firm 'B' and third lowest offer of Rs. 12,610.60 of firm 'C' which were valid up to 7th July 1984, were considered technically acceptable. On 4th July 1984, the Board asked firm 'C' whether it was prepared to supply 700 transformers at the rates offered by firm 'B'. Firm 'C' while extending the validity period of offer up to 31st July 1984, expressed its inability to supply the transformers at the rates quoted by firm 'B'. Accordingly, telegraphic acceptance of the offer was sent (6th July 1984) to firm 'B' followed by a detailed purchase order on 9th August 1984 for supply of 1,400 transformers at the quoted rate of Rs. 12,246.92 per transformer. Firm 'B', however, refused (July 1984) to execute the order at its quoted rate on the ground that firm rates were quoted assuming urgent requirement and that the prices of raw material had increased.

Fresh tenders were invited and orders for supply of 1,400 transformers were placed (May-July 1986) on firms 'A' (70 transformers on trial basis), 'C' (665 transformers) and 'D' (665 transformers) at the rate of Rs. 15118.74 each after issuing risk purchase notices to firm 'B' (June 1985 and January 1986). This resulted in an extra expenditure of Rs. 40.21 lakhs on the purchase of 1,400 transformers with reference to the rate quoted by firm 'B'.

Had the Board taken immediate action in resorting to risk purchase on refusal of firm 'B' to execute the order, extra expenditure of Rs. 40.21 lakhs could have been minimised to a large extent. The recovery of extra expenditure was awaited (September 1987).

4.4.2. Incorrect assessment of requirement

In November 1981, the Board placed an order for supply of one 100 MVA (220/66 KV) power transformer valuing Rs. 62.56 lakhs on Bharat Heavy Electricals Limited (BHEL) for installation at 220 KV sub-station, Gurgaon which was under the control of BBMB.

The Board paid 10 *per cent* (Rs. 6.26 lakhs) in June 1982 as per terms of the order. The transformer was scheduled for delivery within 14 months from the date of receipt of the order i.e. January 1983. The request (December 1982) of the Board for rescheduling of the delivery period to first quarter of 1984-85 was not accepted by the BHEL (March 1983) as the manufacture of this transformer was almost at the final stage. The supplier also desired that 30 *per cent* payment as per terms of the order should be made. The payment (Rs. 18.77 lakhs) was made in May 1983. The proposal to install the transformer at Gurgaon was dropped on the advice of Member (Technical) that the installation of new transformer at BBMB controlled sub-station should be avoided. Accordingly, it was decided (October 1984) to install the transformer at new 220 KV sub-station to be constructed at Panchkula. In February 1985, the Board asked the BHEL not to proceed with the manufacture of the transformer pending clearance from them as the transformer was required only in 1986-87.

The Board thereafter inspected the transformer in October 1985 and advised BHEL to await despatch instructions from them. However, BHEL despatched the transformer in February 1986. The transformer was received at Panchkula in June 1986 and the balance payment of Rs. 42.78 lakhs (including transportation charges, etc.) was made in June 1987.

Transformer had not been installed so far (September 1987) owing to non-completion of the sub-station at Panchkula where only 1 *per cent* work had been done.

The warranty period of the transformer had also expired (August 1987).

The Board's funds to the extent of Rs. 67.81 lakhs were, thus, blocked.

4.5. Performance of transformers

4.5.1. Power transformers

As per Schedule VII of the Electricity (Supply) Act, 1948 the life of transformers below 100 KVA is prescribed at 25 years and that for transformers of 100 KVA and above at 35 years.

The Board is required to maintain transformer history cards showing, *inter alia*, capacity and voltage ratio, name of the supplier, date of expiry of warranty period, date of issue, location, date of energisation and subsequent movements, etc. The Board had not maintained such records in case of power transformers and as such number of years for which the power transformers actually worked could not be ascertained. In the absence of these records, it was not clear how the Board kept track of the reliability of the suppliers, the quality of repairs, the extent of future requirements, etc.

(i) A test check in audit revealed that in the following cases, the transformers were damaged before the life span and were declared unfit for use.

Serial number	Name of transformer	Year of installation	Year of damage	Life (Years)	Remarks
(1)	Two 2 MVA, 33/11 KV(Sub-station, Bhuna-Sr. No. 3146 and 3117)	1964 and 1970	1986	22 16	Completely burnt due to fire; reasons not investigated.
(2)	One 5 MVA, 33/11 KV (Sub-station, Surajpur Sr.No. C-7624/69)	1964	1980	16	Recommended for survey off in May 1987.
(3)	One 4 MVA (Sub-station, Israna Sr. No. 31254)	1979	1983	4	Surveyed off in December 1986.
(4)	One 4 MVA(132 KV Sub-station, Panipat)	1977	1984	7	Declared beyond economical repair and surveyed off in December 1986.

(ii) One 8 MVA (132/33 KV) power transformer installed in July 1972 at 132 KV sub-station, Narwana was damaged in March 1983 due to direct lighting. As per investigation report (May 1983) the transformer was damaged due to non-provision of lightning arrestors on HV and LV sides. The damaged transformer was repaired in November 1983 at a cost of Rs. 2.08 lakhs.

(iii) One 3.5 MVA (33/3.3 KV) power transformer valuing Rs. 3.73 lakhs procured in June 1983 for installing at Juddi Pump House (under 132 KV Sub-station, Kosli) had not been energised so far (September 1987) for want of protection relays.

4.5.2. Distribution transformers

In April 1983, the Board issued instructions that the percentage of damaged distribution transformers should not exceed beyond 10 *per cent* in a year. The data tabulated below would indicate that the percentage of damaged distribution transformers to the transformers installed at the beginning of each of the 5 years up to 1986-87 was not only more than the norms prescribed by the Board but was also showing an increasing trend from 1984-85 :

Year	Transformers installed at the beginning of the year	Transformers damaged during the year	Percentage of damaged transformers to transformers installed at the beginning of the year
		(In numbers)	
1982-83	34,137	4,401	13
1983-84	35,992	4,243	12
1984-85	38,392	5,067	13
1985-86	41,446	5,833	14
1986-87	43,601	6,685	15

The Board had not carried out any census of floating population of damaged distribution transformers and thus, the number of such damaged transformers could not be compared with the transformers installed and in operation.

In a sample study made by the Research Station of the Board in September 1983, the high rate of damage to distribution transformers was *inter alia* attributed to the following major factors :

—low oil level;

—bad condition of silicagal;

—bad shape of male/female contacts of 11 KV G.O. switches;

—missing thimbles and connections made by twisting of wires on HT/LT sides;

—poor shape of LT protections;

—improper rating of fuses;

—incomplete earthing of transformers;

—missing lightning arrestors;

—tilted transformer Platforms; and

—overloading and lack of proper maintenance.

Various remedial measures were also suggested in the Report.

A test check revealed the following :

(i) In five operation circles, 2,924 and 3,555 distribution transformers were damaged during the year 1985-86 and 1986-87 respectively. Out of these, 703 (24 *per cent*) and 795 (22 *per cent*) transformers were damaged within one year of their installation as per details given below :

Period	1985–86	1986–87
	(Numbers)	
Within 1 month	47	60
1 to 2 months	53	49
2 to 3 months	98	135
3 to 6 months	203	205
6 to 12 months	302	346
	703	795

(ii) The Board in March 1986 decided that the connected load on a new transformer should not increase beyond 80 *per cent* of its rated capacity and all the repaired transformers should be derated up to 80 *per cent* of the capacity and loading should be at 80 *per cent* of derated capacity (i.e. 64 *per cent*). However, the records of damaged transformers test checked in audit in respect of four divisions revealed that 167 distribution transformers of various capacities valuing Rs. 14.81 lakhs were damaged due to overloading in 1986-87 alone. In the records of the Board, the damage was attributed to inbuilt defects. The extent of loading ranged from 66 *per cent* to 156 *per cent* as against prescribed loading of 64 *per cent* and 80 *per cent* respectively. In three other divisions, test checked in audit 33 transformers (18 in 1983-84 and 15 in July 1985 to August 1986) valuing Rs. 2.61 lakhs were damaged due to poor maintenance.

(iii) The damaged distribution transformers are repaired departmentally at various workshops of the Board.

Out of 23,937 (including opening balance of 2,987) damaged transformers received in the workshops during 3 years up to 1986-87, 18,424 transformers were repaired and 1,745 transformers were surveyed off leaving 3,768 transformers to be repaired as on 31st March 1987.

No record indicating the agewise analysis of the transformers awaiting repairs was maintained by the Board.

(iv) 2,968 transformers considered beyond economical repairs were surveyed off during the period 1983-84 to 1986-87. The information in regard to the extent of their utilisation was not available in the absence of history cards.

Besides, 368 distribution transformers damaged within warranty period were also lying in different stores/workshops of the Board; some of them were lying from September 1980 (37 distribution transformers were supplied by a firm whose whereabouts were not known; 39 transformers were supplied during December 1982—April 1983 by another firm who refused to undertake repairs at its own cost).

The Committee on Public Undertakings in its 22nd Report (1985-86), recommended that responsibility be fixed for not maintaining proper records of the damaged transformers and in future proper record of all the transformers should be maintained. Inspite of this, no proper records in respect of damaged transformers have been maintained. It was only in June 1987 that the Board expressed the need for taking a complete census of distribution transformers starting with the statistics as on 1st April 1984, purchases thereafter and quantities surveyed off in workshops, etc. No action had been taken so far (September 1987).

4.6. Manufacturing workshop of the Board

A workshop for the manufacture of 100, 63 and 40 KVA capacity distribution transformers was set up at Dhulkote in August 1971. The annual estimates/targets for the manufacture of transformers are framed by the Board. During the 6 years up to 1986-87, the workshop manufactured 3,112 transformers of various capacities against a target of 4,575 transformers resulting in a shortfall of 32 *per cent*.

The manufacture of transformers in the workshop was discontinued from 1st February 1987. A test check of the records of the workshop revealed the following :

(a) In response to the tenders invited by the workshop in August 1982 for the supply of 4800 Kgs. of copper strips, lowest offer was received from a firm of Madhya Pradesh which had offered to supply the material at rates ranging from Rs. 40.00 to Rs. 40.25 per kg. The rates quoted by the firm were based on the then prevailing Minerals and Metal Trading Corporation Limited (MMTC) rates of copper wire viz. Rs. 28.50 per kg. and any escalation in the MMTC rates as per Indian Electrical Manufacturers Association (IEMA) circular at the time of despatch/delivery was to be paid over and above the quoted rates and one *per cent* cash discount was to be allowed.

The Workshop placed three orders for the supply of 4800 kg. of copper strips in December 1982 on the firm with the stipulation that escalation would be paid on the MMTC rates of copper wire prevailing on 1st January 1983 and a cash discount of two *per cent* would also be allowed by the firm. The entire supplies were to be completed by February 1983. Since the conditions included in the order were at variance with the offer, the firm insisted (January 1983) on placement of the order as per its offer as the basic rates of copper had increased to Rs. 33.50 per kg. w.e.f. 1st January 1983. In February 1983, however, the firm agreed to allow two *per cent* cash discount. The workshop, in June 1983, issued an amendment to the purchase order as per the firm's offer. In the meantime, the rates of copper wire had further increased to Rs. 44 per kg. in June 1983.

Thus, insertion of a condition which was at variance with that offered by the firm and delay in issuing of amendment in the order resulted in an extra expenditure of Rs. 0.62 lakh on account of escalation in the basic rates of copper wire from Rs. 33.50 to Rs. 44.00 per kg.

(b) The Board decided to set-up a transformer repair workshop at Pipli in August 1986. Though the workshop was set up and the machinery and equipment were installed at Pipli only in March 1987, 7 workers connected with the repair work of transformers were transferred from Dhulkote to Pipli in September 1986. The workers remained idle from September 1986 to February 1987, rendering the payment of Rs. 0.58 lakh on pay and allowances for the above period unproductive.

4.7. Workshops for repair of power transformers

(i) The Board had one power transformer repair workshop in the BBMB Complex at Ballabgarh. This workshop was closed and shifted to Panipat in November 1980. In view of the maximum failure rate of transformers in the area around Faridabad and Ballabgarh, the Board again decided (September 1982) to set up a power transformer repair workshop at Ballabgarh and the same was commissioned in June 1983.

Up to the year 1983-84 no targets were fixed for the repair of power transformers. The table below indicates that the targets fixed for repair of the transformers during the years

1984-85 to 1986-87 were not achieved.

Year	Panipat Workshop			Ballabgarh Workshop		
	Estimated for repairs	Received for repair (including opening balance)	Actually repaired	Estimated for repairs	Received for repair (including opening balance)	Actually repaired
	(In numbers)					
1984-85	17	29	15	16	22	10
1985-86	15	24	10	15	26	8
1986-87	14	22	10	16	23	7
	46		35	47		25

As on 31st March 1987, nine (excluding three surveyed off) and 16 transformers were awaiting repairs in Panipat and Ballabgarh workshops. Reasons for non-achievement of targets were not investigated by the Board (September 1987).

(ii) In Panipat workshop, two sets of HV/LV limbs 66/11 KV in MS container with oil valuing Rs. 1.39 lakhs for 10 MVA transformer and one set of 66/11 KV limbs, for 7.5 MVA in MS container with oil valuing Rs. 1.04 lakhs were drawn from store during July 1981 without any requirement. The limbs were still lying unutilised, as transformers of similar make were not received in the workshop for repair so far (May 1987).

4.8. Performance of repaired transformers

The table below indicates the cases, noticed during test check in audit, of damage to the power transformers within a short period of installation after repair in the Board's workshop, un-necessary repairs of obsolete transformers and delay in repairs.

Serrial number	Particulars of transformer	Name of repair workshop	Month in which re-paired/issued	Cost of repair (Rupees in lakhs)	Month in which damaged/received in work-shop	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	7.5MVA 66/11KV	Ballabgarh	February 1984	1.20	March 1985	Awaiting repair (July 1987)
2.	4 MVA 33/11 KV	Panipat	June 1986	1.51	December 1986	Do
3.	7.5 MVA 66/11 KV	Panipat	June 1984	1.25	August 1986	Do
4.	10/12.5 MVA 33/11 KV	Panipat	April 1983 June 1986	0.67 2.56	July 1983	The transformer was damaged in July 1983 and received in work shop in October 1983. It was repaired in June 1986 after a period of more than 2 years.
5.	10 MVA 66/11 KV	Panipat	July 1985 January 1986	2.37 1.43	January 1986 December 1986	The transformer was installed at 66KV sub-station, Ladwa in July 1985 but on commissioning its I.R. value was found low and again sent to workshop in January 1986. It was repaired and sent to 66 KV sub-station

(1)	(2)	(3)	(4)	(5)	(6)	(7)
						Surajpur in September 1986 but on putting on load it was again damaged and sent to workshop in December 1986. The transformer was awaiting repairs for want of spares (July 1987).
6.	8/4/4 MVA 66/33/11 KV	Panipat	April 1982	0.38	—	Both the transformers after repair were lying idle in the workshop due to their lower rating and were considered unfit in the existing power system.
7.	1/MVA 33/11 KV	Ballabgarh	1980–81	N.A.	—	

4.9. Shortages

A reference is invited to para 6.7.10 of the Audit Report (Civil) for the year 1979-80 wherein a mention was made of shortage of parts and oil in damaged transformers.

The Committee on Public Undertakings in their 22nd Report (Sixth Vidhan Sabha 1985-86) recommended that shortage of transformer oil should be investigated, responsibility fixed and effective steps taken to minimise the shortage of transformer oil.

A further test check in audit revealed that during the 3 years up to 1986-87, parts worth Rs. 5.66 lakhs (Dhulkote and Hisar workshops) were found missing/broken and transformer oil worth Rs. 82.30 lakhs (Dhulkote, Hisar, Rohtak and Faridabad workshops) was found short in damaged transformers.

No action was taken to investigate the shortage of parts/ oil.

4.10. Other points of interest

4.10.1. Purchase of transformer oil

In response to the tenders called and opened in February 1984 for purchase of transformer oil by the Board, firm 'A' the lowest tenderer, in the quotation had put in a condition for opening a letter of credit at Bombay. The rates quoted by the firm were variable. However, in November 1984, the Board placed an order on the firm for supply of 500 kilolitres of transformer oil at Rs. 9,020 per kilolitre with a stipulation that 100 *per cent* payment would be made against RR through bank and the oil would be delivered by January 1985. The firm in December 1984 insisted for acceptance of its conditon for opening a letter of credit at Bombay. The Board subsequently agreed (July 1985) to release 100 *per cent* payment against RR through bank within 7 days of presentation of documents for 200 kilolitres of oil and to open a letter of credit for the balance 300 kilolitres. The revised offer was accepted by the firm.

In the meantime, the rates of transformer oil had increased to Rs. 10,246.90 per kilolitre with effect from 17th March 1985 with the result the Board had to bear an extra expenditure of Rs. 6.34 lakhs on the purchase of 496.9 kilolitres of transformer oil actually received.

4.10.2. Insurance claim

One spare winding tank of 10/16 MVA (132/33 KV) power transformer valuing Rs. 1.99 lakhs ordered in February 1977 on BHEL was received by Central Store, Ballabgarh in November 1979 in a totally damaged condition. The Board lodged a claim for the entire amount with the insurance company in November 1979. The matter remained under correspondence up to February 1982 and thereafter, the case was closed by the insurance company in the absence of requisite documents viz. copies of claim lodged with railways and supplier's invoices, etc. In February 1984, the matter was again taken up by the Board but the insurance company rejected the claim on the ground that they were unable to file a suit against the Railway authorities as a period of 3 years had already elapsed. However, in July 1984 the Insurance Company agreed to reimburse 50 *per cent* cost of the tank after excluding taxes and duties amounting to Rs. 0.21 lakh.

No responsibility had been fixed for the loss of Rs 1.10 lakhs.

4.10.3. Defective load voltage regulating auto transformer

An order for supply of 4 (on load) voltage regulating auto transformers (two each of 2 MVA and 4 MVA capacity) was placed on a Calcutta firm in March 1973. The firm supplied only two voltage regulating transformers of 4 MVA capacity, out of which one transformer valuing Rs. 1.96 lakhs was received in a damaged condition at Sub Store, Hisar in March 1975. The firm was asked (March 1975) to repair the transformer. Some repairs were carried out by the firm in July/October 1977 which were found to be unsatisfactory. In July 1980 the transformer was repaired departmentally at a cost of Rs. 0.66 lakh and issued to a division in February 1983. The cost of repairs had not been recovered so far (September 1987).

4.10.4. Damage to power transformer

An order for supply of two 12.5/16 MVA (66/11 KV) power transformers at Rs. 11.25 lakhs each was placed on BHEL in February 1985. The delivery of the transformers was taken at Ballabgarh Railway Station in August 1986. For transportation of the transformer from rail wagon and unloading at BBMB crane bay, a tractor trailor was hired. While transporting, one transformer slided down and overturned on the road due to break down of floor of the tractor trailor. The transformer was damaged and huge quantity of transformer oil spilled.

A Joint inspection of the damaged transformer was carried out in September 1986 by the representatives of the supplier, insurance company and the Board but the extent of damage in monetary terms had not been determined so far. The Board in December 1986 approached BHEL to advise on the feasibility of repair of the transformer with estimated financial implication to enable them to lodge a claim with the insurance company. The BHEL while expressing their doubts about entertainment of claim by the insurance company as the transit insurance was up to destination Railway Station only, declined to repair the transformer free of cost.

The Executive Engineer, Central Store, Ballabgarh stated (June 1987) that the amount of loss had not been ascertained so far and no claim had been preferred with the insurance company as the latter had not agreed to reimburse the loss.

Neither the transformer had been repaired nor any responsibility fixed.

The Review was reported to the Board and Government in August 1987; their replies had not been received (October 1987).

CHAPTER V

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

A—GOVERNMENT COMPANIES

5.1. HARYANA BREWERIES LIMITED

5.1.1. Avoidable payment of surcharge on income tax

Income tax for the assessment year 1986-87 relevant to the accounting year 1985-86 was payable by the Company at the rate of 50 *per cent* of taxable income *plus* surcharge at the rate of 5 *per cent* of income tax. The surcharge on income tax was not payable in case the equivalent amount had been deposited with the Industrial Development Bank of India (IDBI) under the 'Companies Deposits (Surcharge on Income Tax) Scheme, 1985.'

Under this scheme, surcharge on income tax could be deposited with IDBI at any time up to the date/extended date when the last instalment of advance tax was due. The amount so deposited with IDBI was repayable with simple interest of 7.5 *per cent* per annum on 1st April 1991. However, the Company for the assessment year 1986-87 did not avail of this facility under the scheme and instead paid (March-April 1986) surcharge amounting to Rs. 1.22 lakhs. Thus, the Company was deprived of saving of Rs. 1.22 lakhs besides loss of interest amounting to Rs. 0.46 lakh which could have been earned on this amount if deposited with IDBI.

The matter was reported to the Company and Government in May 1987 ; their replies had not been received (October 1987).

5.1.2. Non-claiming of extra shift depreciation allowance

Under the Income Tax Act, 1961, depreciation on plant and machinery is allowed as deduction for computation of total income chargeable to tax. Income Tax Rules, 1962 provide that an extra shift allowance up to a maximum of an amount equal to one half of the normal depreciation allowance shall be allowed where a concern claims such allowance on account of double shift working and establishes that it has worked double shift. Further, an extra shift allowance up to a maximum of an amount equal to the normal depreciation allowance shall be allowed where a concern claims such allowance on account of triple shift working and establishes that it has worked on triple shift basis. The extra shift allowance is admissible if the concern has worked for 240 days or more during the year.

The Company has not been maintaining the details of working of individual machines. A review of the *brew* book of the Company for the year 1985-86 revealed that the plant worked for 271 days (including 63 days on double shift and 197 days on triple shift). In the return of income filed with the Income Tax Authorities for the accounting year 1985-86, the Company computed its total income chargeable to income tax by claiming deduction on account of depreciation on plant and machinery on single shift working amounting to Rs. 12.97 lakhs. Due to non-maintenance of proper records, depreciation allowance for working on double and triple shifts was not claimed by the Company as deduction from taxable income resulting in an avoidable payment of income tax amounting to Rs. 5.74 lakhs for the year 1985-86.

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

The matter was reported to the Company and Government in June 1987; their replies had not been received (October 1987).

5.2. HARYANA CONCAST LIMITED

5.2.1. Extra expenditure in the purchase of ferro manganese lumps

In October 1985, the Company placed two orders on a firm of Delhi for supply of (i) 210 tonnes of ferro manganese lumps at a firm rate of Rs. 7,775 per tonne; and (ii) 90 tonnes of ferro manganese chips at a firm rate of Rs. 6,775 per tonne. It was agreed that the firm would supply the material (300 tonnes) at the above firm rates. The supplies were to be made between October 1985 and September 1986 at the rate of 22.5 to 32.5 tonnes per month. The firm supplied 30 tonnes of material in October 1985 and stopped further supplies on the ground of increased costs. The firm demanded (March 1986) increase in rates to Rs. 8,500 per tonne for 50 *per cent* of the balance quantity (270 tonnes) of material on the ground of increase in the cost of manganese ore (from 15th January 1985), coke (from October 1985) and power (from 1st November 1985). Although the rates were firm, the Company after negotiations agreed (May 1986) to pay for 200 tonnes of material at the rate of Rs. 7,775 per tonne and for the balance 70 tonnes at the rate of Rs. 8,500 per tonne, resulting in an extra expenditure of Rs. 1.41 lakhs. The firm supplied the balance material between March 1986 and April 1987.

The Management stated (December 1986/June 1987) that though their case was legally sound, keeping in view the business relations and circumstances which were beyond the control of the firm, the increase in the rates was agreed to.

The reply is not convincing as (i) the orders were placed on firm rate which was also agreed to by the firm and (ii) the cost of manganese ore and coke had increased prior to the placement of order.

The matter was reported to Government in June 1987; reply had not been received (October 1987).

5.3. HARYANA STATE SMALL INDUSTRIES AND EXPORT CORPORATION LIMITED

5.3.1. Infructuous expenditure

The Company is running an emporium at New Delhi in a building constructed on land taken on lease from the Government of India since 1973. No agreement was executed with Government for the lease of land. The top floor of the building (1,321 sq. ft.) was being utilised as residence of the general manager of the emporium.

In April 1986, Haryana Breweries Limited (HBL), offered to take on hire the top floor of the building for commercial use. Based on recommendations of a committee constituted by the Managing Director, the Company let out the top floor to HBL on a monthly rent of Rs. 33,025. The Company also hired (May 1986) a building at Rs. 6,500 per month to serve as general manager's residence cum guest house.

In August 1986, it came to the notice of the Company that the terms of the lease agreements entered into by other State Emporia prohibited the use of the premises for a purpose other than the State Emporium. Accordingly, the HBL vacated (August 1986) the premises with the condition that the Company would refund to it Rs. 0.99 lakh paid as advance rent and also reimburse Rs. 1.33 lakhs incurred on the renovation of the premises.

The Company refunded Rs. 0.99 lakh on account of advance rent and Rs. 1.01 lakhs (on actual measurement basis) representing renovation charges to HBL in November 1986/ January 1987.

Thus, owing to failure on the part of the Company's officers to verify the terms of the lease, the Company had to incur an infructuous expenditure of Rs. 1.66 lakhs on rent for general manager's residence cum guest house (Rs. 0.36 lakh) reimbursement of renovation charges (Rs. 1.01 lakhs) to HBL and furnishing of the guest house (Rs. 0.29 lakh).

The matter was reported to the Company and Government in August 1987; their replies had not been received (October 1987).

5.3.2. Avoidable payment of surcharge on income tax

Income tax for the assessment years 1985-86 and 1986-87 relevant to the accounting years 1983-84 and 1984-85 was payable by the Company at the rate of 55 *per cent* and 50 *per cent* of taxable income respectively *plus* surcharge at the rate of 5 *per cent* of income tax. The surcharge on income tax was not payable in case the equivalent amount was deposited with the Industrial Development Bank of India (IDBI) under the Companies Deposits (Surcharge on Income Tax) Scheme 1984 and 1985.

Under these Schemes the amount equivalent to the surcharge on income tax could be deposited with IDBI at any time up to the date/extended date when the last instalment of advance tax was due for payment. The amount so deposited with IDBI was repayable with simple interest of 7.5 *per cent* per annum after 5 years. However, the Company did not avail of this facility and instead paid surcharge amounting to Rs. 1.76 lakhs (Rs. 0.55 lakh for the assessment year 1985-86 and Rs. 1.21 lakhs for 1986-87) to income tax authorities during 1984 and 1985. Thus, the Company was deprived of the saving of Rs. 1.76 lakhs besides loss of interest amounting to Rs. 0.66 lakh which it could have earned on this amount if deposited with IDBI.

The Company stated (September 1987) that the Companies Deposit (Surcharge on Income Tax) Schemes for the year 1984 and 1985 came into force from 28th September 1984 and 6th September 1985 respectively, and up to these dates the Corporation had deposited two instalments, thus, exercising the option of depositing surcharge with Government treasury. The Company further stated that in view of this it was not possible to shift to the other scheme and to withdraw money back from Government treasury.

The reply of the Company is not tenable as (i) the scheme could be availed of at any time up to the last date/extended date when the last instalment of advance tax was due for payment and (ii) the surcharge already paid into Government treasury could have been got adjusted towards income tax.

The matter was reported to the Government in July 1987; reply had not been received (October 1987).

5.4. HARYANA DAIRY DEVELOPMENT CORPORATION LIMITED

5.4.1. Payment of interest

Based on the decision of the Board of Directors taken in March 1976, the Company leased out assets of its milk plants at Ambala, Jind, Bhiwani and Rohtak to Haryana Dairy Development Co-operative Federation Limited initially for a period of one year from 1st April 1977 on rent of Rs. 40 lakhs. Similarly, the milk plant at Ballabgarh was given on lease to the Federation initially for a period of one year from 1st July 1979 on rent of Rs. 8 lakhs. The terms and conditions of lease approved by the Board of Directors of the Company, *inter alia,* provided that in case of default in the payment of lease rent punctually, the Company was entitled to enter upon the premises and sell or cause to sell any material belonging to the Federation and realise the arrears. The lease was extended year after year with rent ranging from Rs. 30 lakhs to Rs. 48 lakhs per annum. Lease deed incorporating the terms and conditions of lease was, however, not executed (March 1987).

The Company was not able to recover all its dues from the Federation and the outstanding balance as on 30th June 1986 was to the tune of Rs. 2,00.07 lakhs. Due to delay in recovery of dues from the Federation, the Company could not repay on due dates the instalments of loan and interest due to the Indian Dairy Corporation (from whom loans were taken for setting up the milk plants). This has resulted in extra burden of interest amounting to Rs. 43.19 lakhs (of which Rs. 13.29 lakhs has already been paid) up to March 1987.

The matter was reported to the Company and Government in July 1987; their replies had not been received (October 1987).

5.5. HARYANA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED

5.5.1. Loss due to non-inclusion of consultancy charges in cost estimates

In 1983, the Government of India entrusted the Company with the work of installation of a solar water heating system for swimming pool at Moti Lal Nehru School of Sports at Rai. The entire cost of the system was to be financed by Government. The Company estimated (March 1984) the cost of the system at Rs. 17.75 lakhs, which was revised to Rs. 25.30 lakhs (including service charges of the Company : Rs. 2.30 lakhs) and approved by Government in March 1986.

The Company appointed in March 1985 a firm of Delhi as consultant for preparation of system design and project report, for a fee of Rs. 1.10 lakhs. On the basis of the recommendations of the consultant the work of installation and commissioning of the solar water heating system was allotted (March 1986) to Bharat Heavy Electricals Limited, at Rs. 23 lakhs. The request of the Company (March/December 1986) for reimbursement of consultant's fee of Rs. 1.10 lakhs was not accepted by the Government of India on the ground that the counsultant was appointed by the Company of its own and there was no mention of this in the project proposal submitted to Government for approval.

Thus, owing to its failure to include the consultancy charges in the project cost estimates the Company had to bear the consultancy charges of Rs. 1.10 lakhs (Rs. 0.80 lakh paid up to March 1986) which were otherwise recoverable from Government.

Government stated (September 1987) that the consultancy charges were not included in the original estimated cost as it was thought that this job was similar to the systems already handled by the Company without any difficulty and the consultants were appointed on the advice of Department of Non-conventional Energy Sources.

The reply of Government did not explain the omission of the Company.

5.6. HARYANA STATE MINOR IRRIGATION AND TUBEWELLS CORPORATION LIMITED

5.6.1. Defective lining of water course

The Company executes the work of lining of water courses on behalf of farmers who are treated as shareholders of their respective water courses and the expenditure incurred is recovered from them. The water course at outlet RD-172500/R Bhiwani distributory was lined by Rohtak Maintenance Division of the Company at a cost of

Rs. 1.49 lakhs during 1980-81. On receipt of complaints from the cultivators, the Executive Engineer, Rohtak Lining Division, who investigated the matter, reported (November 1982) that the designed crest level was 216.95 metres whereas the constructed bed level was 216.85 metres which was lower than the designed level. Accordingly, it was decided in November 1983 to remodel the water course at the Company's cost. The water course was remodelled in June 1985 at a cost of Rs. 1.53 lakhs.

The Superintending Engineer, Rohtak Lining Circle, stated (October 1983) that the reason for unevenness in the bed level was due to the negligence of the concerned Junior Engineer/Sub-divisional Officer who had since been repatriated to the Irrigation Department.

No action against the Officials responsible for the loss had been taken by the Management/Government so far (October 1987).

The matter was reported to the Company and Government in August 1987; their replies had not been received (October 1987).

5.7. HARYANA AGRO INDUSTRIES CORPORATION LIMITED

5.7.1. Sale of rice bran oil

The Solvent Extraction Plant of the Company at Kaithal, *inter alia*, produces rice bran oil which is meant for sale to soap manufacturers. The sale of rice bran oil was made by the General Manager of the plant with the help of a committee (consisting of the General Manager, Assistant Accounts Officer and Assistant Engineer) at the competitive rates as and when 2-3 truck load of stock accumulated.

Though a stock of 40 tonnes of rice bran oil had accumulated by June 1984, no sale was effected during July-August 1984 which led to stock accumulation of 89.880 tonnes of oil till August 1984. Taking into consideration (August 1984) the prevailing high market price of rice bran oil and apprehending substantial fall in its price in near future due to possibility of lifting of ban on the import of tallow by Government, the General Manager of the plant was instructed by the Managing Director (3rd September 1984) to dispose of the stock of the rice bran oil at the earliest at competitive rates.

Although there was demand of rice bran oil from the soap manufacturers, who had offered the rate of Rs. 10,595 per tonne, only 9.910 tonnes of oil at Rs. 11,700 per tonne was disposed of till the end of September 1984. The remaining 79.970 tonnes was sold during October 1984 (42.650 tonnes), December 1984 (17.900 tonnes) and March 1985 (19.420 tonnes) at the rates ranging between Rs. 9,650 and Rs. 7,800 per tonne.

Failure to take advantage of the rates available in the market, resulted in a loss of Rs. 1.39 lakhs to the Company.

The Management stated (November 1986) that necessary action against the official responsible in the matter was being taken. Further progress in the matter was awaited (October 1987).

5.8. HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED

5.8.1. Avoidable compensation to growers

The Company makes arrangements for supply of foundation seed to the growers in the State for multiplication. The seed produced by the growers is purchased by the Company after processing and approval by the seed certification agency of Government.

In *Rabi* 1983-84, the Company planned to produce 42,000 quintals of certified wheat seed (HD-2009) through growers in the State. As the foundation seed of this variety was not available with the Company in sufficient quantity, 496 quintals of certified wheat seed was processed and chemically treated with vita vax at its Umri plant (November 1983) for use in place of foundation seed. The entire quantity of this processed wheat seed was supplied (November-December 1983) to the growers in Umri, Bhiwani and Yamuna Nagar regions of the State for multiplication. As per quality control guidelines of the Company the seed was to be checked during processing by the officials of the Company and physical inspection certificate was to be issued while despatching the seed for supply to the growers.

The quality control manager of the Company during inspection (March 1984) of the fields of the growers, who were issued this processed wheat seed, noticed admixture of other variety of wheat seed (Kalyansona) in the crop to the extent of 1.5 to 7 *per cent* as against the permissible limit of 0.3 *per cent*. As per the report (September 1984) of the quality control manager, the admixture took place at Umri plant due to failure on the part of the seed processing staff, the plant incharge and the regional manager, to properly check the seed during the course of processing, vita vax treatment and to issue physical inspection certificate.

Keeping in view the complaints of the growers, the Management decided (May 1984) to compensate the growers who were supplied admixtured seed by refunding them the cost of the processed seed. Accordingly, compensation to the extent of Rs. 1.25 lakhs was paid to growers by the Company.

The Management while admitting (March 1987) that there was negligence in the production of wheat seed, stated that the Company would have suffered more losses if this seed had been certified, as meeting the standard, as it would have to be carried over since there was no market for this variety of certified seed in that particular year.

The reply is not relevant as the negligence in processing the seed for supply to growers resulted in payment of compensation.

5.9. HARYANA TELEVISION LIMITED

5.9.1. Avoidable payment of sales tax

Under the Central Sales Tax Act, 1956, transfer of goods to branch offices outside the State are exempt from the levy of tax. Further, tax at concessional rate (4 *per cent* as against 10 *per cent*) is levied on inter-state sales to registered dealers, provided such sales are supported by requisite declaration forms from them.

In the returns filed with Excise and Taxation Department for the year 1982-83, the Company reported stock transfers of television sets valuing Rs. 44.29 lakhs from Faridabad to its branch office in Delhi. The Assessing Authority held in July 1984 and, again on appeal filed by the Company, in March 1986 that the television sets did not represent stock transfers to the branch office but had gone direct to a dealer in Delhi against advance payments and prior contracts. Accordingly, the Assessing Authority levied tax at 10 *per cent*, amounting to Rs. 4.43 lakhs. The Company neither collected the amount of tax nor obtained the declaration forms from the dealer for availing concessional rate of tax.

Further, out of the inter-state sales of Rs. 19.03 lakhs made by the Company during 1982-83, requisite declaration forms were not obtained from the dealers on sale of Rs. 8.88 lakhs. The Assessing Authority, therefore, levied tax at the rate of 10 *per cent* (Rs. 0.89

lakh) as against 4 *per cent* (Rs. 0.36 lakh) collected from the dealers resulting in an avoidable payment of sales tax amounting to Rs. 0.53 lakh.

The non-collection of amount of tax and the declaration forms from the dealers resulted in an avoidable payment of sales tax amounting to Rs. 4.96 lakhs.

The matter was reported to the Company and Government in May 1987; their replies had not been received (October 1987).

5.9.2. Loss due to non-enforcement of contract clause

The Company appointed a firm of Dehra Dun as sole selling distributor for television sets in Western Uttar Pradesh for a period of one year with effect from 29th October 1980. As per terms of the agreement executed on 29th October 1980, the firm was required to furnish a bank guarantee of Rs. 50,000 at the time of signing of the agreement. The Company supplied 221 television sets (value : Rs. 4.56 lakhs) to the firm between October 1980 and August 1981 without obtaining the bank guarantee as per the terms of the agreement. The firm was not making payments regularly and from December 1980 onwards on a number of times the cheques received from the firm were getting dishonoured. Inspite of this, the Company continued to supply the television sets with the result that a sum of Rs. 0.90 lakh remained outstanding against the firm till November 1981.

The firm did not pay the dues and the Company served legal notices on it in November 1981 and December 1983 to which no reply was received. There upon the Company asked its legal adviser in December 1984 to file a civil suit against the firm but no such civil suit had been filed so far (September 1987).

Failure on the part of the Company to file a suit before the claim became time-barred resulted in a loss of Rs. 0.90 lakh. Further, had the bank guarantee as stipulated in the agreement been obtained, the Company could have reduced its loss by Rs. 0.50 lakh by invoking the guarantee.

The matter was reported to the Company and Government in May 1987; their replies had not been received (October 1987).

5.9.3. Loss in supply of television sets

In March 1981, the Company appointed a firm of Amritsar as sole selling agent for distribution of television sets for a period of 5 years from April 1981 to March 1986. The deliveries of television sets were to be made against cash payments. The Company during the period from May 1981 to December 1982 supplied 4,426 television sets (including accessories) for Rs. 91.70 lakhs against which payment of Rs. 88.87 lakhs was received. The firm was continuously in default with effect from November 1981 and was making part payments in contravention of the provisions of the agreement. An amount of Rs. 2.83 lakhs had accumulated up to December 1982 against the firm. The Company terminated the agreement with the firm in December 1982 on account of violation of the terms of agreement i.e. withholding of payments, decrease in lifting of television sets, failure to provide after sales service to customers.

In December 1983, the Company issued a legal notice to the firm for payment of outstanding dues. Thereafter, the matter was not pursued with the firm. The Board of Directors in March 1986, while noting with concern the lapse on the part of the Management for keeping silent over the matter since December 1983, desired that the matter may be probed further to find out the facts and the causes of 2 years delay and that the suit for recovery may be filed in the meanwhile, after consulting the legal adviser. The enquiries made by the Company revealed that the firm was non-existent and the whereabouts of the Directors were not known. The legal adviser, whose advise was sought by the Company, opined (October 1986) that in these circumstances the Company should not waste money in filing the suit in the court as it would involve a considerable court fee. He also advised that the Company should appoint an arbitrator in the matter. However, the Company had not appointed any arbitrator so far (September 1987). The Company did not pursue the recovery of outstanding amount from time to time.

Thus, due to failure of the Company to control cash collection and laxity in pursuance of recovery of the outstanding dues, an amount of Rs. 2.83 lakhs had become time-barred and irrecoverable. The Company neither probed the matter as desired by the Board of Directors nor fixed responsibility for the loss so far (October 1987).

The Matter was reported to the Company and Government in June 1987; their replies had not been received (October 1987).

B—STATUTORY CORPORATIONS

HARYANA STATE ELECTRICITY BOARD

5.10. Non-clubbing of connections

Under the tariff schedule for supply of energy to industrial consumers, the rates applicable to consumers having connected loads not exceeding 100 KW (medium supply) are lower than the rates applicable to consumers having connected loads above 100 KW (large supply). To avoid loss of revenue to the Board due to application of lower tariff rates to the consumers having more than one medium supply connection in the same premises, the Chief Engineer (Operation) issued instructions in January 1981 to club all such connections after giving three months notice. These instructions were reiterated in July 1981, June 1983, October and November 1984.

It was noticed during test audit (November 1984) that in operation sub-division, Tosham, the connected load of a consumer having three medium supply connections in the same premises were not clubbed for the purpose of billing.

Consequently, due to non-clubbing of connections, the Board suffered loss of revenue of Rs. 0.76 lakh during May 1981 to February 1987. Although, the matter was reported to the Board in December 1984, notice for clubbing these connections was issued to the consumer only in February 1987 and the connections were clubbed in August 1987.

The matter was reported to the Board and Government in April 1987; their replies had not been received (October 1987).

5.11. Loss of revenue due to unauthorised extension of load

The Sales Manual of the Board provides that each small power connection should be checked twice a year by an official not below the rank of a line superintendent, once a year by a sub-divisional officer and once in three years by an executive engineer.

A Milk Chilling Centre at Hisar was sanctioned in August 1976 a small power connection with a connected load of 19.605 KW by the Sub-division, Hisar. Periodical checking of the connected load of the consumer as per the manual was not carried out.

It was noticed in audit (September 1986) that while during April 1982 to December 1983 the monthly consumption of energy of the consumer ranged from 4 to 3,090 units the consumption during the period from January 1984 to August 1986 ranged from 4,108 to 15,046 units per month. The actual load of the consumer, thus, worked out to 81.880 KW as against the sanctioned load of 19.605 KW.

At the instance of Audit, the load was checked by the Sub-division in November 1986 and by the Vigilance Cell in January 1987 and it was found that the consumer was using energy to the extent of 82.195 KW and 80.750 KW respectively. Accordingly, the consumer was billed on medium supply tariff from December 1986 and Rs. 0.25 lakh was also charged as penalty for unauthorised extension of load for the preceding six months. Under the terms and conditions of supply of power, the Board could raise and realise the additional demands on the consumers only for a period of six months preceding the dates of checking. Thus, due to failure to conduct prescribed periodical checks and non-maintenance of energy variation register by the Sub-division, unauthorised extension of load by the consumer could not be detected. This resulted in loss of revenue amounting to Rs. 0.81 lakh for the period from January 1984 to May 1986.

No responsibility in the matter had been fixed by the Board so far (October 1987).

The matter was reported to the Board and Government in May 1987; their replies had not been received (October 1987).

5.12. Extra expenditure due to retendering of work

(a) Separate tenders for construction of 60 quarters under Phase 1 and 56 quarters under Phase II at 220 KV Sub-station, Karnal were invited/opened in January/February 1985. The works were to be completed within 12 months and the conditional offers were to be rejected outright. The cement and steel required for work was to be provided by the Board.

Offers were received from 8 firms for Phase 1 and 9 firms for Phase II. The offers of firm 'A' of Narwana for Rs. 31.40 lakhs for Phase 1 and Rs. 30.32 lakhs for Phase II were the lowest. The offers valid for 30 days were subject to the conditions that if Government charge any kind of sales tax in future that would be borne by the Board and that quarters would be completed within 18/15 months.

However, the third lowest offer (Rs. 32.98 lakhs) of a Panipat firm for Phase I and the second lowest offer (Rs. 31.75 lakhs) of an another Panipat firm for Phase II were unconditional but these were not considered. Instead, the Board asked firm 'A' (February and April 1985) to extend the validity period up to 90 days, withdraw the condition relating to sales tax and reduce the completion period to 12 months but the firm extended only the validity period up to 3rd May 1985 and did not agree to withdraw the other conditions. On 30th April 1985, the Board again requested the firm to extend the validity period by one month which was not agreed to by the firm who also demanded the refund of its earnest money. Meanwhile, the second and third lowest tenderers also withdrew their earnest money deposits.

Tenders for both the works were reinvited in October 1985 and the works of construction of quarters under Phase I and II were awarded for Rs. 38.63 lakhs and Rs. 37.83 lakhs to two firms of Hisar in May 1986. Against this, the equated rates offered in February 1985 by the third and second lowest tenderers which did not put any condition, for Phase I and II worked out to Rs. 32.47 lakhs and Rs. 30.59 lakhs (after adjusting impact of variation in quantity of works and increase in issue rates of material). The extra expenditure of Rs. 13.40 lakhs, could have been avoided, had the tenders invited intially been finalised by rejecting the conditional offers of firm 'A' outright in terms of the tender enquiry and accepting the unconditional offers of the third and second lowest tenderers.

The Superintending Engineer (TCC No. II), Karnal, stated (April 1987) that the allotment of works could not be finalised due to non-withdrawal of ambiguous conditions by the lowest tenderer. The reply is not tenable as the conditional offers were to be rejected outright as per the terms of the tenders.

The matter was reported to Government in June 1987; reply had not been received (October 1987).

(b) The Board without finalising the drawings and designs of construction of 12 quarters of type 1 and 12 quarters of type III at Jharsa Road Colony, Gurgaon invited tenders in September 1984. The work was awarded to contractor 'A' in November 1984 for Rs. 6.04 lakhs and Rs. 7.97 lakhs respectively. As per terms and conditions of work order, the work was to be completed within nine months from the date of receipt of layout from the Board.

The drawings and designs of the quarters were finalised by the Board only in October 1985 and when the layout of these works was offered to the contractor, he refused (December 1985) to execute the work .

Accordingly, tenders were reinvited in January 1986 and the works awarded to contractor 'B' for Rs. 6.95 lakhs and Rs. 9.24 lakhs in May 1986.

Thus, owing to inordinate delay in finalisation of the drawings and designs, the Board had to incur an extra expenditure of Rs. 2.18 lakhs on execution of the works by re-inviting the tenders

The matter was reported to the Board and Government in July 1987; their replies had not been received (October 1987).

5.13. Avoidable payment of compensation

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

In the following cases the vehicles of the Board met with accidents resulting in deaths and the Motor Accident Claim Tribunal awarded compensation aggregating Rs. 1.11

lakhs to the heirs of the deceased :

Serial number	Name of vehicle and registration mark	Date up to which insurance cover was taken	Uncovered period of insurance	Date of accident	Amount of compensation paid (Rupees in lakhs)	Date of payment	Remarks
1	2	3	4	5	6	7	8
1.	Truck (HRG 1638)	15-8-1980	16-8-1980 to 10-9-1980	27-8-1980	0.50	November 1982/ March 1987	The Motor Accident Claim Tribunal held in August 1982 that the accident was caused due to rash and negligent driving. The appeal filed by the Board in the High Court was also rejected (April 1986).
2.	Truck (HRJ 7405)	16-1-1984	17-1-1984 to 18-1-1984	18-1-1984	0.22	May 1985	The Motor Accident Claim Tribunal held in May 1985 that the driver was responsible for rash and negligent driving.
3.	Truck (HRK 7418)	23-2-1983	—	21-12-1982	0.39	April 1986	The Motor Accident Claim Tribunal held in December 1985 that the accident was caused due to rash and

1	2	3	4	5	6	7	8
							negligent driving. Though the truck was insured at the time of accident, the Board failed to implead the insurance company as a party to the claim with the result the Board had to pay the amount of claim. However, the claim lodged by the Board in April 1986 with the insurance company for Rs. 0.39 lakh is yet to be settled (September 1987).

Due to non-renewal of insurance policies/not impleading insurance company as a party to the claim, the Board had to incur an avoidable expenditure of Rs. 1.11 lakhs towards payment of compensation.

The matter was reported to the Board and Government in June 1987; their replies had not been received (October 1987).

5.14. Avoidable payment of water cess

Under Section 6 of the Water (Prevention and Control of Pollution) Cess Act, 1977 an assessment order for payment of Rs. 3.48 lakhs on account of water cess for the period from March 1979 to March 1982 was received by Thermal Power Station, Panipat, on 24th May 1982 from the Haryana State Board for Prevention and Control of Water Pollution, Chandigarh (WPCB). The amount was payable by 30th June 1982. In terms of the Water (Prevention and Control of Pollution) Cess Rules, 1978, an appeal against the assessment order could be preferred within a period of 30 days (extendable up to 45 days by Appellate Committee) from the date of communication of such order.

After verification, the total quantity of water actually used by the plant was found to be 2.47 lakh litres as against 3.29 lakh litres on which the cess was claimed. The Board without filing an appeal against the incorrect assessment within the period (i.e. by 9th July 1982) made payment of Rs. 2.90 lakhs on 2nd July 1982 on the quantity of water actually used to WPCB. The assessing authority advised (18th July 1982) the plant authorities to deposit the balance amount of Rs. 0.58 lakh alongwith interest for delayed payment and approach the Appellate Committee for redressal of grievances, if any. Accordingly, payment of Rs. 0.59 lakh (including interest : Rs. 0.01 lakh) was made under protest on 5th August 1982.

The plant authorities filed an appeal on 11th August 1982, i.e. after a period of 78 days from the date of communication of the assessment order. The appeal was dismissed (June 1983) on the ground that it was not filed within 30 days (maximum 45 days) from the date of communication of the assessment order.

Thus, the failure on the part of the plant authorities to file the appeal within the prescribed time limit resulted in an avoidable payment of water cess amounting to Rs. 0.59 lakh.

The matter was reported to the Board and Government in June 1987; their replies had not been received (October 1987).

5.15. Delay in construction of quarters

The Thermal Standing Committee (TSC) without keeping in view the infrastructure available and drawing any phased programme decided (December 1979) to construct departmentally, 188 residential quarters of various categories at an estimated cost of Rs. 1,66.70 lakhs at Panipat Thermal Power Project. The work which commenced in December 1979 was abandoned in December 1982 after incurring an expenditure of Rs. 59 lakhs up to various stages on account of financial stringency and inability of the Board to manage the construction of such a large number of quarters departmentally.

In May 1984, the TSC decided to get the left over work completed through contractors. Accordingly, the left over work was awarded to two contractors 'A' (126 quarters at an estimated cost of Rs. 45.18 lakhs) and 'B' (62 quarters at an estimated cost of Rs. 78.44 lakhs).

Contrctor 'A' completed 50 quarters till May 1987. Though the work on 28 quarters was in various stages of completion, the work on remaining 48 quarters was not taken up as the contractor demanded a sum of Rs. 3.34 lakhs for repair of these quarters which was not included in the scope of work. Tenders for repair work of 48 quarters were called for and opened in May 1987 but the work was yet to be allotted (October 1987).

Contractor 'B' started construction of 28 quarters in October 1984 and completed only 12 quarters up to May 1986. The left over work of 16 quarters was allotted in June 1987 to contractors 'C' and 'D' at an extra cost of

Rs. 6.81 lakhs. As contractor 'B' did not start the work on the remaining 34 quarters, the order was concelled in July 1986 and the work was awarded in July/December 1986 to contractors 'A', 'E' and 'F' at an extra cost of Rs. 8.54 lakhs. Of these, 6 quarters were completed up to May 1987.

Neither any penalty was levied on contractors 'A' and 'B' for delay in execution of the work nor risk and cost clause was invoked in the case of contractor 'B' for not executing the work on 50 quarters.

Thus, owing to improper planning in the execution of the work, not only huge funds of the Board to the extent of Rs. 59 lakhs remained blocked for more than four years, but also the Board had to incur an extra expenditure of Rs. 15.35 lakhs in retendering the works.

The matter was reported to the Board and Government in August 1986; their replies had not been received (October 1987).

5.16. Delay in recovery of enhanced security deposits

The Board introduced the bi-monthly system of billing of domestic and commercial consumers with effect from Ist April 1984. In order to safeguard its interest against non-payment of dues by consumers for a period of two months, the Board enhanced security deposit rates relating to the existing as well as prospective domestic and commercial consumers with effect from 28th February 1985. The interest at the rate of 10 *per cent* was to be allowed by the Board to the consumers on security deposit. The enhanced amount of security deposits was to be deposited by all the existing consumers within one month of the issue of the notices to them failing which their supplies were liable to be disconnected.

In 42, out of 157 sub-divisions, notices for enhanced security deposit were not issued as a result of which 3,13,056 consumers did not deposit the security deposit to the extent of Rs. 35.91 lakhs up to July 1987 (Rs. 28.62 lakhs from 2,78,601 domestic consumers and Rs. 7.29 lakhs from 34,455 commercial consumers).

As the Board has been operating on borrowed funds from financial institutions, recovery of enhanced security deposits to the extent of Rs. 35.91 lakhs would have entailed a saving of interest on cash credit to the extent of Rs. 6.06 lakhs for the period from May 1985 to July 1987 (excluding the margin of interest payable on security deposits).

The matter was reported to the Board and Government in August 1987; their replies had not been received (October 1987).

5.17. Loss due to fire

On 20th May 1985, a fire broke out in Unit 1 of Faridabad Thermal Power Station in which four workers died. The State Government constituted in May 1985 an enquiry committee under the chairmanship of the Chief Engineer, Central Electricity Authority to examine and identify the causes of fire, acts of omissions/commissions on the part of various officers/officials and to suggest remedial/preventive measures to avoid occurrence of such accidents in future. The committee in its report of July 1985 *inter alia* observed that :

—the personnel operating the thermal plant were lacking in the rudimentary knowledge of operation practices;

—the plant personnel had not studied the operating manuals and were also not aware of the salient parameters of the plant which were required to be controlled and observed for the proper and safe operation of the plant;

—under voltage of abnormal magnitude and duration caused the disturbance in the furnace resulting in pressurisation of the furnace leading to backfire in the mills and rupturing of mill explosion diaphragms;

—relay setting for the auxiliary power supply system as adopted at the power station were at variance from those recommended by the consultants;

—for operating the unit at a load of 30 MW and above, the practice of maintaining the furnace draft by reducing total air supply to the furnace (since the ID fans got fully loaded at a load of 30 MW) was a hazardous practice.

The fire caused damage to the equipment valuing Rs. 1.09 lakhs for which a claim was lodged with the insurance company (October 1985) against which a payment of Rs. 0.53 lakh was received (after making an allowance for under-insurance and depreciation). Besides, apart from an ex-gratia payment of Rs. 0.84 lakh, Rs. 2.90 lakhs was also paid by the Board to the legal heirs of the four deceased persons under the Workmen's Compensation Act.

The Chief Engineer, Thermal Project, Faridabad *inter alia* stated (July 1986) that no responsibity could be fixed as the committee had not pin-pointed any responsibility.

The matter was reported to the Board and Government in June 1986; their replies had not been received (October 1987).

5.18. Damage to poles/transformers

For construction of lines corresponding to wind velocity, Rural Electrification Corporation (REC) assumed wind zones in three categories i.e. wind zone having wind pressure at 50 Kg./sqm., 75 Kg./sqm. and 100 Kg./sqm. Haryana was placed in wind zone of 75 Kg./sqm. (corresponding to wind velocity of 112 Km./hr.). The design of poles for wind zone of 75 Kg./sqm. and 100 Kg./sqm. was the same except that in the latter case some restrictions on span length were to be imposed. The adoption of wind pressure of 100 Kg./sqm. (corresponding to wind velocity of 129 Km./hr.) was approved (January 1980) by the Board but the matter was neither taken up with REC to place Haryana in this zone nor instructions were issued to the field for construction of lines based on 100 Kg./sqm. wind zone.

During a heavy wind storm with speed ranging from 100 to 130 Km./hr. on the night of 9th/10th June 1985 in Haryana, 6,854 LT/HT poles (PCC) and 70 distribution transformers were damaged. The loss to the Board on this account was estimated to the extent of Rs. 40 lakhs in addition to the disruption of power supply to a large number of consumers. The committee constituted (July 1985) by the Chairman of the Board to make an indepth study of the causes leading to large scale damage to poles, also attributed non-implementation of the decision of the Board of January 1980 for adoption of wind-pressure of 100 Kg./sqm. for construction of lines and sub-stations as the primary reason for such large scale damage. The reasons for inaction on the decision of Board are not known to audit.

The matter was reported to the Board and Government in August 1987; their replies had not been received (October 1987).

5.19. Purchase of defective transformer oil

In November 1983, the Board placed an order on a firm of Bombay for supply of 500 Kls. of transformer oil conforming to Board's specifications for use in power transformers at the rate of Rs. 12,027 per Kl. As per terms of the purchase order :

(i) the supplies were to be completed by the firm by February 1984;

(ii) the firm was to replace oil free of cost provided the defect was noticed within 12 months from the date of its receipt or 18 months from the date of despatch, whichever was earlier; and

(iii) the firm was to furnish the type test certificate for the oil from Central Power Research Institute, Bangalore (CPRI) or any other Government approved testing agency within 15 days of receipt of the purchase order.

The sample oil sent in January 1984 by the firm for testing at CPRI failed to pass the ageing test meant for determining the quality of oil. But the test results of the fresh sample drawn in January 1984 were found as per specifications. However, the Board insisted on the consignment-wise testing of oil to ensure quality.

The firm supplied 498.571 Kls. of oil to various field offices of the Board between April 1984 and February 1986 after samples drawn from each consignment were found by the CPRI to be conforming to Board's specifications. However, the oil when filled in power transformers was declared unfit but was considered suitable for use in distribution transformers. As instructions were not circulated to all the field offices, 131.295 Kls. of oil was issued (May 1984 to October 1985) for use in power transformers and the balance 367.276 Kls. of oil was issued (April 1984 to March 1986) for use in distribution transformers, for which less costlier oil is used. Though the defect in oil came to notice within 12 months of its receipt, no action was taken to get the same replaced from the firm. The information about the effect of usage of defective oil in the power transformers was also not furnished by the Board.

Owing to non-replacement of defective oil and its consequent use in distribution transformers (367.276 Kls.) in place of less costlier oil, the Board incurred an avoidable expenditure of Rs. 7.88 lakhs (being the difference in price paid for power transformer oil and ordinary grade oil in subsequent order even ignoring the use of 131.295 Kls. of defective oil in the power transformers).

The matter was reported to the Board and Government in July 1986; their replies had not been received (October 1987).

5.20. Non-utilisation of conveyor belt

An order for manufacture, erection and commissioning of conveyor belt for carrying coal received in closed wagons from railway track to hopper was placed in June 1982 on a firm of Delhi at a cost of Rs. 6.91 lakhs (including excise duty and sales tax). The conveyor belt was to be supplied, tested and commissioned by July 1982. The installation of conveyor belt was completed at a cost of Rs. 5.53 lakhs and was handed over provisionally to the operation and maintenance wing of the plant by the construction wing in September 1983. The Executive Engineer, Coal Handling Maintenance Division, Panipat pointed out (October 1983) certain electrical and mechanical defects which needed to be rectified by the firm. The conveyor belt could not be commissioned as the defects were not rectified by the firm so far (October 1987). In the meanwhile warranty period had expired. The Board had also not taken any measures for rectification of the defects.

The Executive Engineer, Coal Handling Maintenance Division, Panipat stated (July 1987) that :

(i) the receipt of coal through closed wagons and its unloading was quite costlier than the open wagons;

(ii) the closed wagons were not being accepted by Panipat Thermal Plant since May 1984; and

(iii) the use of the conveyor belt was not economical after agreement with Coal India Limited in March 1985, according to which all coal rakes were to be weighed at the plant and arrangements were available with the plant for weighment of open wagons only.

Since neither the firm had rectified the conveyor belt nor did the Board take any measures for its rectification, the funds to the tune of Rs. 5.53 lakhs were tied up for a period of about five years.

The matter was reported to the Board and Government in August 1987; their replies had not been received (October 1987).

HARYANA WAREHOUSING CORPORATION

5.21. Purchase of polythene covers

Tenders invited by the Corporation for supply of polythene covers for meeting the requirement of *Rabi* 1985, were opened on 20th February 1985. Of the two offers received from firms 'A' and 'B', the offer of firm 'A' of New Delhi (Rs. 1,460 per cover), valid up to 21st March 1985, was the lowest. The offer was ignored (8th March 1985) on the ground that the past performance of the firm was not satisfactory. No action on the offer received from firm 'B' (Rs. 1,850 per cover), was taken as the Corporation on 25th February 1985 (after opening of tenders) received an invalid offer (not in tender form and without earnest money) from firm 'C' of Hyderabad for Rs. 1,338 per cover.

The Managing Director, however, chose to visit the firm 'C' at Hyderabad on 12/13th March 1985 and observed that the firm would not be able to supply the covers in time due to scarcity of raw material. The offer was, therefore, not considered. On a request (11th March 1985) from the Corporation for the extension of validity period up to 31st March 1985, the firm 'A' intimated on 21st March 1985 the revised rates of Rs. 1,650 per cover. In the negotiations held on 27th March 1985, firm 'A' reduced the rates to Rs. 1,547 per cover and firm 'B' to Rs. 1,815 per cover. Order for the supply of 650 covers at the rate of Rs. 1,547 per cover *plus* sales tax was placed on firm 'A' on 28th March 1985.

Thus, owing to delay in placing the order on firm 'A' within the validity period and consideration of the invalid offer of firm 'C', the Corporation incurred an avoidable expenditure of Rs. 0.62 lakh on the purchase of polythene covers.

The matter was reported to Government in June 1987; reply had not been received (October 1987).

CHANDIGARH, (D.C. SAHOO)
The 2 MAY 1988 Accountant General (Audit), Haryana.

Countersigned

T.N. Chaturvedi

NEW DELHI, (T.N. CHATURVEDI)
The 4 MAY 1988 Comptroller and Auditor General of India.

ANNEXURES

ANNEXURE—I

LIST OF COMPANIES IN WHICH GOVERNMENT'S INVESTMENT WAS MORE THAN Rs. 10 LAKHS

(*Referred to in paragraph 3 . . . .of preface*)

Serial number	Name of Company	Total investment up to 1986-87
		(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 Times Limited, Gurgaon	15,00,000
4.	M/s Rama Fibres Limited, Hisar	19,50,000
5.	M/s East India Syntex Limited, Dharuhera	15,40,000
6.	M/s Pashupati Spinning and Weaving Mills Limited, Dharuhera	20,00,000
7.	M/s Victor Cables Limited, Dharuhera	12,75,000
8.	M/s Uni Product Limited, Ladowas (Mohindergarh)	19,00,000
9.	M/s Omex Autos Limited, Dharuhera	17,00,000

ANNEXURE—

STATEMENT SHOWING PARTICULARS OF UP TO DATE PAID-UP BY GOVERNMENT AND AMOUNTS OUTSTANDING THEREAGAINST.

(Referred to in paragraph

Serial number	Name of Company	Paid-up capital as at the end of current year				Loans outstanding at the close of the current year
		State Government	Central Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	4
				(Figures in column 3 to 6(b to d)		
1.	Haryana Harijan Kalyan Nigam Limited	9,72.50	—	—	9,72.50	1,13.78
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	10,89.10	—	—	10,89.10	1,43.12
3.	Haryana Tourism Corporation Limited(HTC)	3,54.99	—	—	3,54.99	2,67.40
4.	Haryana Backward Classes Kalyan Nigam Limited	3,06.99	—	—	3,06.99	—
5.	Haryana Agro Industries Corporation Limited	1,34.83	94.83	—	2,29.66	—
6.	Haryana Economically Weaker Sections Kalyan Nigam Limited	1,11.00	—	—	1,11.00	—

2

CAPITAL, OUTSTANDING LOANS, AMOUNT OF GUARANTEES GIVEN WORKING RESULTS ETC. OF ALL THE COMPANIES

2.2.2 *page 10)*

Amount of guarantee given	Amount of guarantee outstanding at the close of the current year	Outstanding guarantee commission payable at the close of the current year	Position at the end of the year for which accounts were finalised: Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated profit(+) loss(—)	Any excess of Loss over paid-up capital
5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)

are in lakhs of Rupees)

—	—	—	1979-80	2,64.50	(—)4.25	—
1,70,48.39	77,32.99	—	1981-82	9,99.94	(—)2,34.94	—
—	—	—	1984-85	3,05.13	(—)44.81	—
—	—	—	1983-84	1,90.00	(—)36.53	—
—	—	—	1985-86	2,14.66	(—)7,24.72	(—)5,10.06
—	—	—	1985-86	76.00	(—)57.34	—

1	2	3(a)	3(b)	3(c)	3(d)	4
7.	Haryana State Small Industries and Export Corporation Limited	65.75	10.00	—	75.75	15.40
8.	Haryana Land Reclamation and Development Corporation Limited	1,36.64	—	19.66	1,56.30	55.84
9.	Haryana Seeds Development Corporation Limited	1,35.87	1,11.50	27.52	2,74.89	4,34.98
10.	Haryana State Handloom and Handicrafts Corporation Limited	1,75.00	—	—	1,75.00	1,36.41
11.	Haryana State Industrial Development Corporation Limited(HSIDC)	16,47.58	—	—	16,47.58	14,58.94
12.	Haryana Dairy Development Corporation Limited	2,57.35	—	—	2,57.35	3,06.44
13.	Haryana State Electronics Development Corporation Limited	1,45.00	—	—	1,45.00	28.00
	SUBSIDIARIES :					
14.	Haryana Television Limited (Holding Company HSIDC)	—	—	19.40	19.40	—

5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
—	—	—	1985-86	70.75	(+)98.70	—
75.88	44.30	—	1986-87	1,56.30	(—)84.49	—
87.64	96.62	—	1985-86	2,33.74	(—)93.79	—
—	—	—	1985-86	1,61.00	(—)78.74	—
—	—	—	1986-87	16,47.58	(+)78.75	—
5,29.00	3,79.81	—	1986-87	2,57.35	(—)5,88.88	(—)3,31.53
—	—	—	1986-87	1,45.00	(—)2.49	—
—	—	—	1978-79	19.40	(—)64.78	(—) 45.38

1	2	3(a)	3(b)	3(c)	3(d)	4
15.	Haryana Hotels Limited(Holding Company HTC)	—	—	1, 16.44	1 ,16.44	2 ,55.00
16.	Haryana Matches Limited(Holding Company HSIDC)	—	—	12.50	12.50	8.03
17.	Haryana Concast Limited(Holding Company HSIDC)	50.00	—	2 ,61.15	3 ,11.15	6 ,04.08
18.	Haryana Breweries Limited(Holding Company HSIDC)	11.15	—	1 ,60.59	1 ,71.74	16.87
19.	Haryana Minerals Limited (Holding Company HSIDC)	—	—	24.04	24.04	3.80
	Total :	55,93.75	2,16.33	6,41.30	64,51.38	38,48.09

5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
—	—	—	Company has not prepared any account since its incorporation in April 1983.			
—	—	—	1985–86	12.50	(—)19.31	(—)6.81
—	—	—	1986–87	3,11.15	(—)3,29.02	(—)17.87
61.94	39.92	—	1986–87	1,71.74	(+)33.44	—
16.40	3.84	—	1985–86	24.04	(+)11.83	—
1,78,19.25	82,97.48	—	—	—	(—)23,64.09 (+)2,22.72	—

ANNEXURE—

SUMMARISED FINANCIAL RESULTS OF ALL THE GOVERNMENT WERE FINALISED

(Referred to in paragraph

Serial number	Name of Company	Name of Department	Date of incorporation	Period of accounts	Year in which finalised
1	2	3	4	5	6
1.	Haryana Harijan Kalyan Nigam Limited	Social Welfare	2nd January 1971	1979–80 (July-June)	1986
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	Irrigation	9th January 1970	1981–82 (April-March)	1987
3.	Haryana Tourism Corporation Limited(HTC)	Tourism	Ist May 1974	1984–85 (April-March)	1987
4.	Haryana Backward Classes Kalyan Nigam Limited	Social Welfare	10th December 1980	1983–84 (April-March)	1987
5.	Haryana Agro Industries Corporation Limited	Agriculture	30th March 1967	1985–86 (July-June)	1987
6.	Haryana Economically Weaker Sections Kalyan Nigam Limited	Social Welfare	31st March 1982	1985–86 (April-March)	1987

3

COMPANIES FOR THE LATEST YEAR FOR WHICH ACCOUNTS

2.2.3 *Page—12)*

Total capital invested at the end of year of account (A)	Profit (+) Loss (—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested	Capital employed (B)	Total return on capital employed	Percentage of total return on capital invested	Percentage of total return on capital employed
7	8	9	10	11	12	13	14	15

(Figures in columns 7 to 13 are in lakhs of Rupees)

3,30.30	(—) 4.57	0.26	0.26	(—) 4.31	3,27.14	(—) 4.31	—	—
75,52.29	(—) 1,54.40	5,75.71	5,59.23	(+) 4,04.83	66,48.95	4,21.31	5.36	6.34
6,30.75	(+) 3.17	1.23	1.23	(+) 4.40	5,14.32	(+) 4.40	0.70	0.86
1,90.00	(—) 11.94	—	—	(—) 11.94	1,53.33	(—) 11.94	—	—
2,14.66	(—) 1,22.09	93.30	—	(—) 1,22.09	2,96.06	(—) 28.79	—	—
76.00	(—) 24.57	0.41	—	(—) 24.57	18.46	(—) 24.16	—	—

1	2	3	4	5	6
7.	Haryana State Small Industries and Export Corporation Limited	Industries	10th September 1967	1985–86 (July-June)	1986
8.	Haryana Land Reclamation and Development Corporation Limited	Agriculture	27th March 1974	1986–87 (April-March)	1987
9.	Haryana Seeds Development Corporation Limited	Agriculture	12th September 1974	1985–86 (July-June)	1986
10.	Haryana State Handloom and Handicrafts Corporation Limited	Industries	20th February 1976	1985–86 (April-March)	1987
11.	Haryana State Industrial Development Corporation Limited(HSIDC)	Industries	8th March 1967	1986–87 (April-March)	1987
12.	Haryana Dairy Development Corporation Limited	Animal Husbandry	3rd November 1969	1986–87 (April-March)	1987
13.	Haryana State Electronics Development Corporation Limited	Industries	15th May 1982	1986–87 (April-March)	1987
SUBSIDIARIES :					
14.	Haryana Television Limited	Industries	18th March 1977	1978–79 (April-March)	1984

7	8	9	10	11	12	13	14	15
1,99.79	(+) 29.99	29.61	1.55	31.54	6,99.47	59.60	15.79	8.52
2,05.07	(+) 64.26	18.06	4.86	(+) 69.12	1,18.35	(+) 82.32	33.71	69.56
6,66.35	(—) 1,21.05	1,01.12	—	(—) 1,21.85	11,21.53	(—) 20.73	—	—
3,09.16	(—) 16.38	10.17	—	(—) 16.38	2,55.87	(—) 6.21	—	—
—	(+) 66.15	78.91	—	66.15	(C) 29,82.42	(D) 1,45.06	—	4.86
6,26.36	(—) 48.68	48.65	48.65	(—) 0.03	2,00.71	(—) 0.03	—	—
1,45.00	(+) 3.54	—	—	(+) 3.54	1,81.25	(+) 3.54	2.44	1.95
72.36	(—) 12.29	5.79	1.60	(—) 10.69	28.16	(—) 6.50	—	—

1	2	3	4	5	6
15.	Haryana Hotels Limited	Tourism	11th April 1983	—	—
16.	Haryana Matches Limited	Industries	17th June 1970	1985–86 (April-March)	1987
17.	Haryana Concast Limited	Industries	29th November 1973	1986–87 (April-March)	1987
18.	Haryana Breweries Limited	Industries	14th September 1970	1986–87 (April-March)	1987
19.	Haryana Minerals Limited	Industries	2nd December 1972	1985–86 (April-March)	1986

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

(B) Capital employed represents net fixed assets (excluding

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

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

7	8	9	10	11	12	13	14	15
The Company has not prepared any accounts since its incorporation in April 1983								
19.75	(—) 1.17	0.48	0.48	(—) 0.69	0.44	(—) 0.69	—	—
10,36.51	(—) 1,10.45	68.43	36.32	74.13	9,85.14	(—) 42.02	—	—
1,77.37	(+) 15.75	41.45	—	(+) 15.75	3,95.08	(+) 57.20	8.88	14.48
44.83	(+) 5.30	0.68	—	(+) 5.30	49.50	(+) 5.98	11.82	12.08

loans and free reserves.

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

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

and revenues under Sections 36 (1) (viii) of the Income Tax Act, 1961.

ANNEXURE

SUMMARISED FINANCIAL RESULTS OF STATUTORY CORPORATIONS

Serial number	Name of Corporation/ Board	Name of department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
					(Figures in column 6 to
1.	Haryana State Electricity Board	Irrigation and Power	3rd May 1967	1986-87	13,11.27
2.	Haryana Financial Corporation	Industries	1st April 1967	1986-87	73.78
3.	Haryana Warehousing Corporation	Agriculture	1st November 1967	1986-87	16.34

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

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FOR LATEST YEAR FOR WHICH THE ACCOUNTS WERE FINALISED
(Referred to in paragraph 2.3.4 page *22*)

Profit (+)/ Loss (—)	Total interest charged to profit and loss accounts	Interest on long-terms loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed
7	8	9	10	11	12	13	14
12 are in crores of Rupees)							
(—)70.09	89.29	39.85	(—)30.24	8,89.79	19.20	—	2.16
(+)0.35	4.92	4.92	5.27	69.99	5.27	7.1	7.5
(+)5.51	0.23	0.23	5.74	20.45	5.74	35.1	28.1

free reserves.

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

mean of aggregate of opening and closing balance of (i) paid-up deposits.

ANNEXURE

STATEMENT OF DISBURSEMENT OF

(TARGETS AND

(Referred to in paragraph

Particulars	HHKNL						
	82-83	83-84	84-85	85-86	86-87	82-83	83-84
(A) Physical (In numbers)							
1. *Margin Money Loan*							
Targets	13,000	32,070	19,020	19,910	20,385	3,000	4,250
Achievements	10,578	26,220	20,118	21,026	24,490	2,939	4,073
2. *Subsidy*							
Targets	—	—	—	—	—	—	—
Achievements	—	—	—	—	—	—	—
(B) Financial (Rupees in lakhs)							
1. *Margin Money Loan*							
Targets	1,49.50	3,92.12	2,68.46	3,72.50	1,58.49	30.00	31.87
Achievements	88.56	19.28	41.20	1,40.45	1,61.22	33.80	45.59
2. *Subsidy*							
Targets	—	3,17.12	3,82.13	3,53.95	3,66.41	—	—
Achievements	—	3,16.93	2,71.07	3,18.09	4,03.53	—	5.49

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MARGIN MONEY LOAN/SUBSIDY

ACHIEVEMENTS)

3.2.7.2 (ii) Page 68)

HBCKNL			HEWSKNL				
84-85	85-86	86-87	82-83	83-84	84-85	85-86	86-87
5,000	5,000	5,500	11,000	20,350	2,000	2,200	—
4,205	4,941	4,608	718	1,094	307	3	—
—	—	—	—	—	4,000	4,100	6,150
—	—	—	—	575	889	5,043	6,823
50.00	50.00	63.00	242.50	462.50	40.00	44.00	—
52.91	64.61	64.86	9.21	11.42	2.71	0.04	—
—	—	—	—	—	20.00	10.23	15.15
0.65	—	—	—	1.28	2.25	10.36	15.40