HARYANA VIDHAN SABHA,

COMMITTEE

ON

PUBLIC UNDERTAKINGS (1983-84)

(SIXTH VIDHAN SABHA) SIXTEENTH, REPORT

ON THE

REPORTS

OF THE

Comptroller & Auditor General of India for the years 1976 77 to 1980 81



Presented to the House on 29th March, 1984

HARYANA VIDHAN SABHA SECRETARIAT, ' CHANDIGARH March, 1984

i

TABLE OF CONTENTS

ł

	TABLE OF CON	NTENT S	Fage(s)
	Composition of the Committee on Public Undertakings	Paragraph(s)	(1)
-1	~Introduction		(111)
	Report-		
j. t	1976 77	,	
-	Haryana State Minor Irrigation (Tubewells) Corporation	6 17	114
	1977 78	}	
١	A Haryana State Electricity Board	676869, 610&611	14—22
	/ 1978-79		
	1 Haryana State Electricity Board	676869 &610	23 3 9
	1979-80)	
	1 Haryana Tanneries Limited	6 20	40—51
· .	2 Haryana Seeds Development Corporation	6 22 and 6 23	51—54
	≚ 1980 81	Ĺ	
- \	1 Haryana Warehousing Corporation	6 20	54 6 0
î V	2 Haryana Seeds Development Corporation	6 23	60— 67
~	Haryana Agro Industries Development Çorporation	6 <u>2</u> 9	67—69

COMPOSITION

OF

THE COMMITTEE ON PUBLIC UNDERTAKINGS (1983-84)

CHAIRMAN

1 Shri Sagar Ram Gupta

MEMBERS

- 2 Shri Amir Chand Makkar
- 3 Shri Bahadur Singh
- 4 Shri Balvir Singh Grewal
- 5 Shri Daya Nand Sharma
- 6 Shri Kulbir Singh Malik
- 7 Shri Neki Ram
- 8 Shri Nihal Singh
- 9 Bahin Shanti Devi

SECRETARIAT

- 1 Shri G L Batra, Secretary
- 2 Shri Chander Parkash, Deputy Secretary

INTRODUCTION

I the Chairman of the Committee on Public Undertakings, having been authorised by the Committee in this behalf, present SIXTEENTH REPORT on the reports of the Comptroller and Auditor General of India for the years 1976 77 (Haryana State Minor Irrigation Tubewells Corporation Ltd) 1977 78 & 1978 79 (Haryana State Electricity Board) 1979 80 (Haryana Tanneries Ltd and Haryana Seeds Development Corporation), 1980 81 (Haryana Ware housing Corporation Haryana Seeds Development Corporation and Haryana Agro Industries Corporation)

2 The Committee for the year 1983 84 undertook the unfinished work of the previous Committee and also examined the representatives of the Cor poration/Board where necessary A brief record of the proceedings of various meetings of the Committee as also of its inspection of the various units of the Corporation/Board have been placed in the Haiyana Vidhan Sabha Secre tariat

3 The Committee feel grateful to the Accountant General Haryana for his valuable assistance and guidance in completing this report Thanks are also due to the representative of the Finance Department of Haryana Government and to the Secretary Deputy Secretary Vidhan Sabha Secre tariat and other dealing staff with whose competent assistance the report could be completed in time The Committee are thankful to the Chairman and other representatives of the Haryana State Electricity Board and the represen tatives of the Corporations who extended full co operation in the deliberations of the Committee

Chandigarh the 28th February 1984

SAGAR RAM GUPTA Chairman

Ð

7

10

1

57

REPORT

REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEAR 1976 77 (CIVIL)

HARAYNA STATE MINOR IRRIGATION (TUBEWELLS) CORPORATION

Paragraph 6 17(4) Running and maintenance of direct and augmentation tubewells

(1) The augmentation tubewells are used for augmenting water supplies in the canals according to the requirements indicated by the Irrigation Depart ment The Company receives payment from the Irrigation Department for the water supplied on unit rate basis The water supplied to cultivators from the direct irrigation tubewells is also charged on this basis

The table below shows the number of tubewells in operation estimated working hours and actual utilisation there against for the three years ending $1976\ 77$ —

		estimate working	Average	hours Per vell opera	tube Ited	Percentag	e of utili	sation
			1974-75	1975–76	1976–77	1974 75	1975 76	1976 77
	(1) Direct irrigation tubewells	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Naraingarh area (197)*	3 000	1 064	877	1 344	35	29	45
5	Krishnawati area (43)	3 000	446	432	512	15	14	17
ŝ.	Ballabgarh and Palwal area (42)	3 000	240	274	368	8	9	12
	Ambala tehsil(135)	3 000	1 255	885	1 114	42	30	37
	Raipur Rani(28)	3 000	752	986	1 059	25	33	35
	Bılaspur block(54)	3 000	1 194	1 253	1 758	40	42	59
-	Loharu area (28)	3 000	429	233	440	14	8	15

Note Figures in brackets indicate the number of tubewells in operation as on 31st March 1977

*It includes figures in respect of all the three schemes operating in the area

			2					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Sahıbı Nadı(54)	3 000	460	308	332	15	10	11	
Ghaggar belt area (90)	3 000	496	530	461	17	18	15	
Rewarı area (18)	3 000	826	880	783	28	29	26	
Other schemes(616)	3 000	1 121	1 196	1 383	37	40	46	¥
Augmentation tubewe[ls							بر	5
Delhi Parallel branch (100)	3 000	2 620	1 780	2 868	87	59	96	<u>موتغ</u>
Narwana Branch Karnal link (91)	4 000	3 229	2 773	4 072	80	70	102	
Narwana Branch(98	3) 4 000	3 863	2 604	3 066	97	65	76	
Tubewell Feeder and Link Channel in Faridabad (84)	3 500		1 856	3 228	-	53	92	
Hansı Branch (69)	3 000		993	3 500	-	33	11 7	
Bhakra Maın Branch and Ratıa branch (114)	3 500	1 667	1 552	1 5 2 2	48	44	43	
Government scheme	25							
Western Jamuna Canal (128)	3 000	1 253	1 707	3 430	42	57	114	j.
Jagadharı Tubewell Project (256)	s 3 000	1 184	1 831	2 814	39	61	94	æ
Augmentation Canal (158)	3 000	3 152	2 275	3 456	105	76	115	-

In September 1975 the Board of Directors of the Company constituted a study group consisting of representatives of Departments of Agriculture and Planning and the State Electricity Board for examining the reasons for under utilisation of direct irrigation tubewells and losses being suffered on their running The study group in its report submitted in October 1976 made the following broad recommendations

> (a) The norm of 3000 hours of running a tubewell per annum was considered on the higher side and required revision on realistic basis

Note Figures in brackets indicate the number of tubewells in operation as on 31st March, 1977.

E.

- (b) To increase the yield of old tubewells a cyclic programme should be framed to redevelop the same
- (c) Improvement in electric voltage should be assessed through augmentation in system and suitable changes in the distribution lines
- (d) Installation of private tubewells in the command area of the Company's tubewells should be controlled
- (e) Minimum consumption guarantee by the farmers should be enforced
- (f) Underground pipe lines/watei carrying system should be taken up on priority basis in undulated areas

The Board of Directors in its meeting held on 29th December 1976 accepted the recommendations of the study group and desired that all out efforts should be made to increase the running hours of the tubewells so as to render them self supporting

(11) The table be low indicates the working results of this activity

Pat ticulars	Augmentation tubewclls			Duect i	tubew ells	
_	1974–75	1975–76	 1976–77	1974-75	1975 76	1976–77
(1)	(2)	(3)	′ 4)	(5)	(6)	(7)
Units of power consumed (in lakhs)	5 03 34	4,68 64	6 88 32	1 23 90	1,31 63	1,81 53
Expenditure (in lakhs of rupees)	1 24 99	1 43 46	2 09 90	1 04 99	1 20 02	1 32 93
Income from sale of water (11 lakhs of rupees)	1 80 99	1,72 66	2,72 98	47 92	54 69	85 70
Profit (+)/ Loss () 1n lakhs of rupe ^e s)	(+)56 00	(+)29 20	(+)63 08	()57 07	()65 33	3 ()47 23
Expenditure per unit of power consu med (in paise)	25	31	31	85	91	73

			4			-	
(1) Income per unit of power	(2)	(3)	(4)	(5)	(6)		
consumed(in paise)	36	37	40	39	42	47	
Profit(+)/ Loss (-) per unit of power consumed (in paise)	(+)11	(+)6	(+)9	()46	()49	()26	
					~ -		

x

(11) The losses on the running of direct irrigation tubewells were attributed to establishment of private tubewells in the command areas of the Company's tubewells. It will also noticed that the cultivators had not entered into minimum consumption guarantee agreements with the Company

In ns written reply the management of the Company stated that the reasons for not obtaining working hours as per the project estimation in respect of direct irrigation tubewells were non supply of electricity lesser demand from the villagers etc. As regards implementation of the recommendation of the study group the management stated during the oral examination that a Committee had been formed to initiate action on their recommendations. It was further stated that there were various factors which contributed to the non achievements of targets in respect of the direct irrigation tubewells. The Committee feel that although a period of 7 years has passed since the recommendations of the study group no effective steps have been taken to implement their recommendations. The study group was having representatives from the Company the Departments of Agriculture and Planning and the State Electricity Board and the Company could have obtained their help to augment the working hours of the DITs.

The Committee further feel that the things were taken very lightly by different departmental representatives of the study group and the matters were not considered fully before making recommendations Further, the Board of Directors of the Company had straight away accepted the recommendations without examining their implications. The Committee, therefore, reccommend that the whole matter should be reconsidered at a high level alongwith the re presentatives of the Agriculture Department and State Electricity Board so as to achieve the desired results and action taken in this regard by the Company be intimated to the Committee

Paragraphs 6 17(5) The table below indicates the number of tubewells which had been drilled and developed but had not been energised/commissioned upto 31st March 1977,

E



7

~7

P

ዥ

					O
	Upto 1 year	than 1 year	More than 2 years but upto 3 years	More than 3 years	Total
(1)	(2)	(3)	(4)	(5)	(6)
Direct irrigation tubewells					
Naraingarh area	3	5	18		26
Ballabgarh and Palwal area	4	_	_	_	4
Ambala Tehsıl	6	_		5	. 11
Raipur Rani	2	2	3		7
Bilaspur block	3	1	2	_	6
Loharu area	_	9	4	2	15
Sahıbı Nadı area	1		1		2
Ghaggar belt area			2	_	2
Augmentation tubewells					-
Narwana Branch Karnal link		<u> </u>		6	6
Narwana Branch			-	2	2
Tubewell Feeder and link channel in Faridabad	<u> </u>	t	1	14	16
Bhakra Maın Branch and Ratıa Branch		-	-	1	10
l otal	- 19 -	18	31	30	- 98

Out of above six tubewells (Narwann Branch Karnal link) were drilled (June 1972) and energised in 1973 74 at a cost of Rs 1 04 likhs but could not be brought into operation due to objection from the farmers as they apprehended that with the running of these deep tubewells, their own tubewells would go dry

In reply to a query as to why six tubewells at Narwana branch canal link drilled and energised in 1973 74 at a cost of \mathbb{R} = 1.04 likhs could not be brought into operation the Company represantitive state i that the fa mers objected to their installation as they apprechanged that with the installation of these tubewells the water level would go down and their (farmers) tubewells would go dry

The Committee feel that neither appropriate survey of the area is done nor liaison with the farmers is kept before selecting sites for the tubewells. If that is done, there could not be any occasion for the farmers at a later stage to object to their installation

The Committee recommend that there is an imperative need to maintain a close haison with the farmers and the local authority of the area as well as for educating and motivating the farmers for the installation of the tubewells The Company should, therefore, take speedy steps in this direction

Paragraphs 6 17(5)(iv) Tune taken from drilling to energisation

The Company has fixed a target of energising a tubewell within a period of 3 months from commencement of drilling The table below shows the time taken from the stage of drilling to energisation of the tubewells

3-

 $\mathbf{x}_{\mathbf{r}}$

Nouse of the achore	Time tai	Total				
Name of the scheme (with the number of tube wells to be installed)	Upto 6 months	More than 6 months but less than 12 months	More than 12 months but less than 18 months	More than 18 months but less than 24 months	More than 24 months	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			(number d	of tubewe		
Direct irrigation tubewells						
Naraingarh area (170)	14	70	36	14	8	142
Ballabgarh and Palwal area (50)	_	16	17	5	4	42
Ambala Tehsil (150)	59	55	12	3	6	135
Raipur Rani (40)	2	16	4	4	2	28
Bılaspur block (60)	15	23	13	3	_	54
Loharu area (50)	7	8	7	— •	6	28
Sahıbı <i>Nadı</i> (59)	21	9	4	9	11	54
Ghaggar Belt (100)	3	6	2	61	18	90
T otal	121	203	95	99	55	573

		7				
(1) Fugmentation tubewells	(2)	(3)	(4)	(5)	(ර්)	(ウ)
Delhı Parallel Branch (100)	13	66	14	3	4	100
Narwana Branch Karnal link (100)	52	25	11	1	2	91
Narwana Branch (100)	9	82	7	_	_	98
Tubewells Feeder and Link channel in Faridabad (100)	2	7	8	19	48	84
Hansı Branch (68)	-	1	20	28	20	69
Bhakra Main Branch and Ratia Branch (150)	25	77	11	1		114
Total	101	258	71	52	74	556
	· · · · 			·		

Ð

Only 20 per cent of the tubewells installed were energised within six months from the date of drilling

In written reply to a queation of the Committee as to the reasons for delay in energisation of the tubewells already drilled and developed the company s representative stated that purchase of pumps and motors from various manu facturers involved a period of abount 6 months to procure the same They further stated that the type and size of the pumps and motors could only be known after tubewells had been developed and that after installation of the machine the test report was submitted to the H S E B who gave the connections

The Company representative further explained that for expediting the process of energisation they had formed a high level Committee consisting of Engineer in Chief Member Technical and General Managers, Tubewells MITC to expedite the process of energisation

The Committee observe that even after all aforementioned measures having been taken by the management, there is still a big scope for cutting short the delays in energising tubewells which were drilled and developed years back

The Committee therefore, recommend that this area should be given priority so that the tubewells already drilled and developed are energised in a reasonable time For this, the management may establish constant contact with the H S E B authorities for cooperating in the matter

6 17 (8) Manufacture of spun pipes

F

(a) The requirement of spun pipes for conveying water to the cultivators fields was assessed at 3 000 feet to 5,000 feet per tubewell in the case of direct irrigation tubewells and about 1 500 feet for augmentation tubewells. The company planned to manufacture from September 1971 cement concrete pipes/reinforced concrete pipes departmentally As on 31st March 1977, the

Company had ten units (capital investment Rs 19 73 lakhs) for manufacturing spun pipes

(b) The performance of the various units during the three years upto 1976 77 was as under -

Place	Year	Year	Year	Number of units	led ca	Actual du	pro ction	per centage		Value of pipes	Net loss
			pacity - of work ing units for pro duction of pipes		Colla _i s	of pro duction to capacity	diture on manu facture of prpes and col lars	manu factured			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
		1	(figures n	n number.	s)	(ır la	khs of rug	pees)			
Kala amb	197475	3*	27 000	16 182	20 985	59	10 19	8 71	1 48		
	1975–76	3*	27 000	7 062	3 780	25	672	5 91	0 81		
	197677	3*	27 000	6 323	3 480	23	5 30	3 55	1 75		
Saın Majra	1974–75	3	40 500	23 403	25 144	56	13 86	12 64	1 22		
	1975-76	3	40 500	10 320	7 865	22	937	6 38	2 99		
	1976–77	3	35 000	22 061	25 487	70	15 07	14 17	0 90		
Jamalpur	1974–75	1	13 500	4 043	3 885	29	3 03	194	1 09		
	1975–76	1	13 500	2 676	1 269	19	2 13	1 38	0 75		
	1976–77	2	16 875	5 686	5 100	23	3 77	3 27	0 50		
Neemka	1974–75	2	21 000	NA	N A	_	3 61	2 85	0 76		
	197576	2	21 000	7 888	3 232	35	3 85	2 21	1 64		
	1976–77	2	21 000	4 678	8 042	22	3 22	1 75	1 47		
					Total		80 12	64 76	15 36		

The under utilisation of capacity was due mainly to forced closure of the units from time to time, owing to power shut down or cement shortage

During the course of oral examination the Company representative stated that various spun Pipes manufacturing units were working on no profit no loss basis and whatever the manufacturing cost came the same was debited to the works It was also explained that the production in the various units was related to the demand of the projects on which work was going on and when there was less demand the factory s workers were working much below their capacity

The Committee feel that instead of working the units below their capacity the Company should explore the possibility of running the units to their full capacity and selling their products to some other private consumers Government Undertakings/Boards, including Housing Board HUDA and Fublic Health Department etc

7

8

<u>~</u>...

8

るく

q.

The Committee recommend that necessary action be taken in this matter expeditiously and compliance report furnished to the Committee in due Course

6 17 (9) (B) Pumps manufactusing workshop

(1) In November 1974 the Company decided to set up a pump manu facturing workshop at Karnal having an annual rated capacity of manu facturing 80 pumps to meet the requirement of the Irrigation Department Haryana involving a capital outlay of Rs 25 52 lakhs The scheme was revised in June 1975 according to which the annual capacity of the workshop was lowered to 50 pumps while the projected cost was increased to Rs 40 00 lakhs The pump workshop was established at Karnal in November 1975 for manufacture of axial flow vertical pumps of various sizes

A sum of Rs 50 09 lakhs (land Rs 0 73 lakhs building Rs 26 50 lakhs and tools and plants Rs 22 86 lakhs) has been spent on setting up of the workshop upto October 1977 The work is in progress (January 1978)

The workshop handled the work of manufacture of spare parts repair jobs besides manufacture of pumps of various sizes. The number of pumps manufactured during the two years 1975 76 and 1976 77 was as under –

Yeaı	Pumps ordered by by Irrigation Department	Pumps manufactured	Expenditure on pumps manufac tured as per the annual accounts (in lakhs of rupees)
1975 76	47	47	11 14
1976 77	111	94	1 53 27

The work of installation of these pumps was also entrusted by the Irrigation Department to the Company Out of 141 pumps manufactured 120 pumps have been installed on the lift irrigation schemes of the State while the number of pumps commissioned is 60 only The remaining 21/81 pumps are yet to be installed/commissioned (January 1978)

(11) The terms and conditions relating to the price to be paid per pump and the number of pumps to be supplied /installed per year have not been settled with the Irigation Department (November 1977) The Company has also not worked out its actual cost per pump (November 1977) However Government had advanced a sum of Rs 4 82 05 lakhs upto 31st March 1977 towards supply of pumps etc against which Rs 2 99 75 lakhs were spent

In a written reply to a question of the Committee as to whether the terms and conditions for the installation of the pumps have been settled with the Irrigation Branch the Company representative informed the Committee that terms and conditions regarding price of the pumps are decided jointly by the Irrigation Department and ICC and that the prices for pumps manufactured for Siwani Project had already been finalised by the Government but those for pumps manufactured for JLN project were yet to be decided for which the matter was reported to have been refeired to the Irrigation Department for finalisation, The Committee desire that the price of pumps manufactured for JLN project be decided with the Govt expeditiously so that there is no delay in realising the amount on this account

6 17 (11) Inventory control

(a) In October 1972 the Tubewell Division Faridabad purchased 71 364 eft of river bed gravel at a cost of Rs 1 65 lakhs (at the rate of Rs 229 90 per 100 cft) The specifications in the purchase order provided that 70 per cent gravel supplied should range from 1/16 to 1/8 On receipt of a complaint about the quality of gravel the company asked the Ground Water and Soil Testing Laboratory Karnal in September 1973 to analyse the gravel Out of eleven samples collected by the said Laboratory ten samples were found mostly under size to the extent of 76 4 per cent The testing authorities further suggested that use of the gravel be stopped till its proper screening

As on 31st March 1977 30 047 cft of gravel valuing Rs 0 70 lakh were lying with the Division The left over stock mainly consisted of material which was reportedly unfit for use

The purchase of sub standard gravel has not been investigated (Nov ember 1977)

In their written reply the Company representative stated that every possible effort would be made to place full information of this case before the Committee at the time of oral examination

During the course of oral examination the representative of the Company again assured that a detailed note about the purchase of gravel will be furnished to the Committee The Committee however regretfully observe that inspite of assurances given to the Committee on different occassions the promised information was not furnished till the drafting of this report

The Committee desire that requisite information be furnished to the Committee urgently

6 17 (11) (e) In January 1973 6 749 kg of M S rounds of 5 mm size valuing Rs 0 14 lakh were purchased by the Executive Engineer (Neemka factory) Faridabad The material was however not accounted for in the store accounts (January 1973) The official who received the material expired in January 1973 His charge was taken over by another Sectional Officer (January 1973) who was reported absconding since June 1973 The matter was reported to the Police in August 1973 Further developments are awaited (January 1978)

During oral examination the Company representative stated that the case was pending with the police since August 1973 The Committee ob serve that there is inordinate delay in the finalisation of this case. It seems that department is not persuing it vigorously with the police authorities

The Committee suggest that the matter should be taken up at appropriate higher level with the Police Department for speedy finalisation of this case. The gutcome of the efforts made by the Company in this direction be latimated to the 2



Committee at an early date

6 17 (11) (f) During September 1974 730 cement bags were receive 1 in Fatehabad Lining Division No 1 from Charkhi Dadri these were not accounted for in the stock register During physical verification (November 1974) 19 600 cement bags were found against the book balance of 13 950 bags but the excess (650 bags) was not accounted for in the stock register 7 hus 730 bags (value Rs 0 14 lakh) remained unaccounted for (November 1977)

(g) During the years 1970 71 to 1976 77 92 cases of thefts involving Rs 1 26 lakhs were reported to the Police authorities Out of these 13 cases involving Rs 0 54 lakh were declared as untraceable by the Police Investi gations in the remaining cases were reportedly incomplete

(h) The Tubewell Division Ambala reported (June 1972) to the Company s head office about shortage of stores worth Rs 0 06 lakh in respect of an evofficial of the Company who had resigned and joined the Irrigation Department in December 1971 During April 1976, some interpolations in the indents were also observed which raised the amount of shortages against the official to Rs 0 17 lakh A show cause notice was served to him in May 1976 Further developments are awaited (January 1978)

During the course of oral examination the representative of the Company stated that the case regarding non accountal of 730 cement bags was yet to be finalised. The Committee observe that the case dates back to the period September, 1974 and the Company has not so far been able to finalise it during this period of 10 years. The Committee feel that no adequate attention is being paid by the management to cases of misappropriation embc zzlements and shortages.

The Committee do not appreciate the lethargy and apathy on the part of the Company and strongly recommend that all the cases of shortages and em bezzlements be taken up on a priority basis and finalised expeditiously

6 17 (12) Internal audit

X.

The Company introduced internal audit for the first time in November 1976 providing an audit party for each circle. There are four Internal Audit Officers for audit of 9 circles. Further these Officers have been made respon sible to Superintending Engineers instead of to the Managing Director No scope and quantum of internal audit has been prescribed (December 1977)

6 17 (13) Cost accounts

The Agricultural Refinance Development Corporation while sanctioning loans for the various schemes had put in a condition that the Company would employ on whole time basis a qualified Cost Accountant for ensuring *inter alia* maintenance of proper accounts of costs incurred in the implement ation of the schemes The Company has however not introduced any costing system to determine the cost at the various stages of installation of tubew.lls so as to arrive at the total cost of installing a tubewell and the cost of water to be sold Further no qualified Cost Accountant was employed on a whole time basis for ensuring maintenance of proper accounts and cost records

The Committee view internal audit and cost accounts as the essential instruments for financial control and administrative efficiency and in this light recommend that both internal audit and cost accounts system should be introduced strengthened so as to achieve better financial control and . There is y

6 17 (14) Other points of interest

(i) Non realisation of sale proceeds of water

The cost of water delivered into canals through the sugmentation tube wells is recoverable from the State Government (Irrig tion Department) In the case of water supplied to the farmers and other parties through the direct irrigation tubewells the demand is replied through the Revenue Department of the State Government Crop wise h t i i s are prepared by the Company and passed on to the Revenue Department for recovery Upto 30th September 1975 (*khauf* 1975) the amount after collection by the Revenue Department was deposited into treasuries as Government receipt and then paid by the Government to the Company No an Lysis of the outstanding demands was prepared to ensure that all the demands have been realised by the Lamberdars from the farmers deposited into treasuries and paid back to the Company

20

2

Fiom 1st October 1975 the amount collected by the Rovenue D pirt ment is deposited direct into the bank account of the Company The year wise details of the demand raised the amount realised and the bilance out standing were as under

Year	D°man	nd created	Amount	realised	Bala	ince
	Direct iriiga tion tube wells	Augment atıon tubewells	Direct 1111ga tion tubewells	Augment ation tube wells	Direct nriga tion tub wells	Augmenta tion tube w lls
(1)		(2)	(3) (4)) (5)	(6) (7)
				(ın lakhs	of rupees	;)
1970 71	46 8	37 52	1 -		46 8	37 5 21
1971 72	39 5	57 56	i9 —	<u> </u>	86 4	44 10 90
1972 73	42 3	35 48 6	i0 —	097	1 28 2	79 58 53
1973 74	67 2	23 1 38 4	9 17 99	*99 40	1 78 ()3 97 6 2
1974 75	48 9	93 1778	0 41 10	°2 85 11	1 85	86 ()9 69
1975 76	50 5	56 80 7	6 18318	81 45	53 2	24 ()10 38
1976 77	96 7	71 2 59 2	0 91 27		58 (58 19 18

*Includes advances amounting to Rs 19 85 lakhs and Rs 12 20 lakhs during 1973 74 and 1974 75 respectively with the result that balance outstanding was in minus The Committee noted that no analysis of the outstanding demands of the sale proceeds of water had been prepared to ensure that all the demands realised by the Lamberdars from the farmers were deposited into the I reasury and paid back to the Company The Management in their written reply stated that the exact amount in respect of the demand raised yearwise was being ascertained from the field officers through a special person deputed by a Naib I ehsildar who was to complete the job assigned to him It was further stated that the D Cs/F C R in the State were also frequently approached to issue suitable instructions to the Revenue staff for expeditious liquidation of recoveries of MITC demand

The Committee desire that a detailed statement giving yearwise amount outstanding in respect of demands for water charges raised may be made available to the Committee within three months together with the progress of recoveries made in this behalf

6 17 (14) (11) Payment of electricity bills

Monthly electricity bills of the Haryana State Electricity Board were not paid by the Company in time The delay in payment during December 1974 to April 1976 ranged from 8 to 30 months resulting in loss of rebate aggregating Rs 11 35 lakhs

During the course of oral examination the company representative stated that they did not have adequate funds to pay the electricity bills in time as a result of which they could not avail of the rebate available on miking timely payment of electricity charges to the Electricity Board

The Committee desire that a statem nt giving details of electricity over dues for preceding years as well as the amounts of rebate not availed of be furnished to the Committee together with the efforts made for liquidating this contingent liability

6 17 (14) (1v) D fective purchase order

In June 1976 the Company placed an order for supply of 1 800 metres of pipes of 12 dia for Rs 170 60 (including central sales tax) per metro (for Karnal) on a Delhi firm The supply was to be completed by Oc oler 1976 The supply order contained a penalty clause for delayed supplies but it was silent about penalty for non performance of the contract The firm did not complete the supply within the stipulated period and applied (October 1976) for extension of the delivery period upto December 1976 The extension was refused The supply order was cancelled in March 1977 and the material was arranged from another source at Rs 252 05 per metre involving extra cost of Rs 1 47 lakhs The extra cost could not be recovered from the firm for want of a risk purchase clause in the supply order

In reply to a question of the Committee 3s to why the risk purchase clause which is normally provided in all supply orders was not provided by the Company the Company representative stated that the suppliers do not agree for the insertion of risk purchase clause and wherever this had been inserted the same was not invoked

The Committee feel that some method should be devised to safeguard the interest of the Govt in case where material was not supplied by the supplier in time and or according to the pre-cribed specifications The Committee, therefore, suggest that the govt should take necessary steps to evolve the procedure in this regard to safeguard the interest of the State/Companies and intimate the progress made in this behalf

REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEAR 1977-78 (CIVIL) RELATING TO HARYANA STATE ELECTRICITY BOARD

67 Sale of energy

(I) Introductory

Section 59 of the Electricity (Supply) Act 1948 provides that the State Electricity Board shall not as far as practicable carry on its operations at a loss and shall adjust its charges accordingly from time to time Under Section 78 A *ibid* the Board is required to be guided by such directions on *i* question of policy as may be given to it by the State Government

<u>}</u>-

The Board had estimated in May 1969 that it would achieve a minimum runual return of not less than 8 5 per cent on its average capital +* base by 1970 71 and 9 5 per cent by 1973 74 and would continue to maintain at least tills level subsequently. As the Board could not achieve the targetted returns modified forecasts were sent by the Board to the Central Electricity Authority in July 1976 wherein the return to be achieved in 1977 78 was revised to 8 2 per cent

The following table indicates the projected annual rate of return on the average capital base and actual rate of return achieved during the years upto 1977 78

Year	Projected rate of return (per cent)	Return achieved (per cent)	
1970 71	85	58	
1971 72	85	47	
1972 73 -	8 5	53	۰.
1973 74	95	57	
1974 75	95	4 0	
1975 76	95	72	4
1976 77	71	64	
1977 78	8 2	72	

The shortfall was attributed by the Board (October 1978) to -

(1) shortfall in power availability mainly due to slippage in commis sioning schedule of Beas Project which was initially scheduled to

**Capital base means the sum total of (1) gross fixed assets (11) in tangible assets and (11) working capital which will be 1/6th of the total operating and administrative expenses reduced by accumulated provisions for depre ciation and consumers' contribution for fixed assets and security deposits



be commissioned in 1973 74 With the commissioning of 2 sets in 1977 78 (December 1977 and March 1978) and remaining in 1978 79 the return is likely to improve in the coming years,

- (11) non capitalisation of interest on loans obtained for those projects which are still under construction .
- (111) the return derived from Rural Electrif cation Scheme which was undertaken as socio economic policy to uplift the rural areas economically was not adequate to cover the operation main tenance depreciation and interest charges in initial years,
- (1v) supply cf power to common pool consumers (Nangal Fertilizer Factory) at average rate of 4 272 paise per KWH from Bhakra Complex
- (v) increase in price of essential inputs, and
- (v1) higher rates of purchase of power charged by inter State Generat ing agencies
- (2) Tariff rev sions

T

With the object of raising additional revenues five major tariff revisions were made by the Board since its formation in May 1967 The tariff revisions were made on *ad hoc* basis to (i) meet the increased cost of generation transmission distribution etc (ii) enhance the financial resources of the Board (iii) liquicate the accumulated liabilities and (iv) meet the develop ment cost it may however be mentioned that interest liability on the loans raised by Board from the State Government is increasing from year to year (Rs 1 83 72 lakhs in 1970 71 to Rs 6 235 39 lakhs in 1977-78) and no effective steps are being taken to clear the same

In its written reply the Board stated that the achievement of a particular percentage of return on average capital base was linked with many factors which included the level of tariff rates extent of losses in rural electrification availability of power and transmission/distribution losses etc. During the course of oral examination on 6th October 1983 the Board's representative stated that the primary factor regarding the non achievement of targetted returns was that the tariff structure was low and the cost of production was high. He also stated that losses incurred under Rural Electrif cation were not compensated by the State Government whereas in other States a subsidy on the losses incurred on Rural Electrification was granted to the Electricity Boards Further during the course of oral examination it wat included that the rate of return of the Board in respect of subsequent years had gone down to a great extent as per details given below —

Year	Percentage of return achieved
1978 79	10
1979 80	5 5
1980 81	06
1981 82	1 3
1982 83	03

It was also noticed by the Committee that the revenue receipts of the Board did not increase in the same proportion in which the tariff rates were revised by the Board in May 1978 and January 1981

The Committee strongly feel that the health of the Board is going down day by day In this regard the Committee have already made exhaustive ob servations in their 7th Reⁿort which should be implemented forth with, if not already done, and a detailed report submitted to the Committe

- **Paragraph** $6\ 7(6)(b)$
 - (111) In view of the stringent financial position of a private consumer of Charkhi Dadri the State Government issued (December 1976) a directive to the Board that to revive the work of the company, the consumer company may, *inter alia* be allowed a moratorium of five years on accumulated airears of electricity charges (includ ing electricity duty) Accordingly the Board decided (December 1976) to allow a moratorium for five years on the dues to the extent of the amount (Rs 34 76 lakhs) of accumulated arrears outstanding and not to recover surcharge (2 per cent per month) or interest on such amount for that period

C

Ŧ

When asked to explain the peculiar circumstances of the stringent financial position of the private consumers at Charkhi Dadri under which a moratorium for 5 years on the dues of cumulative arrears of the electricity charges was allowed by the State Government the Government in this written reply stated as under -

The latest development of case of M/s Dadri cement factory is as under

M/s Dadri Cement Ltd has been taken over by Govt of India under (Acquisition and transfer of Undertaking) ordinance 81 promul gated by the President of India and entrusted it to the Cement Corp of India wef 23681 to run this unit under section 18 of the ordinance Pattern of payments of dues had been deter mined in the order of priorities for the discharge of the liabilities of the Company has been given in the schedule of ordinance in which Board's elecy dues have been placed under priority III The claim of the outstanding dues against the company is to be filed with the commissioner/payments as and when appointed by the Govt of India/CCI Ltd Since the amount of Rs 84 lacs is likely to be exhausted under priority I & II of the Schedule which pertain to wages salaries loans etc a reference has been made to the State Govt seeking instructions regarding recovery of the outstanding dues as well as release of connection since Govt of India/State Govt was keen for the revival of the unit and a specific instructions from the State Govt that no obstruction be created for revival of the unit The connection has been provisionally released to CCI Ltd on 21 8 81

The Committee desire that the latest position of the case be intimated to it at a very early date

Paragraph 6 7 (7) Other topic of interest

that is

Under assessment of energy charges

The Board is running a small thermal power house within the premises of a cement factory at Surajpur having a large industrial supply electric connection The consumer was being supplied power both through hydro electric source and thermal power Louse The Maximum Demand Indicator (M D I) with reference to which the demand charges were to be assessed was however installed only at the hydro electric source of supply and the consumer was accordingly billed on the basis of the readings recorded at the said M D I The demand charges in respect of supply from thermal sources were not billed as no M D I was installed to indicate the demand/consumption of electricity from it

The Chief Engineer of the Board in response to an enquiry from a subordinate officer about the maximum demand during running of the thermal power house conveyed (May 1971) that for assessing the billing demand either the M D I be installed at the common point of supply of both the sources or half hourly readings of energy consumption be recorded for both the sources simultaneously whenever the thermal sets were run and the maximum demand arrived at on the basis of maximum energy consumed/power factor should be compared with the maximum demand recorded on the hydro electric supply and higher of the two should be charged from the consumer

Notwithstanding the aforesaid instruct ons the billing was continued to be done tentatively on the basis of the readings recorded by the M D I installed at the hydro electric source and it was only in November 1974 and October 1975 that the internal audit wing of the Board worked out additional demand for Rs 2 12 lakhs and Rs 1 81 lakhs for the period October, 1971 to July 1974 and August 1974 to May 1975 respectively The consumer, however, contested (December 1974 and November 1975) these demands holding the same as arbitrary and averse to facts and demanded that the issue be discussed and decided by the competent authority

The Chief Engineer provisionally decided (November 1975) to tem porarily freeze the additional demands pending final decision on the ground that the amount worked out by the internal audit was not factual The Board started (September 1977) issuing bills to the consumer according to instructions of May 1971 but the additional demand for the period from October 1971 to August 1977 is yet to be raised

In its written reply to the above para the Board stated as under -

(I & II)

10

The case has been decided by the WT M in the Meeting held on 7 4 80, which is as under -

The whole Time Members had carefully considered the Sales Memo randum No 4/MI Ms/80 sent to Secretary Board vide U O No 154/17/17/11/Vol

II After through discussion it was decided that the maximum demand of M/s BCW during a month when the supply has been drawn both from hydro and thermal source shall be worked out as under -

> (1) The maximum demand shall be maximum demand as recorded on the hydro system or the maximum demand recorded on hydro system in the index month whichever is higher Index month is defined as the proceedings month in which the energy was fed—throughout the month from hydro source only

,

Ţ,

ĩ.

(11) In the event of contract demand during a month being higher than the contract demand during the index month the maximum demand as assessed in (1) above shall be multiplied by a factor Contract demand during the month under assessment divided by contract demand during the index month

As per provision in SMI 180 the payment of the arrears can be allowed in instalments on the express request of the firm Accordingly the firm was allowed to clear the outstanding dues of Rs 4 11,552 40 in six instalments

The firm however, again requested that since the amount being subs tantial they may be allowed to make the payment in ten equal instalments The firms request was accepted and they were allowed to make the payment of the bilance amount in nine instalments So far the firm has made the Pay ment of eight instalments and now Rs 76,351 are outstanding against them

The Committee observe that the above case explains away the negligence of the Board staff in assessing the energy charges on correct basis as a result of which additional demand for Rs 2 12 lacs and Rs 1 81 lacs for the period from October 1971 to July, 1974 and from August, 1974 to May, 1975 respectively had to be raised at the instance of the internal audit wing of the Board

The Committee, therefore, strongly recommend that the Board staff should be instructed to follow the prescribed procedure for billing scrupulously so as to avoid recurrence of such occasions. The Committee further desire that the recovery of the balance amount of $\hat{R}s$ 76,351 be also effected on due basis under intimation to the Committee

Paragraph 68 Thermal Plant Surajpur

The thermal plant at Surajpur has two generating units of 2 6 MW and 4 2 MW capacity respectively The consumption of fuel heat units genera ted heat equivalent of electrical energy and average thermal efficiency in the thermal plant for each of the three years upto 1977 78 are given below –

	1975–76	1976–77	1977–78
(a) Fuel consumed			
Coal (Thousand tonnes)	10 6	11 4	16 00
(b) Heat value of fuel consumed (in thousand millions of kilo calories)			
Coal (5500 K Cal/Kg)	58 4	62 8	88 00
(c) Generation heat rate and efficiency			
(1) Total units generated (in million Kwh)	74	74	10 05
(11) Heat rate (K Cal/Kŵh)	7825	8470	8789
(111) Thermal efficiency (Percentage)	11 00	10 15	978
(1v) Design efficiency (Percentage)	17 8 <u>-</u> 19 4	178– 194	17 8 <u>-</u> 19 4

4

The thermal efficiency of the plant was below the designed efficiency Further as compared to the Board's anticipated consumption of coal provi ded in the annual estimates there was excess consumption to the extent of 3 673 tonnes valued at Rs 5 95 lakhs during the years 1975 76 to 1977 78

The Board stated (July 1978) that overall low efficiency of the plant was due to ageing factor of the units which had outlived their lives and inferior quality of coal received from collieries. It may be mentioned that estimates for the consumption of the coal were prepared keeping in view the ageing factor of the plant and inferior quality of coal

In written reply the department have stated that although the overall low efficiency of the plant was due to the ageing factor of the plant which had outlived its life and inferior quality of coal received from collieries yet the Committee feel that the estimates for the consumption of coal must have been prepared keeping in view the ageing factor of the plant and inferior quality of coal Accordingly the thermal efficiency of the plant should have been favour ably comparable to the designed efficiency

The Committee, therefore, recommend that the Board should have a system of constant monitoring over the performance of these plants so that such factors as ageing, inferior quality of coal may not stand in the way of their efficiency

Paragraph 69 Excess consumption of material

Nine works of providing tubewells and industrial connections were com pleted by a Junior Engineer in charge of a sub office in November 1973 but neither any accounts were submitted by him nor checked by the Sub divisional Officer immediately after the completion of the works as required under the rules. The concerned Junior Engineer was transferred to another division on 25th May 1974 without handing over charge. Despite a request by the old Divisional Officer not to allow him to join in the new division till he handed over his charge he was allowed to join. After recall he handed over the charge in old division between 23rd December 1974 and 21st January 1975

7

T

The consumption statements submitted by the Junior Engineer were test checked by the Sub divisional Officer (February 1975 to October 1975) and it was noticed that non consumable stores worth Rs 0 34 lakh had been booked in excess on the above works The official who in the meantime had gone to the Beas Construction Board was stated to be absconding from duty from 9th March 1978 and the amount was therefore placed (March 1978) in Miscellaneous Public Works Advances' pending recovery Further progress is awaited

The Executive Engineer stated (May 1978) that the official had drawn the material in excess of provision in the estimates of the concerned works due to negligence of the then Sub divisional Officer who failed to detect the stores requisitions made in excess of the estimated requirements No action has been taken against the concerned Sub divisional Officer

In written reply to this para the Board stated as under -

Shri M L Singla while working as Junior Engineer in Dharuhera Sub office of operation Division Rewari, executed 9 works of providing tubewells and industrial connections in November This Jr Engineer was transferred to another divisions 1973 on 25th May 1974 and left his present post without handing Xen OP' Division Rewari requested the new over charge Divisional Officer not to allow him to join in his division till he handed over his charge Numerous letters were exchanged bet ween the two Drvisional Officers for handing over the charge of At last the Jr Engineer reported in the said Junior Engineer division on 23rd December 1974 and again on 21st January From the accounts submitted by the JE it was noticed 1975 that stores worth Rs 33 812 07 had been shown excess con The official who was transferred sumed on the above works to BCB by that time was asked to get the excess consumption accounted for but it was reported that he was absconding from Accordingly the amount of Rs duty from 9th March 1978 0 34 lakh was placed in Miscellaneous Advances in March 1978 The matter regarding recovery/adjustment remained in corres pondence at divisional level Later on 9 4 79 the Chief Engi neer OP' personally asked that accounts be reconciled within seven days In response to this Shri M L Singla attended the office of Xen OP' Divn Rewari from 11 4 79 to 25 4 79 SDO Bawal and Two Gazetted Officers Sh VK Vaid Sh JL Malhotra SEE Sub Station Rewari were deputed to re check the measurement/shortage physically at sie Both the officers checked the measurement and found that all the major items were correct as recorded by the JE Incharge of the works However the minor items which could not be checked at that stage 1 e after a period of about five years were shown The resultant loss short in the Electrical Measurement Book worked out to Rs 3197 67 and the excess amount of Rs 30 614 35 was withdrawn from suspense Head miscellaneous advances Shri M L Singla gave his consent to effect recovery @ Rs 150 per month from his pay Accordingly the recovery started from his pay wef the pay of January 1981 paid in February 1981

It has been confirmed from CAO / Pay & Accounts that the above softicer is at present working as SDO OP' Sub Division Pipli and an amount of Rs 1050 has since been recovered from his pay upto the pay of 7/81 paid on 31 7 81 to the officer

T

- From the above it can be seen that the case remained under continuous follow up at various levels vigorously and no responsibility therefore had to be fixed on any official/officer
- After carefully considering their written reply the Committee find that there is an inordinate delay in taking action against the official(s) who had drawn the material in excess of the provision in the estimates of the concerned works due to the negligence of the then Sub-Divisional Officer who failed to notice the stores requisitions made in excess of the estimated requirements The Committee further observe that the matter had been going at a very slow pace in as much as it dates back to 1974 and Rs 1050 had been recovered so far The Committee recommend that the balance amount may be recovered expeditiously and the compliance report furnished to the Committee,

Paragraph 6 10. Excess consumption of demineralised water

The annual estimates for the running and maintenance of first and second units of Thermal Plant, Faridabad provided average hourly consump 100 of 13 tonnes of demineralised (DM) water during the year 1975 76 and 10 40 tonnes during each of the years 1976 77 and 1977 78 The plant was run for 5 335 hours (one unit) 8 770 hours (wo units) and 10 604 hours (two units) during the years 1975 76 1976 77 and 1977 78 respectively

It was no iced (February 1978) that during these years 4 17 lakh tonnes DM water had been consumed in the plant again t the estimated consump tion of 2 71 lakh tonnes DM water resulting in excess consumption of 1 46 lakh tonnes DM water valuing Rs 3 35 lakhs

The Government stated (February 1979) that excess consumption of DM water was due to frequent tripping testing and commissioning of units hydraulic tests turbine flushing etc and that the plant was to be kept running in view of acute shortage of power in spite of some bearable leakages in the plant. This contention of Government has to be viewed in the light of the fact that the estimates for the consumption of DM water are sanctioned by the competent authority keeping in view all the factors responsible for the loss of DM water and that the units remained under shut down on an average from 5 to 6 months in a year during this period against one month provided in the estimates and the leakage could have been properly plugged

When the Committee desired to know the justification of the excess consumption of demineralised water as against the provisions in the estimates particularly when these estimates had been framed and sanctioned by the ccm petent authority after taking in to account all such factors as tripping testing and commissioning of units and other allied contingencies for the loss of deminearlised water the Board's representative stated during oral evidence that they had called for he comments of the Chief Engineer Thermal Plant Faridabad with whom the matter was being pursued The Committee observe that the excess consumption of water was due to wrong estimates for the ccn sumption of demineralised water framed by the Board's authorities who did not take into account all the factors and contingencies responsible for the loss of water and as a result 1 46 lakh tonnes Demineralised water valuing Rs 3 35 lacs was consumed in excess

τ

The Committee would like the Board to investigate the matter in detail and fix responsibility on the officers/officials who did not exercise the amount of care which ought to have been done for the consumption of demineralised water The results of the investigation so conducted be intimated to the Committee with in a period of three months

Paragraph 6 11 Extra expenditure due 10 delay in the finalisation of tenders

Tenders for construction of 8 numbers category III quarters including internal water supply and sanitary fittings at 33 KV Sub station Digaran Jattau' were invited on through rate basis by the Executive Engineer Civil Works Division Rohtak on 24th February 1975 and opened on 20th March 1975 As per the terms of notice inviting tenders' the offers were to remain valid for three months from the date of opening of tenders In response three contractors submitted their offers The lowest offer (Rs 1 33 lakhs worked out on the basis of tendered rates) contained a stipulation regarding claim for extra carriage for bricks available beyond three miles from the site of work which was also covered under the provisions contained in common schedule of rates The lowest tenderer was, however, asked (31st March 1975) to withdraw this condition but he did not respond Further one of the other two contractors, who were addressed regarding the extra carriage for bricks intimated that such charges were payable The other contractor did not respond

After processing the tenders were forwarded by the Executive Engineer to the Superintending Engineer on 26th April 1975 who finally sent them to the Chief Engineer on 10th June 1975 though both the Divisional and Circle Offices were located at the same place Since the tenders were still under process the lowest tenderer was asked (16th June 1975) to extend the validity period by one month, i e, upto 19th July 1975 to which he agreed The tenders could not be finalised even by that date and the tenderer was again asked (Ist August 1975) to extend the validity period by another two months This time he refused and requested for refund of the earnest money (Rs 2,800) Accordingly the tenders were cancelled by the Chief Engineer on 17th Septem ber 1975

Fresh tenders for the same work were invited on Ist August 1976 and opened on 21st August 1976 The work was allotted (November 1976) to the same tenderer whose rates were lowest (Rs 1 79 lakhs) The non finalisation of tenders even within the extended validity period of 4 months (1 e by 19th July 1975) resulted in extra expenditure of Rs 0 46 lakh

The Executive Engineer stated (April 1978) that this being adminis trative/financial matter the detailed scrutiny of documents was necessarv at various stages and that the extra cost involved was due to the enhancement of premium rate during the intervening period

During the course of oral examination when called upon to explain the reason for not finalising the tenders within the stipulated period of 3 months from the date of their opening and also reasons for extending the validity period of the lowest tenderer again and again, the Board's representative stated that some conditional tenders were received and it was difficult to accept them and some time was taken in negotiation with the contractors for persuading them to withdraw the conditions so that their tenders could be accepted. It was further stated that this was an unbudgeted expenditure and it was thought that the money could not be spent and consequently the case had to be referred to the Board. In all this the validity period of the tender expired

The Committee do not feel satisfied with the explanation furnished by the Board authorities and observe that it is a case where the Board functionaries have not acted in a manner as would have saved them from a loss of Rs 0 46 lakh The Committee, therefore, recommend that the system of inviting and finalising the tenders be streamlined so as to obviate such an occasion in future A copy of the instructions so issued in this behalf may also be furnished to the Committee

F

1

đ,

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1978 79 RELATING TO H S E B

Para 67 Material Managem nt and inventory control

A—Purchases

(2) Extra expenditure in placement of orders

A test check of purchase orders revealed the following cases involving extra/avoidable expenditure aggregating Rs 42 97 lakhs

(2 1) Extra expenditure in purchase of pre stress d cement concrete (PCC) poles

The requirements of 8 22 metre PCC poles were assessed by the Board as follows -

Assessed in	Reqirem	Requrements		
	Year	quant ₁ tv		
October 1977	1977-78	10 000		
March 1978	1978–79	60 000		
October 1978	1 979-80	50,000		

While purchase orders valuing Rs 91 60 lakhs for a total quantity of **48,963** poles (8 22 metre) were placed on 6 firms (November 1978) at rates ranging between Rs 185 50-Rs 192 per pole orders for 75 000 poles of a bigger (non standard) size (8 50 metre) were placed on a single firm of New Delhi without calling for competitive tenders as follows

Order placed in	quantity	Rate pei pole	
	Number	(Rupees)	
November 1977	7,000	231	
June, 1978	18,000	245	
November 1978	20 000	245	
March 1979	30 000	245	

This involved an additional expenditure of Rs 48 96 lakhs On this being pointed out by Audit (March 1979) the Board decided (May 1979) that 8 50 – metre poles be utilised with a 5 per cent increase in the usual distance between the poles By then 46 023 poles (850 – metre) had already been issued/ utilised While the economics of utilisation of the remaining 28 977 (850 – metre) poles by increasing the usual distance between the poles has not been assessed the utilisation of 46,023 (850 – metre) poles resulted in an extra expenditure of Rs 30 72 lakhs

Managements reply to the paragraph issued in September 1979 is still awaited (February 1980)

ĩ

Ŷ

7

X

1

Ā,

In their detailed written reply, the Board stated as under -

1

- 2 1(ı)
 - The Board had considered it expedient to go in for purchase of poles from a single firm being a Govt agency in view of better quality of material commensurate to the rates as well as better delivery schedule The facts given below in respect of each PO placed on M/s Hindustan Housing Factory New Delhi (a Govt of India Undertaking) will clarify that the purchase of poles made from this firm was done in the best interest of the Board keeping in view the following benefits accruing to the Board —
 - (1) The poles being of higher working load could be most successfully used in sandy and cross country rural areas
 - (11) These poles could also be used in place of 32' long (9 75 meters long) poles for H T lines
 - (111) The span of line could be increased by 5% by using these poles thus affording a saving to the No of Poles and (1v) The firm being a Govt of India undertaking could be relied upon for the complet on of targets of tubewells connections¹

(1) Purchase Order No HH 1276 dated 30 11 77 placed on M/s Hindustan Housing Factory Jangpura New Delhi for the purchase of 7000 Nos of poles 8 5 metre long

In order to meet with additional urgent requirement of 15000 poles 27' long poles due to revised targets for the grant of tubewell connection during 1977 78 (revised from 15000 to 18000 tubewell connections) it was felt appro priate to purchase poles from M/s Hindustan Housing Factory Jangpura New Delhi instead of resorting to open limited tender enquiry which process was fraught with delays in floating enquiries/processing As per negotiations with the firm by Member Technical on 24 11 77 the firm agreed to supply 7000 poles 8 5 metre long on the rate for 27 long poles 1 e Rs 225+6 on account of earthing charges The poles being of 180 Kg Working load capacity as against 146 Kg capacity 27' poles could be used in sandy areas in cross country areas on account of their better working load

Accordingly the Board decided on 28 11 77 to purchase these poles According to the agreed delivery schedule i e 4000 Nos poles immediately and 3000 Nos at the rat of 1000 poles per month from Janua y to March 1978 purchase order No HH 1276 dated 30 11 77 for 7000 Nos poles 8 5 metre long was placed on this firm They completed the supply of 7000 poles within agreed delive y schedule

(11) Purchase order No HH 1392 Dated 30 6 78 for the supply of 18000 (8 5 Metr Long) placed on M/s Hindustan Pre Feb Ltd Jangpura New Delh

During January 1978 a proposal was received from M/s Hindustan Housing Factory Jangpura New Delhi vide which they suggested that 8 5 metre long poles be purchased in place of 8 23 metre poles and also in place of 50% of 9 754 metre poles Their proposal was referred to Design Directorate of the Board to Judge the technical feasibility of the proposal

As per observations of S E (Design) and Chief Engineer (Op) 8 5 metre poles could be used in place of 8 23 metre poles as well as in place of 9 754 metre poles for H T & H T lines expect along and across the reads Chief Engineer/P & C a so observed that 8 5 metre poles offered by M/s Hindustan Housing Factory are equally suitable in comparison with the poles previously purchased by Haryana State Electricity Board The W T Ms therefore dee ded that SPC may negotiate the rates with the firm The negotiations were held on 12th June 1978 M/s Hindustan Housing Factory (Now M/s Hindustan Pre Feb Ltd) informed vide their letter dated 12 6 78 that they will be able to supply 8 5 metre long poles at the rate of Rs 245 per pole in cluding earthing charges on the following delivery schedule provided a firm order is placed on them before 30th June 1978

From July 1978 onward at the rate of 1000 poles per month

From October 1978 onward at the rate of 2000 poles per month

From January 1979 onward at the rate of 3000 4000 poles per month

From June 1979 onward at the rate of 8000 10000 poles per month

The SPC informed the firm that it would not be possible to purchase poles not required in the then current financial year

The requirement of poles during the then current financial year was reported by Controller of Stores vide his memo No COS/GRT/78 79/Ch 37 dated 14 3 78 as 24000 Nos 32' long PCC poles

SPC recommended that as per delivery schedule given by the firm in their letter dated 12 6 78 they could be able to supply about 18000 poles within the current financial year In the event they refuse to accept the order then a short term press enquiry for 32 poles may be issued Similarly short term press enquiry may be issued for the purchase of 60000 Nos PCC poles 27 long at the existing specifications so as to meet the requirement of the Deptt for the current financial year

The Board considered the case in its meeting on 13 6 78 and approved the recommendations of SPC but it was also decided that enquiry of 60000 (balance poles) should be through press tenders and not through limited enquiry Accordingly, purchase order No HH 1392 dated 30 6 78 was placed on M/s Hindustan Pre Feb Ltd Jangpura New Delhi for the supply of 18000 poles 8 5 metre long at the rate of Rs 245/ per pole including earthing charges with the delivery schedule as under \sim

From July 1978 onward at the rate of 1000 poles per month

From Oct 1978 onward at the rate of 2000 poles per month

€

From Jan 1979 onward at the rate of 3000 4000 poles per month,

(11) Purchase order No HH 1481 dated 13 11 78 placed on Mis Hindustan Pre Feb Ltd Jangpura New Delhi for the supply of 20000 Nas 85 Metre long poles

As per Board s decision on 13 6 78 in the case referred to above, N I T No 42/QH 1162 was issued on 22 6 78, for inviting tenders for the supply of 60000 Nos 8 22 metic long poles Against this enquiry tenders were opened on 26 7 78 In all 8 firms furnished their tenders The W T Ms considered the case on 9 10 78 and recommended the placing of purchase orders on the following firms -

(1) M/s Jay Pre stressed Products New D	elhı – 6000 Nos
(2) M/s Cement Fabrics, Chandigarh	— 6000 Nos
(3) M/s Jai Hind Investment Faridabad	– 15000 Nos
(4) M/s Tools India Bahadurgarh	- 12000 Nos
(5) M/s Hinduatan Prestressed Faridabad	—7000 Nos
	-46000 Nos

The Whole Time Members further recommended to purchase 10% extra quantity as mentioned in the N IT thus making a total of 66000 Nos poles The balance 20000 poles (66000 – 46000) 8 5 metre long were ap proved to be purchased from M/s Hindustan Pre Feb Ltd on their terms and conditions as contained in their Purchase Order No HH 1392 dated 30 6 78 (referred to in item II above) taking into account the higher strength of 8 5 metre long poles and as these poles could be used on H T lines in rural areas The firm also informed that it would be possible for them to supply 20000 Nos poles upto 31 3 79 on the same rates terms and conditions of the above mentioned order The Board accordingly approved the purchase in its meeting held on 12 10 78

Accordingly in addition to 5 Nos Purchase Orders on the firm referred above for 46000 poles 8 22 metre long a purchase order No HH 1481 dated 13 11 78 was placed on M/s Hindustan Prefab Jangpura New Delhi for the supply of 20000 poles 8 5 metre long as per Whole Time Members recommendation on 9 10 78 and approved by full Board on 12 10 78 in the best interest of Board s work

¥.

(iv) Purchase Order No HH 1505 dated 8 3 79 placed on M/s Hindustan Prefab Ltd Jangpura New Delhi for the supply of 3000 poles 8 5 metre long

Controller of Stores submitted requirement of 50000 P C C poles 27 long for 79/80 vide his memo No C O S /Group I/79 80/Ch 1 dated 20 11 78 M/s Hinduatan Prefab Ltd Jangpura, New Delhi were asked vide memo No 37968 dated 18 12 78 to intimate as to what quantity out of 50000 Nos poles they would be able to supply to the Board indicating the delivery schedule The firm replied vide letter No HPL/DM/235 dated 22 12 78 that they were ready to supply 50000 poles 8 5 metre long during the period April 1979 to March 1980 They also agreed to supply these poles at the same rate and on the same term and conditions as contained in purchase Order No HH 1392 dated 30 6 78 The then Chairman observed in his note dated 10 1 79 that since the company is a Govt concern I see no reason why we should not immediately place bulk orders on it for 1979 80 Shri Sachdeva (Managing Director) M/s Hindustan Prefab) saw me today and aid that the company was ready to supply poles on old rates for the tw lve months period beginning Ist April 1979 if orders were placed on the company immediately I would suggest -that immediately after obtaining confirmation regarding rate a memorandum should be prepared for placing an order for the maximum possible number of poles of this company etc."

Accordingly memorandum was sent to the Beard vide UO No 146 dated 17 1 79 The Board in its meeting held on 18 1-79 decided to place order for 30000 poles 8 5 metre long on M/s Hindustan Prefab Ltd Jangpura New Delhi in the first instance and for the balance qty it was decided that tenders may be invited

As per decision of the Board purchase order No HH 1505 dt 9 3 79 was placed on the firm M/s Hindustan prefab Ltd Janggura New Delhi and the supply of 30000 poles was to be completed upto December 1979

(b) When the purchase of poles as per annual requirement for the year 1978 79 had to be made the firm M/s Hindustan Housing Factory (a Govt of India Enterprises) Jängpura New Delhi offered to supply more poles suggest ing that these 8 5 metre long poles could also be used in place of 9 75 metre long poles This technical aspect was examined by the Design Directorate of the Board which reported that PCC Poles offered by M/s HHF of 8 5 metre length and 180 K G working load were suitable in comparison with the poles previously purchased by the Board in the past

PCC Poles with length	Working load
8 22 meter	145 15 Kg
9 144 meter	158 76 Kg
9 75 meter	172 52 Kg

The economics of utilisation of 8 5 meter long poles in L T & H T lines was examined in the office of S E Design as under —

The matter regarding use of 8 5 meter long PCC poles in place of 9 754 meter poles & 8 23 M PCC poles is reviewed and elaborated as under —

For L T Lines

1 9 754 meter PCC poles have to be used for long and acros streets as 8 5 meter or 8 23 M PCC poles do not provide adequate clearance of 5 486 M as per IE Rule 1956

For Elsewhere use

2 8 50 M poles can be u ed for span of 85 meters as against 70 M span for 8 23 meter poles providing safe ground clearance and for working loads for which these poles are designed

Λ

T

3 Cost of the line if compared between 8 5 meter poles and 8 23 meter poles it will be seen that the cost per K M cf 8 5 meter poles is lesser hence economical & suitable as long as the span for 8 5 meter poles is kept not less than 85 meters

For 11 K V Lines

4 8 5 meter and 8 23 meter poles are not suitable for across and along the streets as per I E Rule 1956 only 9 754 meter poles can be used

For Elsewhe e Use

5	8 22 M	85M	9 754 M
Nos of poles per Km	12 5	10 695	9
Span	80 M	93 M	111 M

The above data shows that the cost per Km of 11 KV line if calculated shall be lesser in case of 8 5 M P C C poles Hence 8 5 M poles are more suitable in comparison to 8 22 meters and 9 754 M poles

(c) The requirement of poles 27' long for the year 1979 80 was for 50 000 Nos M/s Hindustan Housing Factory New Delhi offered to supply 8 5 meter long poles at the old rates (P O No HH 1392 dt 30 6 78) In this case the then Chairman observed as under -

Since the Company is a Govt concern I see no reason why should not immediately place bulk orders on it for (1979 80) etc Ac ordingly the Board decided to purchase 30000 poles from the firm M/s Hindustan Housing Factory New Delhi which they could supply during the year and for the balance tenders were invited "

It would be observed from the above context that the purchase of poles from M/s H H F (A Govt of India Enterprises) was made after having examined the technical suitability of the poles and other advantages

The technical particulars of 8 22 Meter long poles and 8 5 Meter long poles are mentioned below

8 22 Meter long poles

8 50 Meter long poles

5

*

 $\overline{\mathbf{v}}$

Overall length Top Dimensions	=8 22 meters =11 43x12 72 cms	8 5 Meters 11 5x9 5 Cms
Bottom Dimensions	=11 4x22 86 Cms	9 5x34 0 Cms _t
Working Load	=145 15 Kg	180 Kg

The above technical particulars would reveal that the specifications of 8 5 Meter long poles are different The working lcad of 8 5 Meter long poles (180 Kg) is far better than that of 8 22 Meter long poles (145 15 Kg) and even more than 9 75 Meter long poles (172 52 Kg) In view of this no comparison of the rates of 8 22 Meter Poles and 8 5 meter can be made since these poles are not of same specification & length Hence no extra expenditure has been incurred in the purchase of 85 meter long PCC poles and as such the question of fixing any responsibility does not arise

After careful consideration of the written reply and the evidence deposed before the Committee during the oral examination on 13 10 1983 the Commi ttee observe that the purchase of 75 000 poles placed on a single firm without calling for competetive tenders was not well planned and was not in confirmity with the prescribed procedure for placement of purchase orders The Board s representative also could not satisfy the Committee whether the action of purchase of 8 5 meter long poles was correct in the light of the review con ducted by the whole time Member of the Board who observed that the purchase of 8 5 meter long poles was uneconomical and that the 8 22 meter long poles were suitable The Committee observe that the purchase of 75 000 poles of a bigger non standard size involved an extra/avoidable expenditure aggregating to Rs 48 96 lacs Further the economics of utilisation of the remaining 28 977 (8 50 meter long) poles by increasing the usual distance between the poles had not been assessed by the Board Revenue the utilisation cf 46 023 (8 50 meter) poles resulted in an extra expenditure of Rs 30 72 lacs

The Committee, therefore, recommend that the Board may reiterate the instructions for the procurement activities and purchase procedure of the Central Purchase Organisation which was constituted in February, 1974 so that purchases are made strictly in accordance with the procedure laid down therein A Copy reiterating such instructions particularly citing the case pin pointed in the audit para be also furnished to the Committee

(2 2) Purchase of poles without calling competitive tinders

ĩ

Against an additional requirement of 5,000 (9 75-meter) PCC pcles recuived from the Controller of Stores in October 1977 for increased targets of tubewell connections during 1977 78, an order was placed (November 1977) without calling for tenders on a New Delhi firm for the supply of 10 000 P C Ć poles at a negotiated rate of Rs 300 per pole (against quantity increased f cm 5 000 to 10 000) The decision not to invite tenders was attributed by the Bc ard to its anxiety to obtain the supplies by March 1978 so as to achieve the targets of tubewells connections for the year 1977 78 Although the delivery schedule required the supply of 4 000 poles to be completed up to March 1978 and rest up to October 1978 in instalments of 800 to 1 000 poles per month the firm had however supplied only 2 695 poles up to March 1978 and the balance quantity was supplied between April 1978 and January 1979 Thus the purpose for which the order was placed without resort to competitive tenders was not achie For delay in supply the Board had the right to reject the delayed supplies ved and to make up the shortfall by risk purchase at the cost of the firm in addition to claim liquidated damages but this right was not exercised by the Board and all the delayed supplies were accepted

Furthermore, a revi w in audit revealed that orders for similar (9 75 meter) poles were places earlier in April 1977 (on the basis of tenders) at an average rate of Rs 238 per pole(rates ranging from Rs 232 to Rs 248 per pole) and later in August 1978 at a rate of Rs 271 per pole The order for 10 000 pole involved an extra expenditure of Rs 6 77 lakhs with reference to the (ave age) tendered rate of April 1977 and of Rs 3 17 lakhs with reference to the tendered rate of August 1978

. In its written reply to this para the Board stated as under -

Detailed history of the case is enclosed in Annexure A' and the reply to the CPU questionnaire is given below —

(a) The reasons for precurement of poles without calling tenders are explained below —

- (1) There was urgent requirement of poles in view of increased targets for the grant of tubewell connections
- (11) Calling of tenders finalisation thereof in the usual manner takes longer period of about 4 to 5 months
- (111) M/s Hindustan Housing Factory New Delhi was a Govt of India Enterprises
- (1v) The delivery of poles from a Govt firm of repute could be relied upon
- (v) Quality of material of Govt of India Undertaking could be relied upon

The overall scarcity of cement in the country was beyond the control of the firm Accordingly the delivery had to be revised as per firms request The firm adhered to the revised delivery schedule within which they offered the entire quantity of poles for inspection

(b) As per delivery schedule of the purchase order the firm was required to supply 2000 poles within 20 days 3400 to 3800 poles upto March 1978 and 800 to 1000 poles per month thereafter As per this schedule the firm had to complete the supplies upto November 1978 The firm stated in their letter dat d 20 2 78 that their production had fallen due to country wide shortage of ement They requested for amendment of the delivery schedule to 2700 poles upto March 1978 and 800 to 1000 poles thereafter Their request was considered bona fide as the country wide shortage of cement was beyond the control of the firm The Store Purchase Committee amended the delivery schedule as requested by the firm According to the revised delivery schedule 2 00 poles were to be supplied upto March 1978 and the balance upto January 1979 The firm maintained this delivery schedule and offered the last lot of poles for inspection in December 1978

The force majeure clause as provided in the purchase orde (HH 1270) is reproduced below —

Force Majeure Clause

If at any time during th continuance of the contract the performance in whole or in part by either pa ty of any obligation under this contract shall be prevented or delayed by reason of any war hostility acts of the public enemy civil disturbance sabotage fires floods explosions epidemic quarntin restr ctions strikes lock out or act of God or due to any reason beyond the control of either party hereafter referred to as Event" then provided notice of the happening of any such event is given by either pa ty to the other within twenty one days from the date o occurance the eof neither party shall due S

Ľ

ø,

o ra on of such eacht is entited to terminate this contract nor shall either party have any claim for damages against the other in respect of such non performance or delay in performance and works under the contract shall be resumed s soon as practicable after such event has come to an end or ceased to exist

The above provision in the forc. majeure clause did not allow rejection of delayed supplies or to effect risk purchase at the cost of the firm

(c) As per position explained in (a) & (b) above it would be obs rved that the loss of Rs 3 17 lacs a worked out by the audit becomes untenable

During th course of oral evidence when called upon to explain as to why orders for the purchase of poles were placed without calling competitive tenders the Board's representative stated that there was shortage of cement and in the circumstances it was not possible to a range for the cement and therefore the firm could not complete their supply in time The Committee do not feel convinced with this reply of the Board and observe that if it was o then the non availability of raw material should have been considered before allotment of work The Committee feel that all the aspects of the case were no fully considered by the Board before placing purchase order without calling for tenders The Committee desire that the case may be investigated again and it may be seen if all aspects including scarcity of cement were kept in view before placing the purchase order The result of such investigation should be furnished to Committee within 3 months

Para (2 4)(a) Rejection of lowest tenders

T

(a) A review in audit revealed 5 cases in which the lowest tenders were rejected (April November 1977) on the ground that these were not accompanied by earnest money involving the Board in an extra expenditure cf Rs 2 79 lakhs On the other hand in 6 other cases (value Rs 16 27 lakhs) tenders received without earnest money (and not falling in the exempted categories) were duly considered and accepted (January December 1977) No reasons were on record for the departure from the approved policy

The Chief Engineer (MM) stated (August 1979) that in exceptional cases tenders without or with inadequate amount of earnest money are considered so as to procure urgent requirements

During the course of oral examination when called upon to explain the reasons as to why the lowest tenders of six parties were accepted and their conditions regarding earnest money were waived of while those of the five other parties were rejected and their conditions were not waived the Board's repre sentative informed the Committee that complete details in respect of these five parties would be furnished to the Committee The Committee however, find that the promised information was not furnished till the drafting of this r port

The Committee desire that the requisite information be furnished to the Committee within a period of one month

B---INVENTORY CONTROL

(4) Inventory

The Board has not fixed any minimum and maximum limit of stock of tores The table below indicates the opening balance purchases issues and closing balance of capital operational and maintenance stores for the three years up to 1978 79 —

	197677 (7 1977- (Rupees in c	• -	197879
Opening balance	7 1:	59	55	8 71
Purchases during the year	19 17	7 16	81	22 88
Issues during the year	16 77	7 17	65	21 17
Closing balance	9 55	5 8	71	10 42

It was noticed that

- (1) the stock at the close of the year was the equivalent of 6 8 months' issues in 1976 77 5 9 months' issues in 1977 78 and 6 months' issues in 1978 79
- (11) As on 31st March 1979 the balance as per the financial ledgers was Rs 13 74 crores as against Rs 10 42 crores as per the priced stores ledgers revealing a discrepancy of Rs 3 32 crores The discrepancy has not been reconciled
- (111) 329 items of imported stores (value Rs 3 46 lakhs) and 217 items (without value) meant for 220 KV sub station/lines have been lying unused at the Dhulkote Central Stores since 1965 (November 1979)

In a written reply to this para the Board stated as under -

Inventory

Prior to the introduction of centralised control over Material Manage ment the Divisional Officers held s ocks of materials on the PWD sy tem of stores holding when reserve stock limit used to be fixed for each Division On the recommendation of Tata Consultants a Material Management O gani sation was established when the power of purchase previously exercised by the field officers were withdrawn Indents based on the works programme ar now submitted by the Chief Engineer (P & C) and Chief Engineer Op' respon the for execution of construction works and purchases are made cen trally by the Material Managemen Organisation under the charge of Chief The control of all the stores is placed under the overall Engnee (MM)charge of Controller of Stores of the rank of a Superintending Engineer placed under the CE (MM) The Chief Engineer (MM) takes into account the exis ting stocks of each material indented based on the fortnightly reports of balances held in s ores and also the materials in the pipe line against pending orders and affects purchases for the balance quantity of materials needed for the

С

1

ち
construction programme Under the revised system of Material Management effective control is being maintained

The capital stores needed for the planned construction programme of Trnasmission lines and distribution system have to be made available for about six months' requirement so as to ensure continued execution of the construction works without any impediment resulting from non availability of materials

Likewise the stores materials required for maintenance of Transmission lines and Distribution System are also needed for about six months require ments

The closing stock of Rs 10 42 Cr ending 1978 79 indicated in the Audit Para is not even sufficient to meet with six months' requirements of Construction & Maintenance Works as is supported by the figures indicated below —

	Plan outlay	%age of mate rials compe tent	Figures Rs crores) cost of mate rials	Six months require ments
Transmission Lines	10 61	80%	8 49	
Distribution System	17 79	80%	14 23	
Maintenance of Transmission and Distribution System	8 67	50%	434 2706	13 53

(Budget Estimates)

4

T

It will kindly be appreciated that further reduction in inventory was not even called for as the closing stock of Rs 10 42 Cr was even hardly sufficient against the need based requirement of stores of the value of Rs 13 53 crores

(11) The two sets of figures stand reconciled as would be seen from the under mentioned break up of the net figures of Rs 13 74 Cr appearing as closing stock in the Balance sheet as on 31 3 79

(Rs in Cr) 033
0 38
0 84
es of 2 20
2
3 9 99
13 74

(111) Imported stores valuing Rs 3 46 lacs lying in C/Stores Dhulkote pertain to the common pool works The materials are spares and are to be issued to BBMB Authorities for use on 220 KV S/Station and lines against cash payment These are being drawn by them as and when required Thesa are spares and cannot be issued without requirement as such are kept reserved for emergency purposes ,

During the course of oral examination it transpired that the Board was having quite heavy inventory and it was increasing day by day The Board's representative who was called upon to explain the reasons therefor stated that the inventory also included the inventory items with the BBMB workshop being the share of Haryana and that this inventory was figuring in the books of BBMB and the Board was not maintaining any stock ledger or accounts The Committee observe that the contention of the Board is not thereof tenable in as much as the inventory items held by the BBMB belong to the - 14 Board and it is incumbent on it to keep a constant check so that these are kept The Committee further observe that the Board being a at reasonable level co sharer and one of the members of the BBMB can approach them with the proposals for reducing the inventory so that it is kept to the minimum possible extent

The Committee, therefore, desire that the matter may be taken up with the BBMB authorities and final outcome intimated to the Committee within a period of three months

The Committee further recommend that an effective review of the inven tory items may also be conducted with a view to ascertain ng the magnitude of items of inventory which had been received long before but are still lying unused The results of such investigation be furnished to the Committee within a period of three months

(7) Other topics of interest

(1) Over payment on transportation of PCC poles

For the transportation of 44 590 (8 5 meter) PCC poles from the premi ses of a New Delhi supplier to the various central/sub stores of the Bcard during the period December 1977-May 1979 the Executive Engineer Central Stores Delhi admitted payments to the transporters on the basis of 460 Kg per pole instead of 40 Kg as per the specifications resulting in an over payment of Rs 0 30 lakh

During the course of oral examination the Board's representative ad mitted the lapse and assured the Committee that the matter would be probed and a detailed report in this regard furnished to the Committee

The Committee desire that a copy of the report be furnished to the Com mittee within a period of one month

(11) Avoidable expenditure on transportation

Cement is procured by the Board from the suppliers on the basis of FOR destination rates A test check of receipts and issues at the central

store Rohtak and sub stores Sonepat Karnal and Kaithal revealed that during the period September 1976 March 1979 out of total issues of 42 919 bags of cement only 6 707 bags were used in the divisions served by these stores and the balance of 36 212 bags (84 per cent) had to be re transferred to other stores resulting in an avoidable expenditure of Rs 0 87 lakh

On a question of the Committee as to why the Board had to send cement from Rohtak and also from Sonepat Karnal and Kaithal to other places the Board's representative assured the Committee that the requisite information would be furnished The promised information was however not furnished till the drafting of this report

The Committee, therefore, desire that the requisite information be furnished at the earliest

(iii) Unaccounted/disputed stores

As on 31st March 1979 175 items of stores valued at Rs 68 20 lakhs (comprising mainly Central Stores Hissar Rs 33 28 lakhs Central Stores Gurgaon Rs 7 26 lakhs Central Stores Dhulkote Rs 6 79 lakhs and Central Stores Panipat Rs 6 36 lakhs) were lying unaccounted for due to defective supplies or short receipt or due to the cases being under dispute/ arbitration In these cases 90 to 100 per cent payments had already been made to the suppliers While year wise details were not available it was noticed that some of the stores/material had been lying for over 5 years

In their written reply the Board's representative stated that the infor mation on the subject was not readily available and was being collected from the field offices and would be supplied soon on its receipt During the course of oral examination the Committee brought to the notice of the Board that Committee consisting of Sarvshri R S Ahlawat Superintending Engineer (Operation Circle) Delhi and D P Raipal Senior Accounts Officer was cons tituted vide Board's order No A27/HSEB dated 23 5 1978 to go around the field and to make complete assessment in respect of disputed/rejected material lying in the Stores It was further pointed out that the Committee so constitu ted will also examine the cases at Central Stores Hansi Delhi and Balabgarh by then and action on the recommendation of the Committee was being taken

The Committee desire to know the recommendations of the Committee so constituted as also the number of reports submitted by it so far The requisite information be furnished to the Committee within a period of one in nth together with the progress made in disposing of the disputed/rejected materials lying in the Stores pursuant to such recommendations

Paragraph 6 8(3) Construction of transmission and distribution lines and sub stations

(a) The following table indicates the transmission and distribution lines and sub stations planned for construction and the progress of construct

	1975–76		1976–77		197778		
	Target	Actual	Target	Actual	Target	Actual	-
		Transmiss	sion lines	s (in re	oute kild	ometer)	
220 K V		-	-		549	_	
132 K V	289	05	220	60	68	150	~
66 K V	50	—	115	2	62	26	
33 K V	188	13	274	87	187	127	
	1975–76		1970	5–77	197	7–78	
	Target	Actual	Target	Actual	Target	Actual	-
			(Sub stati	ons (ın	numbers)	ł	
220 K V	-	-			4	-	
132 K V	9	1	11	2	3	4	
66 K V	8	→	9	1	_	3	
33 K V	31	2	38	13	26	15	

tion during the three years up to 1977 78 (the data for 1978 79 was awaited – February 1980) –

۱

The reasons for the shortfalls against the targets were awaited from the Board (February 1980)

(b) In order to meet the growing demand of the consumers the capacity of various sub stations is augmented either by installing additional transformers or by replacing the existing transformer(s) by higher capacity one(s) The number of sub stations planned for augumentation and the actual progress during the three years up to 1977 78 was as follows —

Ł

	197	/5–76	197	6–77	1977–78		
	Target	Actual	Target	Actual	Target	Actual	
132 K V	10	5	7	4	4	1	
66 K V	5	3	6	1	6	4	
33 K V	35	15	34	15	18	14	

Note Data for 1978 79 is not available (February 1980)

τ

The reasons for the shortfalls were awaited from the Board (February 1980)

During the course of oral examination the Board's representative admitted the shortfall pinpointed in the audit para and explained that the tar gets were fixed by the Planning Commission and that the same could not be achieved partly due to non availability of funds and partly due to certain other bottlenecks. The Board's representative also informed the Committee about the number of steps taken for achieving the desired targets

Although the Committee appreciate the steps taken by the Board in this direction yet the Committee feel that the transmission system in Haryana is quite inadequate because at one point of time rural electrification was over stretched at a very fast speed in a short period with the result that the system which required gradual growth now requires to be strengthened. The trans mission system being quite weak the Committee feel that the Board should continue the exercise of augmenting the system by identifying weak spots therein. Efforts and steps taken in this direction be also intimated to the Committee from time to time

(7) Other topics of interest (7)

Paragraph 6 8(7)(a) Extra expenditure

In the Civil Works Division Gurgaon two cases came to notice where acceptance of the lowest tenders was not conveyed within the validity period of the tenders (8 months in one case and 3 months in anothe) resulting in an avoidable extra expenditure of Rs 0 96 lakh (i e 38 7 per cent) apart from delay in the execution of works

In their written reply the Department stated that the matter remained under correspondence between various officers and thus the matter could not be finalised in time The committee do not feel convinced with the above reply of the Department and observe that it was due to the non acceptance of the tenders within the validity period that resulted in un avoidable expen diture of Rs 0 96 lakks apart from the delay in the execution of works

7

T

7

The Committee recommend that the procedure of inviting tenders should be streamlined to cut short such delays in future

6 8 (7)(b) Blocking of funds

Against the requirement of 5 55 acres of land for the construction of 66 KV Ring Main A 4 sub station at Faridabad it was decided (March 1971) to acquire 15 acres of land An amount of Rs 2 25 lakhs was deposited with the Estate Officer Faridabad in April 1972 at the provisional rate of Rs 15 000 per acre The land was acquired in March 1973 and the Board took possession of the land in June 1973 Later in March 1974 the Estate Officer cancelled the allotment and asked the Board to take 5 55 acres of land only as per their original demand This was accepted by the Board (June 1974) and it lodged a claim (July 1974) for Rs 1 42 lakhs paid in excess (9 45 acres) and interest The Director Urban Estates Haryana however admitted a refund thereon (July 1976) of Rs 0 26 lakh only on the plea that the actual co t of land given to the Board was assessed at Rs 1 99 lakhs including compensit on of R 0 55 lakh for tubewell and fruit trees The refund of Rs 0 26 lakh was received in July 1977

In March 1978 it was noticed that there was no tubewell and only 19 trees on the land taken over by the Board and the Board asked the Director Urban Estates for refund of the compensation for the tubewell The issue has not yet been settled (November 1979)

In the meantime the Board had decided (January 1977) that the sub station was not required at that site and that the land might be utilised for office and residential buildings However later in March 1979 the Board reverted to the original decision to construct the sub station at the same site The work has however not yet been started (May 1979) Meanwhile the invest ment of Rs 1 99 lakhs has been put to no use for six years

In their written reply to this para the deptt stated as under -

Advance planning is necessary for developing Urban Industrial Estates and accordingly it was decided that a Sub Station marked as A 4 be cons tructed in Faridabad to constitute a ringmain for the industrial belt Accor dingly it was decided to approach HUDA for ear marking piece of land measu ring 15 acres for this purpose This requirement was given keeping in view the proposed Sub station and colony for its employees HUDA could spare only 5 5 acres of land for this purpose This advance planning was necessary for a developing industrial complex at Faridabad and in the absence of timely action it would not have been possible for the Board to get a land at the time of its need under the present circumstances The Sub Station A 4 is in the ring main and is strategic Sub Station in the 66KV growing load centre around Faridabad

The matter regarding trees and tubewells etc and compensation thereof is being actively persued with the HUDA authorities and final outcome will be intimated as and when it is arrived at

The Committee fail to appriciate the swift decisions about the sale of the Sub Station and an improdent investment of Rs 1 99 lakhs which had not been put to any use so far

The Committee recommend that Govt should be circumspective in taking such policy decisions which involve the State exchequre in financial implications Ð

÷

The Committee further desire the Board to intimate (1) the month of cons truction of the Sub Station at the site and (1) the final outcome of the case of referred of the corporation of the tubewells by the HUDA be intimated so them

6.9 Extra expenditure due to incorrect assessment of cable requirements

The project authorities of the Thermal Power Plant Panipat assessed (July 1976) the requirement of different sizes of cables for stage I (two units) of the project on the basis of the Consultant's report Tenders were called in August 1976 and an order placed in July 1977

During execution, the project authorities found that the quantities or dered for certain sizes of cables were totally inadequate The requirements were accordingly reassessed by the project authorities in September 1978 and orders for about 161 Km of cables were placed in November 1978, involving an extra expenditure of Rs 7 95 lakhs as compared to the rates of the earlier order

The project authorities stated (February 1979) that they had generally been accepting the advice of the Consultants on the quantities of material to be procured

The matter was referred to the Government in September 1979 reply is awaited (February 1980)

During the course of oral examination the Board representative could not explain to the full satisfication of the Committee as to why the quantities ordered for certain sizes of cables were totally inadequate and the Board or their consultative could not assess their requirement correctly in the first ins tance. The Committee observe that as a matter of fact the position of cable requirements had not been reviewed properly by the consultant and then by the Board before placing orders

The Committee recommend that responsibility for not assessing the require ments properly should be fixed and results intimated to the Committee

6 10 Avoidable expenditure -Rs 1 29 lakhs

÷

2

A contract (February 1977) for the construction of roads in the Panipat Thermal Project colony provided inter alia that overburnt second (B) class bricks would be supplied by the Board for soling of the roads In March 1977 the Chief Engineer decided that second class bricks procured under the depart mental brick kiln contract should be used for the construction of road work as first (A) class bricks from these kilns would be required for the construction of the colony the tender for which was under finalisation However between May 1977 and April 1979 36 73 lakh A' class bricks procured under the depart mental brick kiln contract (at Rs 89 50 per 1000) were used in road construc tion work and 32 9 lakh B' class bricks available (at Rs 84 50 per 1000) under the brick kiln contract were allowed to be disposed of by the contractor On the other hand 24 lakh A' class bricks had to be procured from the open market (at Rs 136 55 per 1000) during March June 1978 to meet the requirements for the construction of residential buildings in the colony This resulted in an avoidable extra expenditure of Rs 1 29 lakhs

During the course of oral evidence before the Committee the Board's representative could not state with certainty whether the approach road to the staff quarters (on which bricks were used) had been constructed before the construction of the staff quarters or that the road was constructed thereafter He further assured the Committee that the confirmation of the facts would be furnished to the Committee after verification from records

The Committee desire that the whole case may be investigated and results thereof be furnished to the Committee at the earliest

RÉPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1979 80

Paragrap 6 20 Haryana Tanneries Limited

6 20 01 Introductory

The Haryana Tanneries Limited was incorporated on 12th September 1972 as a subsidiary of the Haryana State¹Industrial Development Corporation Limited (HSIDC) with the following main objects

2

э,

The Company commenced commercial production of finished leather from 1st December 1976 and had confined its activities to the processing of only smaller skins (*viz* goat, sheep cow and buff) into leather

The Committee note that the company commenced commercial pro duction of finished leather from 1st December, 1976 and confined its activities to the processing of only smaller skins (viz goat sheep cow and buff) into leather When called upon to explain the reason confining its activities to the processing of only small skins and not taking up other activities, the company s representatives informed the Committee that efforts were afoot to diversify their activities

The Committee feel that there is enough scope for the company to start some other profitable activities which will compensate its losses The Committee suggest that the plastic industry which is giving much profit these days can go a long way in wiping out the company s losses and keeping it on a better financial footing Similarly, the company can think of going in for foam business The Committee, therefore, recommend that the desirability of diversifying the company s activities towards these two and such other items should be considered expeditiously and final decision intimated to the Committee

6 20 03 Capital structure

In December 1978 the authorised capital of the Company was raised from Rs 75 lakhs to Rs 100 lakhs divided into 8 50 000 equity shares of Rs 10 each and 15 000 cumulative redeemable preference shares of Rs 100 each As on 31st March 1980 the Company had a paid up capital of Rs 51 lakhs subscribed as under -

Sub	escribed by	Number of equity shares	Amount (Rupees ın lakhs)	Percentage of holding
1	HSIDC (holding company)	2 80,000	28 00	54 90
2	Haryana State Co operative Supply and Marketing Federation Limited	1 20 000	12 00	23 54
3	Haryana Agricultural Marketing Board	50 000	5 00	980
4	State Government	50 000	5 00	9 80
5	Haryana Warehousing Corporation	10 000	1 00	1 96
	Total	5 10 000	51 00	

 \mathbf{r}

£

The Company rec_ived Rs 12 79 lakhs (March 1975 to February 1977) as capital subsidy from the Government of India under the central investment subsidy scheme for setting up of the industrial unit in a backward area Fur ther the Company had also borrowed moneys from the holding company Haryana Financial Corporation (HFC) and from commercial banks etc against hypothecation of fixed assets/Government guarantee The table below summarises the loans obtained and outstanding at the end of 1979 80

		Term loa	ns		Bridging fin	ance	
	HFC C	Com S mercial banks		otal	HSIDC Com mercia banks[Total
		(Rupees in	lakhs)		,,,,,,,,_,,,,,,,,,,,,,,,,,,,,	
Loans received	30 00	26 75	10 00	66 75	14 60 20 00	1 00	35 60
Outstanding							
-Principal	30 00	26 75	10 00	66 75	14 60 20 00	1 00	35 60
-Interest	18 80	23 95	1 77	44 52	8 21 10 87		19 52
Total	48 80	50 70	11 77	1 1 1 0	7 22 81 30 87		55 12

Besides the Company had cash credit arrangements with a commercial bank up to a limit of Rs 20 lakhs (against hypothecation of stocks and stores) to meet its working capital requirements the amount outstanding at the end of 1979 80 was Rs 16 97 lakhs Apart from this the Company was sanctioned packing credit facility from a bank up to a limit of Rs 5 00 lakhs against ex port orders received Against this a sum of Rs 0 50 lakh was outstanding as on 31st March 1980

42

The Company could not repay any of the leans, it had become liable for penal interest of Rs 0 68 lakh on the outstanding leans from HFC and the commercial banks as on 31st March 1980 which had not been paid so far (November 1980)

The Committee note that the company could not repay any of the loans and it had become liable for penal interest of Rs 0 68 lacs on the outstanding loans from Haryana Financial Corporation and the commercial banks as on 31st March, 1980 During the course of oral evidence, the company s representative informed that these loans had been obtained in the year 1977-78 but could not On a further question of the Committee as to whether the be repaid so far Company would be able to improve the situation in the circumstances, the re presentative of the Finance Department informed that they had received a pro posal for improving the financial position of the company and the Finance Secre tary was seized of the matter in order to ensure that the company was put in a He further informed that the company had already sound financial position gone into consultants, report prepared by M/s A B C and other consultants He also stated that financial institutions including the Industrial Recon truction Corporation of India had also been approached by the company through the inter mediary of Finance Department and the State Government for giving financial relief in the matter

The Committee observe that the efforts to review the Company have been made at a very late stage and that the Finance Department have come to the rescue of the company after nearly a decade when the company had reached the stage of financial crisis The Committee strongly recommend that the Finance Department should have a constant monitoring of the financial position of the Companies which are not doing well right from their inception The Committee desire that the rehabilitation plan envisaged in the proposal as set out above, be implemented expeditiously and a report furnished to the Committee

The Committee further desire that a note on the latest financial position of the Company and steps taken to persuade the Industrial Reconstruction Cor poration of India to advance funds to them alongwith results of such efforts should be furnished to the Committee

6 20 04 Project planning and execution

(1) A letter of intent for the processing of 6 lakh skins per year (2 000 skins per day on the basis of 300 working days) granted by the Government of India in January 1971 was converted into an industrial licence in February In September 1974 the Company engaged the Central Leather Research 1974 Institute Madras (CLRI) to prepare a Project Report for setting up a tannery with a processing capacity of 15 lakh skins per year (5 000 skins per day) The Project was estimated (February 1975) to cost Rs 1 22 69 lakhs (including a margin of Rs 36 64 lakhs towards working capital) which was revised to Rs 150 lakhs in March 1977 and again to Rs 1 60 lakhs in March 1978 The actual expenditure incurred up to 31st March 1980 was Rs 1 44 06 lakhs against which a processing capacity of 3 500 skins per day was developed (by September 1976) The proportionately high expenditure (for a lower pro cessing capacity) was attributed by the Management (March 1977) to higher pre operative expenses and higher cost of the effluent system

In March 1977 the Company approached the Government of India for enhancement of the licensed capacity from 2 000 to 5,000 skins per day with 3

a view to achieving full utilisation of the enhanced capacity already created the Government of India did not however agree (November 1978) as the decentralised processing of hides/skins up to semi finished stage was to be encouraged and confined to the small scale sector

(11) The following points relating to the expenditure of the project came to notice

(a) The holding Company (HSIDC) entered into a provisional agree ment with a Bulgarian firm for the supply of machinery and equipment lay out plans technical know how technological design and documentation ec(July 1969) at a total cost of Rs 11 18 lakhs (including Rs 2 72 lakhs for technical design and documentation) for establishing a tannery in Haryan²

In September 1974 due to non acceptability of certain items of machinary offered by the Collaborators the value of machinery to be supplied was reduced from Rs 8 46 to Rs 2 06 lakhs and the scope of collaboration agree ment was curtailed by deleting all other items from its scope Simultaneously the Company entrusted the work of consultancy to the CLRI The technical design and documents supplied by the foreign Collaborators at a cost of Rs 2 72 lakhs could not be used as these were at variance with the designs subsequently finalised by the Company in consultation with the CLRI

During the course of oral examination when asked to indicate the reasons for creating the installed capacity for 10 50 lacs skins per yea as against the licensed capacity to produce 6 lacs skins per year the company's representative stated that on 14th January 1974 there was an agreement between our Government and the Bulgarian Government for processing of 2 000 skins per day (6 lacs skins per year) on the basis of 300 working days and in February 1974 this letter of intent was converted into industrial licence. He further informed the Committee that on 23rd September 1974 due to various reasons the agreement with the Bulgarian Government was rescinded and the project was handed over to the Central Leather Research Institute Madras which suggested that whatever machinery the foreign collaborator had supplied would only serve the purpose for 6 lacs skins as the designs were at variance with the designs subsequently finalised by the Company with the CLRI which were of 10 50 lakh skins per year When further asked to explain the reasons for low percentage of production as compared to the installed capacity (i e average p oduction ranged between 2 5 and 9 6%) during the years 1976 77 to 1979 80 the company's representative stated that it was due to paucity of funds due to the reason that 50% of the goods were to be exported to the Bulgarian Government with whom the agreement was rescinded and conse quently there was no local market available for the goods

The Committee observe that the agreement with Bulgarian Government was perhaps ente ed into with undue haste and enthusiasm without considering the pros and cons of the deal The fact that the agreement with the Bulagrian Government was rescinded due to the reason that the foreign collaborators were insisting on the Company to buy their machines and demanded high salaries and air conditioned office accommodation would lend support to the ob ervation of the Committee that terms and conditions were not settled in proper prospective The Committee further observe that the reasons for low percentage of production were also due mainly to the rescinding of the agreement with the foreign gollaborators who were to import 50% of the manufactured goods but

ير 🦳

£.

as a result of termination of the agreement these goods were not manufactured and consequently the production had come down

The Committee recommend that the Government should have been circumspective while entering into an agreement with γ forcign Government/ Collaborators after taking into considerati n all core ivable factors and contingencies so that the state exchequer would net have been put to loss eventually. The Committee further desire that the matter may please be investigated with a view to ascertaining as to why the terms and conditions (particularly whether it was incumbent on the company to buy the machinery from the Bulgarian Government) were not settled before hand with them as also the reasons which lend to the rescinding of the agreement. The whole matter may be looked into from an angle of fixing responsi' ill ity on the officers/ officials of the company who were instrumental to the incurring of huge loss to the Company in the deal

The Committee further observe that the company should have considered the desirability of reducing their licensed capacity from 10 50 lacs to the original capacity of 6 lacs skins per year when the Bulgarian Collaborators had refused to import 50% of the goods earlier agreed to by them under the agreement

The Committee would like to recommend that the desirability of reducing the installed capacity in the given circumstances be considered and final outcome intimated to the Committee

The Committee further recommend that the bottlenecks in using the technical design and documents supplied at a cost of Rs 2 72 lacs by the foreign collaborators which are stated to be at variance with the designs subsequently finalised by the company with the CLRI may be looked into and the possibility of exploring ways and means to use the existing designs with best advantage by the CLRI be explored. This would go a long way in saving the company from a further loss

(b) For implementing the project (based on the process technology to be supplied by the Bulgarian Collaborators) the National Industrial ² Development Corporation Limited (NIDC) was engaged (December 1971) as technical Consultants at a total fee of Rs 3 lakhs A sum of Rs 0 30 lakh (10 per cent of the total fee) was paid to NIDC in terms of the contract (April 1972) Subsequently (May 1974) this arrangement was discontinued as it was felt by the Board that the nature of various jobs to be performed by the two agencies (foreign Collaborator and NIDC) was overlapping NIDC however refused to refund the payment of Rs 0 30 lakh and made a counter claim of Rs 0 76 lakh (April 1975) towards deployment of manpower The matter has not yet been resolved (January 1981)

During the course of oral examination when asked as to why the manage ment could not visualise in the first instance that the nature of various jobs to be performed by the various agencies (Foreign collaborators and NIDC) was overlapping the company's representative could not give any satisfactory explanation. The Committee observe that the action of the corporation in engaging the NIDC in December 1971 as technical con sultant at a total fee of Rs 3 lacs was a hasty step without locking into the contingent factors. This observation of the Committee is further strengthened by the fact that this arragngement had to be dis continued at a later stage as it was found that the nature of the various jobs to be performed by the two agencies 1 e foreign collaborators and the NIDC was over lapping and as a result the NIDC refused to refund the payment of Rs 0 30 lac and also made a counter claim of Rs 0 76 lac toward deployment of man power

The Committee observe that the action of the corporation in engaging the NIDC lacked proper planning and far sightedness. The Committee would like the management to investigate the whole matter in depth and fix responsibility on the officers/officials who were instrumental to the Company incurring liability on this account. A report containing the results of investigation be furnished to the Committee within six months

7

ĩ

6 20 05 Production performance

(11) The table below indicates the overall process losses on the basis of number of raw skins processed/putrefied (damaged) during 1976 77 to 1979 80

Year	Number of skins pio cessed	skins pio putrified/dan		Per cent age
		Number	Value on raw basis (Rupees in lakhs)	
1976 77	10,743	57	0 01	0 53
1977 78	1,00,950	611	0 23	0 61
1978 79	55,581	78	0 04	0 14
1979 80	26 538	615	0 27	2 32

The management had not fixed any norms for process losses The reasons for high percentage of skins putrified/damaged during 1979 80 had not also been investigated (January 1981)

The Committee observe that as there was high percentage of skin putri fied /damaged vis a vis processed during 1979 80 and also no norm had been fixed for process losses the Company should have taken steps to investigate the reasons and to find out the areas of such losses The Committee hence note that no steps seem to have been taken by the management in that direction

The Committee recommend that the Company may consider the desirability of fixing norms for process losses after thorough investigation of the reasons for high percentage of skin putrifications and intimate the result of their investigation to the Committee

6 20 06 Financial position

1

(a) The accounts of the company for the years 1978 79 and 1979 80 were in arrears (March 1981)

The table below summarises the financial position of the Company for the 4 years up to 1979 80

	1976 77	,	1977 78	;	1978 79)	1979 80
Liabilities					(Provisi	onal	Ŋ
			(Ruj	pees in lak	hs)	
(a) Paid up capital	17	50	39	25	51	00	51 00
(b) Subsidy	12	19	12	19	12	19	12 19
(c) Borrowings	1 01	93	1 14	14	1 25	85	1 30 69
(d) Trades dues and current liabilities (including provisions)	27	37	48	91	55	70	66 23
- Total	1 58	 99	2 14	49	2 44	74	2 60 11
					•		
(a) Gross block	1,20	03	1 22	88	1,23	35	1,24 96
(b) Less Deprecia tion	1	48	5	24	9	03	12 63
(c) Net fixed assets	1,18	55	1,17	64	1 14	32	1,12 33
(d) Current assets loans and advances	31	47	53	60	45	04	20 85
(e) Intangible assets — Preliminary expenses not written off	4	00	3	60	3	20	2 80
- Cumulative los	sses 4	97	39	65	82	18	1 24 13
- I otal	1 58	99	2 14	49	2 44	74	2 60 11
- Capital employed*	1 22	65	1 22	33	1 03	66	66 95
Net worth **	20	72	8	19	(—)22	2 19	()63 74

*Capital employed represents net fixed assets *plus* working capital
* Net worth represents paid up capital *plus* reserves *less* intangible assets

2

I

ĩ

the 4 years up to 1	v summarises the 979 80	working resu	its of the C	ompany f
	1976 77	1977 78	1978 7 9	1979 80
			(Pro	visional)
		(Rupees u	n lakhs)	
A Income				
Sales (including job works)	1 17	29 50	36 79	26
Other income	0 07	0 08	0 14	20 .
Total	1 24	29 58	36 93	
B Expenditure				
Manufacturing expenses	15 71	47 91	41 39	22 8
Salary wages allowances	7 94	7 91	8 23	6 (
Managerial expenses	0 42	0 31	0 33	0 2
Interest charges	13 19	18 19	20 85	22 :
Depreciation	1 28	3 72	3 79	3 8
Accretion/ Decretion in stock	() 15 26	((+) 4 87	(+)12 :
Total	23 28	64 26	79 46	68 :
Less expenditure capitalised	17 07	-		-
Net expenditure	6 21	64 26	79 46	68 5
C Loss	4 97		42 53	 41 9

The Committee note that the Company has been incurring losses since inception The cumulative losses as on 31st March 1980 were to the tune of of Rs 124 13 lacs representing 243 39% of the paid up capital of Rs 51 lacs This is quite an alarming situation for which the management should have taken speedy measures

47

Č1

4

*

ī

¢

The Committee recommend that Company should take such measures in consultation with the Finance Department within the framework of the relief scheme dealt with elsewhere in this report, as would enable the Company to tread on easy financial path

Further the Company should take steps to bring its accounts up to date and get the same audited from statutory auditor as well as from the Comptroller and Auditor General of India A report in this regard may be furnished to the Committee

6 20 11 Manpower analysis

The table below indicates the manpower as envisaged in the Project Report (on the basis of 5 000 skins a day) and as actually deployed for the 3 years up to 1979 80

As on 31st March	Staff strength as per project Report			Rated capacity per head	Rated Staf capacity actua per head emplo			tual production • head per day Number of
	Indus trıal	others	Total	per day (Number of skins)	Indus	Oth	Total	skins)
1978	242	93	335	15	79	68	147	23
1979	242	93	335	15	78	61	139	13
1980	242	93	335	15	71	45	116	07

In this connection the following observations are made

- No steps have been taken by the Management so far to assess the manpower requirements on a realistic and scientific basis (November 1980)
- (11) It is evident, however, that the staff strength being proportion ately more than that envisaged in the Project Report and the actual production being far below the capacity, there was gross under utilisation of labour

The Committee feel that the man power was not being employed on a realistic and scientific basis and the staff strength employed was proportion ately more than that envisaged in the Project Report Further the actual production being far below the capacity, there was gross under utilisation of labour

The Committee, therefore, recommend that the Company should thorough ly, investigate into employment of excessive labour, low production and consequential losses incurred by it. The Committee feel that unless the matter is investigated in depth it will not be possible for the management to arrive at a decision whether they are going in profit or incurring losses. The results of the investigation so conducted be furnished to the Committee within three months 3

ታ

6 20 12 Inventory control

(1) The Company has not laid down any maximum minimum and re ordering levels for various items of raw materials and stores

The table below indicates the position of inventory of raw materials and finished stocks held at the end of 4 years up to 1979 80

(a) Raw material

す

¢

Year	Closing stock		Const	Consumption		Stock in term of month's consump tion		
	Raw skins	Chemi cals	Raw skins	Chemi ca s		Raw skins	Chemi cals	
		(1	Rupees u	n Likhs)				
1976 77	2 89	0 91	1	8 13	1 51	4 2	72	
1977 78	1 77	4 19	2	8 49	10 43	07	48	
1978 79*	1 30	4 19	23	3 59	11 47	07	44	
1979 80*		3 55	12	290	616		69	
(b) Fi	nished goo	d						
Year	Closii includ in pro	ng Stock ing work cess		es during year	7		-c ntage of k to sales	

(Rupees in lakhs)

1976 77	11 45	0 68	1 684
1977 78	23 08	29 32	79
1978 79*	18 68	36 62	51
1979 80*	8 10	25 84	31

It was noticed that the stocks as on 31st March 1980 included proces sed leather valued at Rs 2 82 lakhs which was lying unsold for over $2\frac{1}{2}$ years The Management stated (June 1980) that this stock could not be sold as the items were process^Ad during the initial stages without any specific orders and had d teriorated due to prolonged storage

The Committee observe that old stock of finished leather valuing approximately Rs 280 lacs is lying for disposal During the course of oral examination the company's representative informed the Committee that they had already initiated action to sell of the old finished leather stock in

*Provisional

pursuance of the recommendation of the Committee formed by the Board of Directors and would be able to dispose it of as early as possible. The Company's representative when further asked to intimate the figures of the stock which they were able to dispose of pursuant to the recommendation of the said Committee assured that necrossary information would be sent to the Committee in due course

The Committee desire that necessary steps be taken to dispose of the old finished leather stock expeditiously and the progress made in this direc tion be intimated to the Committee within a period of two months. Further the Committee desire that finished stock inventory should be kept to the minimum so that working copital is not unnecessary blocked

6 20 12 (11) Purchase of deffective machinery

The following items of machinery installed in 1976 have not been put to use due to the reasons indicated against each

Mame of Machinery	Value	Remarks		
·	(Rupe	es ın lakhs)		
Shaving machine**	0 45) Machine when put to use caused many defects in the skin processed			
Scudding machine**	0 73			
Tanning drums**	6 40	Drums failed in performance even at very limited loads		
Total	7 58	very minee loads		

Thes have not b en got repaired/replaced from the suppliers so far (January 1981)

During the course of oral examination the Company's representative could not explain to the satisfacation of the Committee about the defective purchase of machinery worth Rs 7 58 lacs The Committee view that the inspection carried out by the company staff before purchase/installation was perhaps not proper and effective The Committee, therefore recommend that in future the management should be prudent in effecting purchase of machinery and ensure that the inspections before despatch are not carried out in a routine manuer but conducted effectively by the experienced and expert staff

Ŀ

.9

6 20 13 Shortage

(a) A reconciliation (by Audit) of the figures of total number of skins purchased number of skins processed and sent to the warehouse with the number of skins sold and the balance held in the godown revealed a shortage of 2 502 skins valued at Rs 6 11 lakhs

The Management had neither investigated these shortages nor fixed any responsibility (November 1980)

(b) A physical verification of chemical stores in March 1980 revealed shortages valued at Rs 0 12 lakh

The Committee note that the shortage amounting to Rs 611 lacs (2 502 skins) and Rs 012 lacs in chemicals were not got investigated by the company During the course of oral examination on a question of the Committee the Company's representative informed that at present a dead stock of the value of Rs 041 lacs was lying with them and that efforts were a foot to utilise it. He further informed that a damaged stock of approximately Rs 12 000 was also lying with them. When further asked to intimate the total shortage the Company representative assured that the matter would be investigated and detailed position intimated to the Committee

The Committee desire that the results of such investigation if conducted be intimated to the Committee at an early date

HARYANA SEED DEVELOPMENT CORPORATION LIMITED

6 22 Purchase of hybrid bajra

ĩ

In response to an unsolucited offer of 27th January 1976 the Company asked firm A of Bangalore (6th February 1976) to quote for PHB 14 seed along with the quantity and the date by which the seed could be supplied in response the firm offered 1 000 1 500 quintals of seed at Rs 750 per quintal (12th February 1976) Another firm 'B of Bangalore also voluntarily offered to supply 1 500 quintals of the said seed at Rs 700 per quintal 26th April 1976) A proposal to depute an official to Bangalore for inspection of stock and verification of firm's credentials etc (29th April 1976) was not agreed to by the officiating Managing Director on the ground that the seed certification agency of Andhra Pradesh had not certified the said seed due to female sterility problem

On 19th May 1976 firm B offered to supply 500 quintals of PHB 14 seed (certified in May 1976) as against 1 500 quintals offered earlier as 70 per cent of their production plots were reported to have been rejected due to the presence of pollen shedders At the istance of the regular Managing Director a telegram was issued to firm B on 1st June 1976 requesting it to reserve 500'quintals of seed and a draft for Rs 0 35 lakh (10 per cent advance payment) was also sent to the firm The seed was intended to be sold during the ensuing *Kharif* 1976 season (mid June to third week of July) The firm was telegraphically asked (4th/7th June 1976) to despacth 100 quintals of seed each to Hissar Sirsa and Bhiwani and 200 quintals to Gurgaon within 2 3 days as the rains had set in The firm finally supplied 299 88 quintals of seed (Value 2 08 lakhs) up to 26th June 1976

The Company was able to sell only 31 85 quintals of seed (value Rs 0 32 lakh) up to 30th June 1977 at Rs 1 000 per quintal Further 44 23 quintals were sold during 1977 78 and 1978 79 for Rs 0 21 lakh (at rates ranging from Rs 347 to Rs 900 per quintal) The bilance quantity (223 80 quintals) was declared as condemned seed as it had lost its germin ation power and was sold through auction during February 1979 to June 1980 for Rs 0 18 lakh Thus the Company su tained a loss of Rs 1 37 lakhs in his transaction

The Government stated (September 1980) that climatic condition in June and July 1976 adversely affected the sale of seed and that this variety of seed bacame outdated in the next sowing season because of the introduction of a new variety of seed During the course of oral examination on 16th December 1983 the representative of the Corporation stated *inter alia* that there is a purchase procedure mentioned in the Manual of the Corporation wherein all efforts have been made to cover the safeguards against all types of expected loopholes

In reply to a question of the Committee as to how did the loss of Rs 1 37 lacs in the transaction of about 300 quintals of bajra seed happen the representative stated that this was hybrid bairs seed which was purchased at the rate of Rs 700 per quintal but when sold as grains it fetched only a bit little price The representative further stated that there was no demand of the seed in the market as rains were not there during those The Committee do not feel convinc d with the above reply of the days Corporation in as much as the firm was telegraphically asked (4th/7th June 1976) to despatch 100 quintals of seed each to Hissar Si sa & Bhiwani 200 auntals to Gurgaon within 2-3 days as the rains had set in Thus the version The Committee feel that it was not of the corporation is self contradictory justifiable on the part of the corporation to have placed an order for 500 quintals of seed telegraphically particularly when there were no prospects The Committee are also not convinced with the stand of the of its sale Corporation that nobody was responsible for the loss of Rs 1 37 lacs sustained by it in this transaction The Committee further observe that the Company could have visualised at the time of placing order in the first week of June that the climatic conditions June-July would a versely affect the sale of the seed and that the storage of seed was not a healthy trend in the wake of the introduc ion of new varieties which is a very common feature in the field of agricultural research

In the circumstances the Committee recommend that the whole matter may be thoroughly investigated and responsibility for the loss fixed under report to the Committee The Committee further suggest that the procedure for processing the seed be streamlined in a manner as would obviate the recurrence of such losses in future

6 23 Sale of wheat seed

In August 1975 the Company appointed a firm of Calcutta as its distributor (on commission basis) for the sale of 5 000 quintals of wheat seed in West Bengal The agreement (valid for one year from 1st October 1975) provided *inter alia* that the firm would make 10 *per cent* advance payment towards the cost of seed and would be liable for a penalty at the rate of *3 per cent* for any shortfall on the contracted quantity of 5 000 quintals In a meeting held on 29th August 1975 the firm also agreed to send detailed despatch instructions by 15th S ptember 1975 for the movement of seed to Calcutta and other dealers' points

On 27th September 1975 without waiting for despatch instructions and payment of the full amount of 10 per cent advance (Rs 0 10 lakh against Rs 1 44 lakhs due were received in September 1975) the Company despatched 4 956 quintals of wheat seed (value Rs 14 37 lakhs) to Caloutta The firm however took delivery of 440 quintals (October 1975) and the remain ing quantity was stored in the godowns of the West Bengal State Ware housing Corporation under the custody of a bank pledged to the account of the Company and the firm was allowed (October 1975) to take deliveries in instalments agains payments

2

To the end of February 1976, 1,382 quintals (value Rs 3 61 lakhs) of wheat seed could be sold by the firm In February 1976 it was decided that the unsold stock (3,574 quintals valuing Rs 8 73 lakhs) be brought back to Nilokheri as it had been infested due to poor storage conditions and an expenditure of Rs 0 48 lakh was incurred towards handling, cartage and freight charges on re transportation

Out of 3 574 quintals the Company could sell 340 quintals (value Rs 0 85 lakh) as seed and 600 quintals (value Rs 0 90 lakh) as truthfully lab.lled seed while 2 572 quintals were sold in auction (January 1977) as grain at rates ranging between Rs 83 and Rs 120 per quintal (value Rs 172 lakhs) against the purchase price of Rs 244 37 per quintal (62 quintals valuing Rs 0 15 lakh were lost in storage and transit). Thus, the Company sustained a loss of Rs 6 66 lakhs in this transaction including transportation charges of seed from Haryana to West Bengal (Rs 0 52 lakh) re transportation (Rs 0 48 lakh) storage charges in West Bengal (Rs 0 11 lakh) storage charges at Nilokheri (Rs 0 30 lakh) shortages (Rs 0 15 lakh) and loss in the sale of stocks at lower rates (Rs 5 10 lakhs). In April 1978 the Company asked the firm to make good the loss of Rs 6 09 lakhs (excluding 3 per cent Rs 0 57 lakh claimed by the firm on account of expenses incurred by them

Ċ

£

According to the legal advice stated to have been obtained by the Company (March 1978) only Rs 0 27 lakh could be recovered from the hrm Gov_rament intimated (September 1980) that a civil suit had been filed again t the firm and that the Board had constituted a Committee to investigate the losses The report of the Committee is awaited (March 1981)

During the course of oral examination held on 16th December 1983, the representative of the Corporation explained at length the circumstances leading to the loss of Rs 6 66 lakhs suffered by the Company in the trans action of sale of wheat set. The Corporation admitted the lapse pin pointed in the audit para, stating that the demand of seed in Haryana being very low, they wanted to make a break through in the eastern market i e Bihar and West Bengal

The Committee observe that when the firm had agreed to send detailed de batch instructions for the movement of seed to Calcutta and other dealers points the action of the Company in despatching 4.956 quintals of Wa at s ed to Calcutta without waiting for despatch instructions and payment of the full amount of 10 pr cent advance was not proper and appreciable. The firm took full advantage of this situation and took delivery of 440 quintals and the remaining quantity had to be stored in the godowns of the West Bengal State Warehousing Corporation under the custody of a bank pledged to the account of the Company and the firm took deliveries in instalments against payments. The Committee feel that in fact this was the beginning of the deal in the wrong direction which ultimately landed the Company to a loss of Rs 6.66 lakhs

The Com n the desire that the circum tances under which the Company despatched 4 956 quintals of Wheat sed (value Rs 14 37 lakhs) without waiting for despatch instructions and paym nt of the full amount of 10 per cent advance (viz Rs 1 44 lakhs) may be thoroughly investigated and the responsibility fixed in the matter under report to the Committee When asked about the stage of the civil suit filed against the firm at Calcutta the corporation representative informed the Committee that decree had been given in their favour and the same was being got executed at Calcutta The Committee failed to understand the occasion for filing a civil suit against the firm (in 1980) in the light of the legal advice obtained by the Company in March 1978, according to which only Rs 0 27 lakh could be recovered from the firm while the loss was to the tune of Rs 6 lakhs The Committee observe that the Corporation should have been circumspective in proceeding against the firm and could have avoided unnecessary litigation for this meagre amount Even this amount of Rs 27 000 is yet to be relised as the decree is still to be got executed

The Committee desire that execution proceedings may be expedited so that the amount is realised at the earliest

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1980 81

HARYANA WAREHOUSING CORPORATION

6 20 06 Performance

(1) Targets and achievements

As at the end of March 1981 the Corporation owned 112 godowns at 36 centres with a total storage capacity of 1 84 610 tonnes Besides it had on hire as on that date 3967 godowns at 51 centres with a storage capa city of 1 73,433 tonnes

The Corporation had for purpose of construction of godowns acquired 148 70 acres of free hold land at 40 centres at a total cost of Rs 45 33 lakhs Title deeds in respect of 3 plots of land (7 23 acres) had not been secured as these cases were under dispute The following table indicates the annual targets of planned additions to their own capacities and the actual achieve ments for the four years up to 1980 81

3

g

Year	Budgeted Actuals		Percentage of actuals to	
	(in tonnes)		budgeted	
1977 78	71,000	66,000	93 0	
1978 79	40 000			
1979 80	1 20 000	10 010	8 34	
1980 81	75,000	_	_	

It may be seen from the above that in none of the years the Corpora tion had been able to achieve their planned targets of construction of godowns The circumstances under which the capacity as planned could not be achieved are dealt with in succe-ding paragraphs

(a) In December 1976 the Corporation took up the programme for

construction of godowns of aggregate capacity of 66 000* tonnes against the target of 71,000 tonnes at 20 places (estimated cost Rs 1 40 crores) for storing the custom of Food Corporation of India (FCI) under a guarantee schem As per agreement entered into with the FCI on 26th December 1976 the godowns were required to be completed and made available by April 1977 These godowns were constructed during the period June 1977 to April 1978 at a total cost of Rs 1 34 crores The delay in construction of these godowns ranged between 2 and 12 months The godowns offered were not occupied by FCI immediately as the roads electricity etc had not been provided They were occupied during the period July 1977 to June 1978 The delay in the actual occupation of the godown from the dates of offer ranged between 1 month and 7 months The Corporation had to lose warehousing charges to the extent of Rs 10 20 lakhs on account of the delay

(b) The programme for construction of godowns for 40 000 tonnes at nine centres as envisaged in 1978 79 could not be taken up on account of financial constraints

(c) The planned construction of godowns of 1 20 000 tonnes capacity during 1979 80 was to be carried out with the financial assistance of A R D C the approval for which was not received during the year. The Corporation cons ructed godowns of 33 430 tonnes capacity up to 1980 81 against the programme of 1979 80 and these were offered to the FCI (as per agreement) but the godowns of capacity of 10 010 tonnes only were occupied The godowns of 23 420 tonnes capacity remained unoccupied by FCI for lack of ancillary works viz roads boundary walls office blocks etc Further at 3 centres, viz, Jind Nilokheri and Kaithal construction of godowns of 40 000 tonnes capacity during 1979 80 could not be taken up due to land disputes

(d) Programme for the construction of godowns for 75 000 tonnes as envisaged in 1980 81 was not taken up as the programme which included construction of rural warehouses was being co ordinated by co operative sector as mentioned in the minutes of the Board's meeting held on 27th August 1980

(11) Utilisation of storage facilities

C

As per formula adopted by the Corporation the capacity of a godown is worked out on the basis of 73 *per cent* utilisation of the floor area after allowing for passages and alleys ways In the absence of any information regarding built in area floor area and stack area the table below has been drawn on the basis of average available capacity (both owned and hired) and its average utilisations during the four years up to 1980 81

Average available	Average	Percentage of
capacity (owned and hired)	occupancy	occupancy to capacity
ana mrcuj	(In tonnes)	available
4 29,476	4,24 201	98 7
3,98 426	4 06 440	102 0
4 19,573	4 30 704	102 6
3 84 932	3 56 837	92 7
	capacity (owned and hired) 4 29,476 3,98 426 4 19,573	capacity (owned and hired)occupancy (In tonnes)4 29,4764,24 2013,98 4264 06 4404 19,5734 30 704

*The construction of 5 000 tonnes planned for Jagadhri could not be taken up as the land acquired for the purpose was later on denotified by the State Government The shortfall in utilisation during 1980 81 was attributed by the Management (June 1981) to faster movement of stocks and fall in custom due to low production of foodgrains in the State

Targets and achievements

During the course of oral examination on 2nd September 1983 when asked to intimate the position about the acquisition of three plots for the purpos of construction of godowns at Kaithal Jind and Nilokheri the representatives of the Corporation stated that the owners of the plots had filed a suit in the court and the Corporation could not acquire these plots

The Committee desire that the matter may he vigorously pursued by the Company to its logical conclusion and the outcome be intimated to the Committee in due course

Utilisation of Storage Facilities

The Committee observed that the percentage of overall utilisation of average available capacity dropped from 102.6% in 1979 80 to 92.7% in 1980 81 The Committee, therefore, recommend that steps should be taken up by the Corporation to fully utilise the available capacity

6 20 (7) (11) Leakage in godowns

Stocks of fertilisers belonging to Government of India and kept stored in the Corporations godown at Robtak (418 quintals) were damaged due to leakage of rain water in July 1975 The leakage occurred on 21st July 1975 and the stock was shifted after 5 days 1 e on 26th July 1975

The claim for the damage (Rs 1 12 lakhs) preferred on the insurers was rejected on the ground that the risk was not covered by the insurance policy taken by the Corporation As a result the Corporation had to pay Rs 1 11 lakhs being the cost of damaged furtilizer. The Corporation decided (July 1979) to sell the damaged fertiliser to the mixing units in the State or by public auction, but the same had not been disposed of so far (March 1982) According to the Management (July 1979) with the efflux of time the stocks had lost their nutrient contents, to the extent of 4 98 per cent of mitrogen and 9 58 per cent of phosphate

The Committee observe that neither any timely action was taken by the Corporation to shift the stock from the godowns nor was the insurance for the cantingency secured as a result of which the stock got damaged for which the Corporation had to pay Rs 1 11 lakhs as cost of the damaged fertiliser The Committee, therefore recommend that the matter may be investigated and action taken against the negligent officer(s)/official(s) responsible for this loss to the Corporation

6 20(7) (111) Loss of stock at Bahadurgarh

In August 1977 heavy rainfall had affected the stocks of foodgrains (697 bags weighing 692 79 quintals) and fertilisers (20 bags weighing 10 quintals) belonging to FCI and a cooperative society respectively. The goods being of non hazardous nature were not insured as per self indemnification scheme of the Corporation. While loss in such cases is to Ф

J

be compensated at the value as per Warehouse receipts (Rs 0 72 lakh) the F C I recovered Rs 1 26 lakhs from the Corporation on the plea that it was entitled to the economic cost of the stocks calculated at the time of occurrence of loss or market price whichever was higher

There was nothing on record to indicate the efforts made by the Corporation to resolve the issue with the F C I on a long term basis

The Committee observe that F C I was paid for the demaged stock on the basis of the economic cost of the stock calculated at the time of occurrence of loss or market price whichever was higher instead of the value as p r warehousing receipts Obviously there was no prior stipula tion about such payment to the F C I as a result of which the corporation had to bear additional burden

The Committee, therefore recommend that necessary steps be taken to settle this ssue with the FCI on long term basis so as to avoid such situation in future

The Committee further recommend that the present line of thinking of the management about continuing to treat such goods being non hazardous and consequently not insuring them in the light of the contingency of the type at Bahadurharh may be rationalised so that there is no loss of such nature to the Corporation in future

6 20 09 Storage Charges

2

Ĉ

The Corporation fixes storage charges keeping in view its operation cost and the need for providing storage facilities to its customers at economical rates

During the period 1976 77 to 1979 80 the Corporation revised the storage charges periodically in respect of major Commodities 1 e foodgrains & fertilizers

In connection with the application of the rates the following points were noticed

(a) Revision made in July 1976 was not agreed to by the FCI on the plea that standard of godowns and services rendered by the Corpora tion were inferior to those obtaining in the Central Warehou ing Corporation The FCI had not paid Rs 28 43 lakhs (Rs 26 12 lakhs on storage of fertiliser and Rs 2 31 lakhs on storage of foodgrains) being the difference in previous rates and revised tariff up to 31st March 1981

(b) Revision made in September 1979 was also not agreed to by the FCI The Corporation had raised the bills at enhanced rates but debit of R_5 10 66 lahks representing diff rence in the previous and revised rates was not brought forward into the books of accounts

During the cours² of oral examination the Corporation representative stated that matter regarding settlement of rate with the Food Corporation of India for the previous period was at advanced stage The Committee desire that the matter may be finalised expeditiously and report submitted to the Committee

(11) In a meeting held in March 1973 it was decided that the entire work of storage being hitherto done by the State agencies may be entrusted to the Warehousing Corporation It was also decided that the godowns owned by the Food and Supplies Department should be handed over to the Corporation which shall recover charge storage from the Department and pay rent for these godowns as fixed by the Finance Department Accordingly the Corporation took over godowns of 50 770 tonnes capacity from the department and the procurements made by the department were kept in the godowns of the Corporation

Of the total storage charges of Rs 8728 lakhs (bills raised from April 1979 to March 1981 against the Department) the Corporation could recover Rs 6252 lakhs by cash and by way of adjustment on account of godown rent, *etc* The remaining amount of Rs 2476 lakhs was withheld by the department on account of following reasons

- (a) The Corporation was liable to pay godown rent for the entire capacity transferred whether or not the same was utilised in full by the Food and Supplies Department
- (b) Storage charges in respect of their custom should be actual godown rent plus 13 paise per bag
- (c) Storage charges enhanced by the Corporation from 30 paise to 33 paise with effect from 15th July 1976 were not enforceable in their case in view of the fact that rates of storage in respect of these godowns were to be fixed by the Finance Department

The Management stated (June 1981) that the amount was outstanding due to unsettled disput-s and efforts were being made to get the same settled

During the course of oral examination the departmental representative stated that as per the decision taken by the Finance Secretary to the Haryana Government would pay the same rates as paid by the Food Corpo ration of India and that the matter was expected to be finalised with the Civil Supplies Department within six month

The Committee desire that the final outcome be intimated to them in due course

(111) Delay in submission of documents

As per Government of India s instructions the FCI took up the distribution of pool fertiliser lying warehoused with the Corporation with effect from 1st March 1976 The issues of fertilisers were required to be made against the release orders from FCI to the Head office of the Corporation However to avoid delay the Regional Officers of the FCI were authorised by FCI to issue release orders direct to Warehouse Managers of the Corporation As per the revised procedure (with effect from 13th October 1976) the release orders *inter alia* provided the following clause

Acknowledgement of the representative of the consignce if present showing the quantity and variety of fertiliser despatched and also the R R may be attached with the despatch documents and sent to the District Manager FCI for he date wise issue within 24 hours of the issue of fertilisers' 2

2

n

60

59

would have been reduced The Committee des re that

However during the period abtob by the product being being the provident of the provident o there was delay of 2 toque and the the states and states and the comments Consequently of the state of th to the FCI bills of the Corporation Rel of 750112KH301d8YH13091, 19221 0716 ton August 1979 being the loss of interest due to delay in submis ion situring patch documents

6 20 14 Other topic of interest asy viupne beliabed that (1881 enul) bata the Management stated (June 1981) conduced and it was abserved that (1), IF Crkiz dick not taken it makes it is to the banks (1) they also did not remind our for submission of bills to the banks (ii) they also did not remind our Managers and their field staffifol/submission/national staffifol/submission/nation/national staffifol/submission/national staffifol/submission/na up the responsibility of inpthepriof athenageneits! of T organisation by the Corporation was in contravention

It is however pertmented point sitt itate off ofply gasterogro any Corporation had admittedudefault in Incases vinte pane 1889 39118 syne pure statis including one case in white sider addition addition addition of the second seco framed under the 'Act retrospectively

The Committee observe that as a result of years and be averaged of the processing of capital of Haryana Tanneries was made at the direc nient

6 20(9) (1v) Delay in deposit of the proceeds

E

During 1971 72 and 1072 78 sine Contraction realised may 3 10 lakhs from the sale of pool fertileser against authorisation when being the sale of pool fertileser against authorisation of the sale of pool fertileser against authorisation of the sale of pool fertileser against authorisation of the sale The sale proceeds which were iniquinetbut abbesed ability of A which were iniquinetbut ability of the sale proceeds ability ment of India immediately were not deposited by the Corporation The non payment was specifically improvide or the start of the party of ment of India immediately were Government of India in January19974 adlinizeditetbfletigetigethendenwingse not paid and the Central Government adpisted an anguard and the setting scotting charges bills of the Corporation in Detobal 1978 and, Apple 1978 but phe Central Government further adjusted (September 197691 Nevember 19769) Rs 2 60 lakhs on account of interest (at the article of the perturned of the period the amount remained unpaid from the storage bills of the Corporation FNO DEVED DEVELOPME

The Management contended (March 1980) that the liquidity position prevailing at the time was not sound enough to have enabled the scharge of the liability of payment in time However (while this cannot constitue a valid reason) the accounts for 1971 72 and 1972-7359760-Alead that the Corporation had sufficient bank balances (Rs' 122 (10) 1484 188 a 3/2675 PSI 1/10176) 1972 and Rs 22 07 lakhs on 31st March 1973) to disetturge Therils billing Bai as on 30th June 1980 was R

The Committee observe that the accounts Tfdstind lotato 1971 Api and 1972 73 revealed that the Corporation had sufficient bank balances PRS1 2240 lacs as on 31st March 1972 and Rs 22 07 lacs as on 31st March 1973) to discharge their liability but the Corporation even field charles the sale proceeds reportedly due to non availability of funds 2 Had 2 the "Corpor ration deposited the amount in time i e on 1st April the interest liability would have been reduced The Committee desire that the whole matter play be investigated and responsibility fixed in this case of loss to the Corporation The Committee further recommended that the Corporation should be c rcum spective in future in such matters so that such avoidable losses do no occur and may also issue positive instructions in this regard under intimation to the Committee

6 20 14 Other topics of interest

(1) Irregular investment in share capital of a Government Company

The State Government directed (January 1978) the Corporation to invest Rs 5 lakhs in the equity capital of Haryana Tanner es Limited a State Government Company The Corporation accordingly invested Rs one lakh in March 1978 The investment in the equity capital of any other organisation by the Corporation was in contravention of Haryana Warehous ing Corporation Rules 1969 and the State Government was not competent to issue any directive in contravention of such rules From the legal advice obtained by the Corporation (March 1979) it emerged that there was no pro vision in the Act empowering the State Government to amend the rules framed under the 'Act retrospectively

1

2

ŋ

The Corporation thus made an investment which was *ultra ures* of the provisions of the Warehousing Corporations Act 1962 read with the Haryana Warehousing Corporation Rules

During oral examination the Corporation representative admitted that the Corporation was not empowered to invest in the equity capital of any other organisation and that the investment of Rs 5 lakhs in the equity capital of Haryana Tanneries was made at the directive of the State Govern ment

The Committee observe that since the State Government was not com petent to issue any directive in contravertion of the Corporation Rules 1969 The investment of Rs 5 lakhs was not regular

The Committee therefore recommend that the whole matter should be examined in the light of the fact that there being no provision in the Act empowering the State Government to amend the rules framed under the Act not retrospectively, whether the order of the State Government was in confirmity with the law The decision taken on the matter be intimated to the Committee in due course

HARYANA SEED DEVELOPMENT CORPORATION LIMITED

6 23 03 (c)

The Company has also arranged cash credit (limit Rs 190 lakhs) from three banks against hypothecation of trading stocks for meeting work ing capital requirements The balance outstanding in the cash credit account as on 30th June 1980 was Rs 59 30 lakhs Further short term loan amounting to Rs 703 lakhs taken from a bank was also outstanding as on 30th June 1980

During the course of oral examination on 16 12 1983 in reply to a question regarding the outstanding cash credit of Rs 59 30 lakhs obtained

£

٤

 $\widehat{}$

from three banks the management stated that against a sanctioned limit of Rs 295 crores they had obtained a loan of Rs 45 lakhs. The Committee feel that the Company should not have got sanctioned a limit of Rs 295 crores when they needed only 40 45 lakhs. It is felt that the Company is paying commitment charges unnecessarily on the amount of cash credit not availed of

The Committee desired that the whole position in this regard may be reviewed immediately and only that much amount may be got sanctioned which is absolutely necessary for the working of the Company The position in this regard be also intimated to the Committee

6 23 05 (A) Foundations seed

Nucleus/breeder seed constitutes the basis of all further seed production Foundation seed which is marked by genetic purity and other physical characteristics is multiplied either from breeder seed or nucleus seed and used for multiplication/production of certified seed. The term certified seed is widely used to denote seed which is sold to the farmers for raising crops on larger scale

The Company procures the Foundation Seed of the Project crops, wiz wheat paddy and cotton from Agricultural University NSC and other research institutions. The seed is distributed amongst grower shareholders and others for multiplication/production of raw seed which is processed in the processing plants of the Company and then sold as certified seed to the farmers

The table below indicates the targets for procurement and distribution of foundation sed and seed actually distributed amongst growers for production of certified seed during the period from 1977 78 to 1979 80 in respect of the Project crops, *viz* wheat, paddy and cotton

Year	Target for distribution amongst growers	Foundation seed procured	Seed actually distributed	Percent age of actuals to targets
(1)	(2)	(3)	(4)	(5)
Wheat		(In qui	ıta l s)	
1977 78	6 400	3 594	3 960	61 8 7
1978 79	6 264	2 679	5 815	92 8 3
1979 80	7,472	4 397	6 977	95 38
Paddy				
1977 78	342	123	225	65 79
1978 79	180	152	157	87 22
1979 80	200	345	343	171 5
Cotton				
1977 78	⊷	27	7	
1978 79	148	175	175	118 24
1979 80	176	310	310	176 14

The difference between the seed procured (column 3) and the see bes and bins (5 mmiloo) berusold uses and (4 muloo) betudirtsib yllautos bese noitaniming terih anitydert the state and a muloo) betudirtsib yllautos ad obtained a loan of Rs 45 likhs. I he Committee

20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval ton buck \ 20 2 RA lo time i bonoious tog oval to buck \ 20 2 RA lo time i bonoious tog oval to buck \ 20 2 RA lo time i bonoious tog oval framed three years ago assuming that certain improvements would come out but these toggessicant nonberachiever because it mey were dependent upon setting but on the setting up of the provide the setting up of the provide the setting up of the setting up of the setting up of the setting of the setting up of the setting up of the setting up of could not be adhered to It was also pointed out that the targets were fixed on the basis of previous years experience and every year they had stepped up the distribution of seed e g during the last year's 5000¹¹ quintals of seed was seed convergit strate basis of all further seed produc

which is marked by grantic purity and other physic is a marked by grantic purity and other physic bane these committee deep that, these targets family by the Company in a set is a manner and the Company is a company of the company in a cable targets and that is a company contraction of the company is a cable targets and that is a company of the company is a company cable targets and that is a company of the company is a company of the company is a company of the company is a company years. The Committee desire that the targets should be fixed taking into consideration all conceivable curcumstances and contingencies

d cotton from Agricultural University NSC and other The seed is distributed amosagas throwing start policies

ntion/production o raw seed which is processed in the

ent Algaman abitequirement of 16 400 quillais foundation wheat seed for Rabi 1977 78 the Company plac-d (October 1977) an order for 5 600 Raoi 1977 is the Company placed (October 1977) an order for 5 600 quintals of seed at Rs 335 per quintal mithins only and a sold (October-December received) (October 1977) which is a per company and a sold (October-December 1977) which dependent of the balance of sold and the sold (October 1977) quintals of the balance of sold and the sold (October 1977) infested with weevers instead of rejecting the infested seeds these were reprocessed by the Company on behalf, which is NSC to The Company could self only 151 20 quintals a certified seed after revalidation and regrading in subsequent years of the balance of the balance of a sold of the balance of quintals were found short (value Rs 938) and the remaining 705 60 numbers were auctioned for Rs 0 68 lake-resulting in an avoidable loss of quintals were auotioned for $\hat{Rs} = 0.68 \text{ lakh}_{(E)}$ resulting in an avoidable loss of $\hat{Rs} = 1.60 \text{ lakhs}$

(In quintals)

The Management stated (July 1980) that the Company purchased found ation seed for further multiplication and utilised the maximum quantity which doubt distributed as foundation seed and earned an overall profit ong the sale of certified cseed They had onot, however explained why the infested seed was racepted 4 397

During the course of oral examination Company representative stated that it was the only available seed with the National Seed Corporation and that due to heavy rains a lot of seed bacame infested It is however noticed from the para that the Company received 3640 quintals of wheat seed dering the year 1977.78 out of which 618 80 quintals were found infested 1 e about 20% of the seed was not fit to be used The Comittee feel that the Company should have rejected this seed instead of re processing the same (which could not be sold later on) on behalf of the National Seed Corporation 175 175 176 14 310 310

Ð

2

R

2

£

The Committee, therefore desire that the whole matter regarding the purchase of wheat seed during the year 1977—78 may be investigated in detail and it may be determined as to why the infested seed was not outrightly rejected instead of reprocessing the same which could not be sold even at a later date

6 23 06 (b) Paddy seed

(1) The Company was covered under the NSP under which from July 1976 inter State marketing is done by the NSC. The Company arranges the production programme for intra State marketing and inter State marketing according to the requirement indicated by the Department of Agriculture and NSC respectively

During Kharif 1977 the Company offered 19,000 quintals of paddy seed to NSC well in advance of the sowing season Though NSC indicated its willingness to have the seed (February 1977) it did not indicate the price In the meantime as the Department of Agriculture increased their demand only 2 000 quintals of surplus seed was finally offered to NSC for inter State marketing In May 1977 at the peak of sowing season NSC indicated its willingness to take this 2 000 quintals of s ed at Rs 131 per quintal ex godown as against the cost price of Rs 157 64 per quintal ex godown The Company did not supply the s ed due to the unremunera tive price offered by NSC and the whole quantity of seed was disposed of within the State

Again during *Kharif* 1978 the Company supplied 4 421 52 quintals of paddy seed to NSC without settling the sale price The NSC later on refused (June 1978) to pay the Company more than Rs 12515 per quintal against the cost price of Rs 15950 per quintal Thus the non settlement of price before the actual supplies re ulted in a loss of Rs 1 52 lakhs.

During the course of oral examination when asked as to why did the Company supply 442 50 quintals of paddy seed to the National Seed Corporation without first settling the price that resulted in loss of Rs 1 52 lakhs the company representative stated that as per prevalent practice the NSC do not fix the price before the supply is made. It was however stated that some times the Company had to supply the seed to the NSC on the direction of the Govt of India and at that time keeping in view the position prevelent in other States the NSC made them the payment according to the rates fixed by them

The Committee feel that if this matter is accepted as a metter of practice or principle the Company will always suffer losses on account of their sales of seed to the NSC

The Committee therefore recommend that the matter should be taken up by the State Govt at an appropriate level with the Govt of India to sort out the metter so that the Company do not suffer loss on this account

62306(c)

2

C

(1) For Rabi 1979 80 seed production programme the company pro cured 2 177 50 quintals of potato foundation seed (against 5 000 quintals planned) at Rs 85 per quintal during the period from The Company could sell (September October 1979) only 1,288 quintals as seed at Rs 136 per quintal Out of the balance quantity (889 50 quintals) there was a shortage of 25 50 quintals due to driage and the re maining quantity (864 00 quintals) was disposed of (November 1979) for Rs 0 38 lakh resulting in loss of Rs 0 63 lakh It will further be observed that the Company could sell only 59 *per cent* of the potato seed procured and processed for the purpose for which it was meant

The Management stated (May 1981) that at the time of allotment of potato foundation seed the seed the seed growers were already having huge quantity of potato with them which was not finding any market and hence the Company could not sell the entire foundation seed potato for seed purposes

During the course of oral examination the Company representative stated that against target of 5 000 quintals the Company produced 2 177 quintals of potato foundation seed out of which Company could sell only 1 288 quintals because of the fact the seed growers were already having huge quantity of potato seed with them and that the potato growers preferred to use their own seed rather than to purchase it from the Company The Committee observe that when it was in the knowledge of the Company that the potato seed growers were having huge quantity of potato with them then why did the Company procure the huge quantity for distribution The Com mittee feel that the target was not fixed on realistic basis as much as the Company could sell only 59% of the potato seed procured and processed for the purpose for which it was meant

The Committee therefore, suggest that in future the Company should be cautions in fixing targets/their requirements of the seeds after taking into account the demand of the growers etc

6 23 06 (c)

(11) With the consent of the Department of agriculture the Company planned to augment distribution of certified gram seed up to 20 000 quintals during Rabi 1978 79 Subsidy at Rs 150 per quintal was to be made available by the Government of India through the Department of Agriculture to the Company The procurement of the seed from State Farms Corporation of India (SFCI) and the Company s own production through private seed growers was estimated at 14 600 and 5 400 quintals respectively

2

£1

The Company procured 15 982 30 quintals of certified gram seed valued Rs 57 73 lakhs from SFCI at Rs 275 per quintal and 3 132 04 quintals of raw seed from the growers at the rates ranging from Rs 210 to Rs 220 per quintal

In a meeting of various agencies dealing in the distribution of seed (held on the 10th August 1978) it was decided that the major portion of this seed would be distributed through HAFED The actual quantities con signed to various agencies for onward distribution to the farmers were as

FT	
unuer	

Sei nu	nal Agency mber	Quantity
		(In quintals)
1	HAFED	14,074 48
2	Haryana Agro Industries Corporation Limited	845 20
3	IFFCO	4 80
4	Sale counters of the Company	4 080 90
5	Use for seed production	108 9 6
	Total	19 114 34

Out of 14 074 48 quintals of seed delivered to HAFED 4 554 10 quintals remained unsold which was received back by the Company In addition 1 506 34 quintals also remained unsold with sale counters of the Company All these left over stocks (6 060 44 quintals) were sold in open auction by the Company for Rs 12 38 lakhs at an average rate of Rs 204 25 per quintal Thus out of 19 114 34 quintals of seed 6 060 44 quintals could not be sold by the Company as certified seed which showed that either the target of distribution of seed was unrealistic or the Company could not carry out distribution programme Further the Company suffered a loss of Rs 5 57 lakhs in the disposal of 6 060 44 quintals sold by auction

During the course of oral examination the representative of the Com pany stated that the target was fixed by the Agriculture Department and that the gram was sown mostly by the small and marginal farmers

After careful examination of the facts deposed before the Committee the Committee observe that either the targets of distribution of seed were unrealistic or the Company could not carry out distribution programme successfully which resulted in loss of Rs 5 57 lakhs The Committee therefore recommend that the matter may be investigated and the results of investigation intimated to the Committee within three months

The Committee feel that there is a general impression that the seed supplied by the company is infested and not of good quality of which it should be and that is why the farmers do not purchase the gram seed maketed by the Company The Committee desire that the Company should market only that seed which is of the best quality and meet with the demand and requir ment of the farmers

The Committee further desire that the statement of target fixed and gram seed procured/sold during the subsequent years be furnished to the Committee

6 23 10 Costing system

A

In April 1979 the Company appointed a firm of Chartered Accountants⁵ on a remuneration of Rs 3,000 to prepare a report on costing system

65

Accordingly the Chartered Accountants submitted the requisite report in 1979 itself The report contained *inter alia* the following points/suggestions

- (1) Devising system for testing the seed at a small laboratory before final processing and packing
- (11) Maintenance of proper records of packing material to avoid/curtail wastage to some extent
- (11) Absorption of overhead charges on the inter unit transfer of stores and
- (iv) Preparation of separate profit and loss account of each unit to compare the efficiency of each unit and to find out the areas of inefficiency

δ

Д.

However no action was taken by the Management on the above report (June 1981)

During the course of oral examination the Company representative stated as under \rightarrow

- 1 We propose to set up a small laboratory in each plant for testing the seed before final processing and packing
- 2 We are maintaining proper records of packing material now
- 3 The recommendation regarding absorption of overhead charges on the inter unit transfer of stores cannot be implemented by this Company because we do not transfer the stores and
- 4 We will introduce separate profit and loss accounts and balance sheet for each plant

The Committee desire that report about setting up of a laboratory and preparation of profit and loss accounts in respect of each plant on the lines suggested by the consultants in their report be furnished to the Committee at the earliest

6 23 11 (11) Fxcessive consumption of gunny bags

Gunny bags are used for bagging the raw seeds purchased from the growers The data given below indicates the detail of consumption of gunny bags for bagging the raw seed purchased

Year	Opening balance	Purchases	Consum p tion	Closing balance	Raw seed purchased	Ratio of sumption gunny bo seed purc	n of agsto
(Number d	of empty gunny	bags)			(Quintals)		
1976 77	1 20 961	1 10 513	75 195	1 56 279	12 3 699	0 61	1
1977 78	1 56 279	1 25 100	1 31 807	1 49 572	1 41 997	0 93	1
1978 79	1 49 572	1 15 501	67 708	1 97 365	1 97 153	0 34	1
1979 80	1,97,365	83,689	52,533	2 28 521	2 14 973	0 24	1

From the data of 1978 79 and 1979 80 it is clear that one gunny bag could be used three to four times Thus taking an average turnover of a gunny bag for three times the excess consumption of gunny bags during the years 1976 77 and 1977 78 worked out to Rs 5 56 lakhs Further the stocks held at the end of 1978-79 and 1979 80 were considerably higher than the rate of consumption during the respective years demanded The Company had not evolved any system to determine the normal requirements of the bags

During the course of oral examination the company representative stated that gunny bags were not actually consumed but rather used for the packing of seed and then disposed of on becoming unserviceable The Com mittee is not satisfied with the reply furnished by the Company because as per para one during the year 1978 79 and 1979 80 one gunny bag was used three to four times but during the year 1976 77 and 1977 78 the same was used for one to one and a half times It was stated by the Company representative that this matter would be sorted out with the Accountant General

The Committee desire that this matter may be sorted out with the Accountant General and outcome be intimated to the Committee

(1) Shortge of gunny bags at Krnl

At the time of physical verification of stores as on 30th June 1979, a shortage of 7 323 gunny bags was detected Later on at the time of change of incumbency on 8th February 1980, further shortage of 6188 bags was noticed making a total of 13,511 bags The matter was investigated (March 1980) by a Committee of officers which finally placed the shortages at 13 226 bags (10 218 big and 3 008 small) valuing Rs 55 000 An FIR was lodged with the Police on 21st March 1980 which was still being investigated (July 1981)

The Company terminated the services of the Accounts Clerk on 21st March 1980 and suspended the Store Keeper on Ist April 1980

T 0

Ð.

During the course of oral examination, the Company representative informed the committee that the services of Accounts Clerk and the Store Keeper had been terminated and the case was pending in the court of law

The Committee desire that the matter may be pursued to its logical conclusion and the final outcome be intimated to the Committee in due course

HARYANA AGRO-INDUSTRIES CORPORATION LIMITED

6 29 Oil fired boiler

The Corporation had decided (September 1974) to instal a Solvent Extraction Plant at Kaithal to extract oil from rice bran

The techno economic project report prepared by a firm of Jaipur for the installation of the plant recommended (September 1974) use of coal as fuel for oil fired boiler to produce steam required for operation of the plant The wrong use of the terminology oil fired boiler instead of coal fired boiler' in the list of plant and machinery attached with their report



e ij

went unnoticed accordingly in March 1976 the work of supply fabrication and erection of the plant on turn key basis was entrusted to a firm of Bombay with oil fired boiler as one of the equipments While the work of installa tion of the plant was under execution the plant was transferred (December 1976) to Haryana State Co operative Supply and Marketing Federation Limited (HAFED) It was assessed by HAFED (July 1977) that the installation of an oil fired boiler would involve recurring additional expenditure of Rs 3 12 lakhs per year on the the basis of 300 working days per year Enquiries were floated (July 1977) by HAFED for the disposal/ replacement of the oil fired boiler (cost Rs 2 13 lakhs including accessories) but there was no response

The plant was again transferred to the Company in April 1978 The Company brought (June 1978) to the notice of the consultants who had prepared the initial project report who had stated (June 1978) that the use of the word oil was due to an inadvertent typographical mistake No action was taken by the Company on the consultants for rendering a wrong advice

The plant which was scheduled to be commissioned on 15th October 1976, finally went into commercial production in July 19/9 (outlav incurred Rs 67 18 lakhs) with oil fired boiler. The comparative operational cost/ eco-omics of oil fired boiler with that of coal fired boiler of the same capacity was again assessed (S ptember 1979) by the Company and the difference in costs was worked out to be Rs 1 163 per day (Rs 3 49 1.khs per year based on 300 working days per year) in favour of the coal fired boiler. The plant processed 2 771 tonnes of rice brand and 455 58 tonnes of oil in 272 days (based on daily capacity) during 1979 80 and 1980 81 (up to January 1981). The installation of oil fired boiler in place of coal fired boiler had thus resulted in extra expenditure of Rs 3 17 lakhs up to 31st January 1981.

In written reply to the questionnaire of the Committee the Corporation stated as under -

The wrong use of terminology Oil fired boiler instead of 'Coal fired boiler seems to have escaped notice. While the work of installation of the plant was under execution this point came to notice. Although no reason with regard to having oil fired boiler is available in record yet it seems that the management at that time might have the following points in conside ration

- (1) At the time of preparation of project report in September 1974 the cost of operation was coming almost same as furnace oil was available at paise 80 per liter
- (11) Furnace oil was easily available where as difficulties in procurement of coal which was a scarce item during 1974 75

Installation of plant was started in 1976 and subsequently plant was transferred to Hafed in 1977 At that time Hafed had assessed comparative viability of oil fired boiler and coal fired boiler The gap of 3 years was a very considerable period in which several changes with regard to the prices Z

and availability took place Subsequently the matter was taken up with M is Haq consultants Jaipur but no action could be taken against them because the fee of Rs 10 000 had already been paid to them In the mean while technological changes have made possible the use of Rice Husk as fuel for boiler and the Corporation has also got changed oil fired boiler at Kaithal Plant into Husk fired boiler by investing a sum of Rs 1 10 lac This has made possible the saving to the extent of 80% fuel cost

After careful consideration of the written reply and the information furnished during the course of oral examination on 5 1 1984 the Committee feel that there is certainly a lapse on the part of the engineers of the Corpo ration in not detecting the use of wrong terminology in the list of plant and machinery attached with the report of the consultant firm The Committee further observe that the plea put forth by the Corporation that the furnace oil was cheap and easily available is an after throught and not a cogent reason b cause the coal fired operation was always cheaper and the consultant had intended to recommend only coal for the boiler As a matter of fact the Corporation should have initiated legal action against the consultant firm for rendering wrong advice as also against their own engineers for not poin ting it out at the initial stage

At the time of oral examination the corporation representatives had promised to furnish detailed information about the whole matter within one month The Committee however regret to point out that the desired infor mation was not furnished till the drafting of the report The Committee, there fore, recommend —

- (1) action against the engineers responsible for not detecting the wrong terminology may be taken immediately and
- (2) reason for transfering the plant to the HAFED in 1976 and then again taking it back in June, 1978 be investigated and report in this regard be furnished to the Committee within three months

 $14032 \rightarrow H V S \rightarrow H G P Chd$

r





ſ

۱

© 1984

٤

1

ت ر

> Published under the authority of the Haryana Vidhan Sabha and printed by the Controller, Printing & Stationery, Haryana, Chandigarh

ş