

32

HARYANA VIDHAN SABHA
COMMITTEE
ON
PUBLIC UNDERTAKINGS
(1991-92)
(EIGHTH VIDHAN SABHA)
THIRTY SECOND REPORT
ON THE
REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR YEAR 1983-84 (COMMERCIAL)



Presented to the House on

25/3/92

HARYANA VIDHAN SABHA SECRETARIAT,
CHANDIGARH.
1992

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**COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(1991-92)**

CHAIRMAN

1. Shri Phool Chand Mullana

MEMBERS

2. Shri Azmat Khan
3. Shri Chhattar Singh Chauhan
4. Shri Mohan Lal Pippal
5. Shri Om Parkash Beri
6. Shri Pir Chand
7. Shri Purush Bhan
8. Shri Ram Rattan
9. Shri Satbir Singh Kadian

SECRETARIAT

1. Shri Sumit Kumar, Secretary
2. Shri Shanti Sarup, Under Secretary

Note : The Committee for the year 1991-92 was nominated by the Hon'ble Speaker in pursuance of the motion moved and passed by the Haryana Vidhan Sabha in its sitting held on the 12th July, 1991, authorising him to nominate the members of the Committee on Public Undertakings for the year 1991-92, on the 26th July, 1991.

(v)

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings, having been authorised by the Committee in this behalf, present the Thirty Second Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1983-84 (Commercial).

2. The Committee orally examined the representatives of the concerned Departments/Undertakings.

3. A brief record of the proceedings of the various meetings of the Committee held during the year 1991-92 has been kept in the Haryana Vidhan Sabha Secretariat.

4. The Committee place on record their appreciation of the valuable assistance and guidance given to them by the Accountant General (Audit) Haryana and his staff.

5. The Committee are thankful to the representatives of the Finance Department and of the concerned Departments/Undertakings who appeared before the Committee from time to time.

6. The Committee are also thankful to the Secretary, Haryana Vidhan Sabha, and his officers/staff for the wholehearted cooperation and assistance given to them.

Chandigarh :
The 6th February, 1992.

PHOOL CHAND MULLANA,
CHAIRMAN.

REPORT
HARYANA STATE MINOR IRRIGATION (TUBEWELLS)
CORPORATION LIMITED

3.03. Working results

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

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

In their written reply, the Department/Corporation stated as under :—

“The accounts of the Corporation are being compiled within 6 months from the closing of the financial year as prescribed in the Companies Act, 1956. As regards the audit of accounts it is intimated that the Statutory audit upto 1985-86 has since been completed and their final report has also been received. The auditors for the year 1986-87 & 1987-88 have been appointed by the Company Law Board and the audit is in progress.

The losses are attributable to the following reasons :

A. The main reasons of losses are the uneconomic rate fixed by the Hr. Govt. for supply of water through DIT & Aug. T/wells as compared to the expenditure being incurred on running and maint. of T/wells.

B. Less demand for supply of water from Irrigation Deptt. and farmers is also one of the main reasons.

Steps taken to reduce the losses

A(i) T/well Circle Delhi of this Corporation has been closed on 31-5-1990.

(ii) Corporation submitted a proposal for grant of subsidy on DIT/wells to Govt. vide letter No. 3657/Rev. 5 dated 21-10-91. According

to the latest position received vide Govt. letter No. 56/1/89/5MIP dated 14-11-91, all DIT/wells are to be handed over to beneficiaries. The action in this regard is being taken. However, matter in this regard is still under consideration of Govt.

(iii) In case of enhancement of rates for running of Aug. T/wells, the matter is referred to Irrigation Deptt. vide letter No. 1745-46/Rev. 4 dated 29-5-1991. Revised rates as submitted are still under approval of Irrigation Deptt.

B. During 6/88, 2062 Nos. employees were declared surplus to the requirement of the Corporation. Out of 2062 surplus employees considerable number of staff has either been repatriated or absorbed in other Deptts. or utilised in the Corporation on other activities. The main surplus staff relates to T/well Operators/Foremen/Office Peons/Chargemen/Drivers etc. totalling 348 persons.

* * * * *
* * * * *

The claim of forced idle hours in respect of Aug. T/wells has been principally accepted by the Haryana Govt. vide their letter No. 2/22/MI&P dated 7-8-1985 and 23-8-1985 and the matter is still under correspondence."

The Committee desire that the case regarding claim of forced idle hours may be pursued vigorously with the State Government and final outcome thereof intimated to the Committee.

The Committee also desire that final action taken about the transfer of direct irrigation tubewells to the beneficiaries may be intimated to the Committee.

The Committee recommend that the Corporation should work out the quantum of staff which may be rendered surplus as a result of transfer of these tubewells and simultaneous action in respect of the surplus staff be taken to lessen financial burden of the Corporation.

3.07. Points noticed during audit.

3.07:1. *Measurement of works*

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

- (i) Earthwork and brick lining between RD 2000—4000
- (ii) Earthwork and brick lining between RD 1750—2000
- (iii) Earthwork and brick lining between RD 500—1750.

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

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

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

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

In their written reply, the Department/Corporation stated as under :—

“The Corporation fixed the responsibility on the following officers/officials against whom charge sheet under rule 7 were issued. After receipt of replies, following penalties were imposed :—

1. *Shri S.L. Chaudhary* (the then Xen) Severely warned for his lapses.
2. *Shri R.K. Gupta, SDO* : Recovery of Rs. 43,264 was ordered.
3. *Madan Lal, JE* : No charge sheet could be served. The JE resigned on 5-12-1981.
4. *Sh. A.D. Sahuja, JE* : Recovery of Rs. 2597/- was contemplated.

As regards the actual recovery imposed the position is as under :

1. *Shri R.K. Gupta, SDO* : The recovery order set aside by the Court of Additional Distt. Judge Karnal by judgement dated 1-8-1990. No appeal was filed against the

judgement. Legal Remembrancer Haryana considered it to be unfit case for file of appeal.

2. *Shri A.D. Saluja, JE* : No recovery could be ordered as the JE expired on 15-8-89. The amount of Rs. 2987/- has been waived off by the MD during 7/90.

The award of the Arbitrator has been accepted by the contractor.

Award for the work of constructing earthwork and brick lining of link channel IV RD 500—1750 has not yet been recommended by the arbitrator."

The Committee desire that the case may be got expedited and decision of the arbitrator, when received, be intimated to the Committee.

3.07.3. *Aqueduct work on Ghaggar river*

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

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

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

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

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

In their written reply, the Department/Corporation stated as under :—

"Following Officers/Officials were charge sheeted :—

(i) *Shri S.D. Khurana*, the then Xen.

(ii) Shri C.L. Abrol, S.D.O

(iii) Shri S P. Bansal, JE.

The decision on the charge sheet against Shri S.D. Khurana and C.L. Abrol, S.D.O. are pending with the Govt. In respect of Shri S.P. Bansal JE, he has been censured by the Engineer-in-Chief I.B Haryana for the lapses in this case."

The Committee feel that there is inordinate delay in taking decision on the charge sheet against the delinquent officials at serial Nos. (i) & (ii) above.

The Committee recommend that the action against these officials be finalised early and the final outcome intimated to the Committee.

3.07.5. *Non-operation of tubewells*

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

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

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

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

In their written reply, the Department/Corporation stated as under :—

"The T/wells are still inoperative. The responsibility has not been fixed for minimum energy charges for the inoperative T/wells because the matter was under correspondence with the Irrigation Deptt. for an early completion of the protective measures.

The matter is still pending and the claim preferred has not been accepted by the Irrigation Deptt."

The Committee are constrained to observe that the matter is pending for the last seven years and the Corporation has not been able to get it settled so far.

The Committee recommend that the matter may be pursued vigorously with the State Government and the final outcome thereof intimated to the Committee.

3.08 Contract work—Massani Barrage

5. 308.1 The Massani Barrage Project taken up by the State Government in October 1980 envisaged the construction of a flood control barrage on the Sahibi river near village Massani in Mohindergarh district. The project included (i) construction of 173 metre long barrage having 18 bays of 10 metres width each; (ii) raising of embankment; (iii) construction of Massani canal and feeding channel; and (iv) allied works, at a total cost of Rs. 35.96 crores.

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

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

The company got executed the earthwork through two contractors during March-June 1981 and payment of Rs. 2.89 lakhs for 35,821.5 cum was made on the basis of measurements recorded by the junior engineer in charge of the work. The executive engineer in charge of the division subsequently brought out (October 1982) that taking into account the cross sections recorded before the commencement of the work, the total quantity of earthwork executed worked out to 32,448.5 cum which included 6,739 cum of earthwork presumed to have been done with the help of dragline and dozers. The net quantity of work done by the contractors worked out to 25,709.5 cum for which the contractors should have been paid to Rs. 2.16 lakhs. Thus there was an excess payment

of Rs. 0.73 lakh to the contractors for earthwork which was neither recovered from them nor responsibility fixed for excess payment.

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

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

In their written reply, the Department/Corporation stated as under :—

“3.08.1. The work has been completed and accounts of the works are under finalisation in HSMITC. The HSMITC has lodged claim with IB for payment of Rs. 1.91 crores vide letter No. 3808/167W dated 23/12/87 and the matter is still under finalisation.

3.08.2. The following officers have been held responsible for the payment.

1. Ajit Singh the then XEN
2. V. P. Gupta, SDO
3. V. P. Singh, JE

Charge sheets against Sr. No. 2 has been issued and Sr. No. 1 and 3 for recovery of losses will be issued within fortnight.

3.08.3 The deployment of machinery was essential for completion of work to the extent required to be completed before monsoon.

The charge sheet for this is under finalisation as per 3.08.2 above.”

The Committee are constrained to observe that before hiring the dragline and dozers, their viability was not worked out with the result that the Corporation sustained a loss of Rs. 2.09 lakhs on 6,739 cum earth work done with the help of hired machinery. The Committee feel that there is inordinate delay in taking action against the delinquent officials.

The Committee desire that the claim of the Corporation may be pursued with the Department/State Government vigorously and outcome intimated to the Committee.

The Committee recommend that action be taken against the delinquent officers/officials including those responsible for delay in taking action in the matter and the action taken intimated to the Committee.

6. 3.08.4. The Company issued work order (March 1981) after inviting tenders, to a contractor for supply of 5,000 cum each of 5-10 mm and 10-20 mm size coarse aggregate at Rs. 79.15 per cum and Rs. 75.75 per cum (f.o.r. at site) respectively. A junior engineer of the company measured in June 1981 the quantity of coarse aggregate supplied by the contractor as 1,910 cum (5-10 mm size) and 2,223.90 cum (10-20 mm size) and check measurement was carried out by the sub-divisional officer. The material supplied by the contractor remeasured by two executive engineers in October 1981 and quantities of aggregate supplied by the contractor were found to be 1,324 cum (5-10 mm size) and 1,652.69 cum (10-20 mm size). By that time the contractor had already been paid Rs. 2.75 lakhs for 1,522 cum (5-10 mm size) and 2,040 cum (10-20 mm size) of aggregate resulting in excess payment of Rs. 0.45 lakh. The contractor, however, insisted on further payment of Rs. 0.45 lakh based on the quantities originally measured by the junior engineer.

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

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

In their written reply, the Department/Corporation stated as under :—

“Charge sheet under rule 7 of CSR (Punishment and Appeal) Rules, 1952 has been issued to Shri V.P. Gupta SDO vide CE/R&D I.B. Haryana letter No. 654-58/3 PLG/1714 dated 24-3-87 (Govt. No. 17/10/83-51B dated 6-3-87). Appeal against decision of arbitrator filed by MITC is pending in the court of Sub Judge 1st Class Rewari.”

The Committee observe with concern that the Corporation failed to take action against the official despite the fact that about five years have elapsed after issuance of the charge sheet.

The Committee desire that decision of the court may be intimated to the Committee in due course.

The Committee recommend that action against the delinquent official be expedited and the final outcome intimated to the Committee.

7. 3.08.5. Massani Construction Division, Rewari, entrusted with the execution of contract work of Massani barrage was maintaining a store under the charge of a junior engineer. In June 1982 the physical verification of store by a sub-divisional officer revealed shortages of coarse aggregate and G.C. sheets amounting to Rs. 0.95 lakh.

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

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

In their written reply, the Department/Corporation stated as under :—

“Shri V.P. Singh, JE is responsible for the loss to the Corporation. Recovery order has been passed on account of loss relating to CGI sheets and Yamuna sand amounting to Rs. 4986/- and Rs. 12,176/- respectively vide office order dated 3-1-91.

Charge sheet against Shri V.P. Singh in r/o coarse aggregate is under finalisation and will be issued within fortnight.”

The Committee are constrained to observe that there is inordinate delay in taking action against the delinquent official for shortage of coarse aggregate.

The Committee recommend that action against the official may be finalised early and position of recovery effected intimated to the Committee.

3.11.—Other topics of interest

3.11.1. Irregular payment of deputation allowance

8. In December 1975, Irrigation Department appointed 16 Assistant Engineers and posted them with the Company against the existing vacancies. In January 1976, the State Government finalised the general terms and conditions of deputation for the officers and staff of the Irrigation Department deputed to the Company. In pursuance of the terms and conditions laid down by Government, the Engineer-in-Chief, Irrigation Department ordered (September 1976) the Company to make payment of deputation allowance to the newly recruited assistant engineers posted with the Company.

The Finance Department, *inter-alia*, clarified (May 1977) that for the purpose of admissibility of deputation allowance, the term, ‘Deputation’ would cover only appointments made by transfer on a temporary basis

and in public interest. Appointment of serving employees either by promotion or by direct recruitment in competition with outside candidates, whether on a permanent or temporary basis would not be regarded as deputation. Similarly, permanent appointments made by transfers would also not be treated as deputation.

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

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

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

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

In their written reply, the Department/Corporation stated, as under :—

"Out of 13 officers who joined this Corporation as Xens on promotion, terms and conditions in respect of six officers, S/Shri S.C. Sharma, O.P. Kathuria, Ashok Kumar Jain, R.R. Dudeja, S.P. Gulati, C.P. Goyal, Xens have since been settled with deputation allowance. As such the payment of deputation allowance made to these officers has been regularised.

Terms and conditions in respect of S/Sh. - R.P. Bhatia, Zia-al-Islam, V.K. Singal, Balbir Singh, Babu Ram, Zile Singh and Satinder Singh, Xens have not been settled so far.

Regarding recovery of deputation allowance necessary instructions have again been issued vide No. 836-886/S-II/ACS dated 14-8-91."

The Committee recommend that the matter for settlement of terms and conditions of deputation for remaining officers be taken up with the State Government and the progress of recovery of irregular deputation allowance be intimated to the Committee.

3.11.2. *Avoidable payment of sales tax*

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

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

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

In their written reply, the Department/Corporation stated as under :—

"In this respect it is submitted that the store worth Rs. 32,66,540/- purchased for the manufacture of pumps for Irrigation Department was already included in the total purchase worth Rs. 85,00,637.65 paise against form 'C' which was rejected by the excise and taxation authority and order (30-5-77) for the payment of additional 7% Sales Tax amounting to Rs. 5,95,044/- on the ground that the material components purchased were consumed for the purpose other than the re-sales. The Corporation again made efforts through SUO MOTO appeal with the request to justify that material worth Rs. 32,66,590/- was purchased for manufacture of pumps for Irr. Department & the Sales Tax at the rate of 7% was not leviable but the request for the same was rejected.

The Management is looking after of fixing the res-

The Committee observe with concern that the Corporation failed to satisfy the Excise and Taxation authority that the material worth Rs. 32.67 lakhs purchased was actually used for the manufacture of pumps sold to Irrigation Department.

The Committee recommend that the responsibility in the matter may be fixed and the action taken intimated to the Committee.

HARYANA AGRO INDUSTRIES CORPORATION LIMITED

4.01—Irregular payment to staff

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

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

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

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

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

In their written reply, the Department/Corporation stated as under :—

"A total amount of Rs. 1.72 lacs is outstanding against the staff. The reason was that Workers Union of the Corporation filed a demand notice on 17-7-84 in Labour Court, Chandigarh and conciliation proceedings were started and during the pendency of conciliation proceedings no such recovery could legally be effected. Besides cases of two categories of employees as mentioned below were reconsidered by the Board of Directors on 20-12-1983 as well as the pay revision committee of the Corporation on 12-7-1982 and approved the modified pay scales under question and the same approved scales were sent to Government on 17-12-1984 for approval of Government. The decision is still pending. :—

1. Assistant Plant Operator
2. Assistant Accountant

After the implementation of 4th Pay Commission's pay scales w.e.f. 1-1-86 the scales have been clubbed and there is no dispute. Therefore, recovery was not possible.

Shri Partap Singh, I.A.S., the then Managing Director has since expired."

The Committee observe that the matter had been pending with the Labour Court for more than 7 years and recommend that it should be pursued vigorously and the decision taken by the Court be intimated to the Committee.

The Committee further recommend that the decision by the Bureau of Public Enterprises/Government with regard to the approval of the modified pay scales of the two categories of staff stated above also be submitted to the Committee.

4.02. ~~Tested and approved~~ **Purchase of gunny bags**

For the 1983 crop, the State Government allotted 3 per cent share of wheat procurement in Haryana to the Company. In order to achieve a target of procurement of 5.04 lakh quintals of wheat, the Company decided to purchase 5.10 lakh gunny bags and floated tenders in March 1984. The Board of Directors constituted (6th April 1983) a purchase committee for finalising the tenders. Offers received from 12 firms were opened on 8th April 1983. The offer of firm 'A' for 2 lakh bags at Rs. 528 per 100 bags free on board (F.O.B.) (equivalent rate of Rs. 668 per cwt. destination) was found to be the lowest, but it was observed that none of the firms had deposited the full amount of earnest money with the tenders. Although the purchase committee decided to call the parties for negotiations on 14th April, 1983, firm 'A' was not called for negotiations, reasons for which were not recorded. On 15th April, 1983, offers of four more firms were received before negotiations. The decision of Government for approval of Government

The lowest rate offered by firms 'H' and 'I' were Rs. 520 and Rs. 525 per 100 bags f.o.r. Calcutta (equivalent f.o.r. destination rates were Rs. 660.45 and 665.68 respectively). These offers were ignored by the Committee on the grounds that they had not deposited earnest money and their quotations were received after opening of tenders. After negotiations with 5 firms, orders for 3 lakh and 1.50 lakh gunny bags at Rs. 685.40 per 100 bags f.o.r. destination were placed on firm 'B' of Delhi and firm 'C' of Sonapat respectively (though they had not deposited the full amount of earnest money) without taking into account the rate of Rs. 668.80 per 100 bags f.o.r. destination of the

lowest firm 'A'. While returning the earnest money, it was, however, intimated by the Company to firm A (13th April 1983) that its offer being higher was rejected though nothing was on record about rejection/consideration of the offer.

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

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

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

In their written reply, the Department/Corporation stated as under:

'It is mentioned that firm 'A' has not deposited earnest money and the same has been made available as was very limited, therefore, it cannot be said conclusively that party would have come for negotiations because no financial stake of party was involved. The other firms had deposited earnest money as under:—

- (1) M/s Gunny Textile India Ltd., Karnal 20000+10000 by Bank Draft
 - (2) M/s Bihar Bags India, Calcutta 5000 by Bank Draft
 - (3) M/s Sri Ram Om Parkash, Delhi 10000 by Bank Draft
 - (4) M/s Deep Chand Kailash Chand 30000 by Bank Draft
 - (5) M/s Bharat Trading Co., Delhi 20000+10000 by Bank Draft
 - (6) M/s Parkash Traders, Delhi 5000 by Cash
- Though it was not equivalent to the amount presented in the tenders, Rs. 69009/- but it was treated sufficient to bind the party. As the destination the

Though the earnest money was not according to the prescribed terms in the tender, the amount was sufficient to bound the parties and subsequently the parties have deposited security.

It cannot be said conclusively that any extra expenditure has been incurred. Since firm 'A' had not sent any earnest money, so it was not called for negotiation and thus no lowest offer was ignored.

The bags were purchased strictly according to the requirements. There was no loss to the corporation on account of non-purchase of bags by the purchase committee because whatever quantity of wheat came in the Mandis on the allotted days to HAIC, was procured and for that purpose the bags were available."

It was stated during the course of oral examination by the representative of the Corporation that the quotation of firm 'A' was not considered because it had not deposited the earnest money in cash but it was wrongly written to it that the quotation had been rejected on the basis of higher rates for which the Corporation had also expressed regrets. According to the notice inviting tender only those firms could be called for negotiations whose tenders had been received alongwith the earnest money by the due date and, therefore, the firms which had either not deposited the earnest money or had not submitted their tenders by the due date were not called for negotiations. It was also stated that there was no loss to the Corporation in this case because the rate of the firm from which the bags were purchased was the lowest in the prevailing circumstances.

It was also stated that it was an old case and it might not be possible to fix any responsibility on any official at this stage.

The Committee are not convinced with the arguments advanced to reject the lowest quotation of firm 'A' and for not inviting this firm and the other two firms for negotiations and feel that the same had been done to favour a particular firm as a result of which the Corporation had to suffer loss by incurring extra expenditure in the purchase of gunny bags.

The Committee, therefore, recommend that this case be re-examined and responsibility fixed for the loss sustained by the Corporation and the action taken be intimated to the Committee.

4.03. *Export of defective canned products*

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

In April 1982, the Company entered into an agreement with STC for supply (to be completed by January 1983) of different kinds of canned fruit products (1,125 tonnes) to a buyer in USSR. The Company engaged a contractor for filling and packing of cans. Three consignments comprising 153 tonnes (value Rs. 21.23 lakhs) of mango juice, mango jam and mango pulp were shipped to the foreign buyer in October 1982. At the destination the

consignments were inspected (January-March 1983) as stipulated in the agreement. Manufacturing and packing defects (i.e., deformation, deep rust, swelling, leakage, less pulp contents, etc.) were pointed out during inspection. These defects could have been avoided had proper control and checks at manufacturing, filling and packing stage been exercised by the Company. As the supplies were not found to be in conformity with the specifications, the foreign buyer imposed price cuts amounting to Rs. 1.86 lakhs on these consignments under the terms of the agreement.

The Management stated (April 1984) that against the claim of Rs. 1.86 lakhs by the foreign buyer through STC, a sum of Rs. 0.94 lakh only was deducted. As no instructions were received regarding the balance amount (Rs. 0.92 lakh), the same was released by STC to the Company against a bank guarantee furnished by it. No responsibility for the supply of defective canned fruit products had, however, been fixed by the Management so far (May 1984).

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

In their written reply, the Department/Corporation stated as under :—

"The work of filling and packing of cans was done by the Contractor under the supervision of technical staff of the Corporation.

Since the filling and packing of cans was done by the Contractor strictly under the supervision of technical staff of the corporation, hence, there was no question of any deduction from Contractor.

***The Payment has been received in 1988. Period of Bank guarantee was one year only which has since expired, and there is no dispute now.

* * * * *

It was stated during the course of oral examination by the representative of the Corporation that a sample of the products was also drawn by the Quality Control Organisation which had certified that there was no defect and the fruit products and the packing were as per laid down standard and, as such, no responsibility could be fixed either on the contractor or the technical staff of the Corporation.

The Committee observe that some defect/deficiency had occurred at some stage which resulted in manufacturing and packing defects found at the time of inspection of the consignment at destination.

The Committee, therefore, recommend that an enquiry may be held to determine as to how and where these defects occurred so that such incidents could be avoided in future and the result thereof as also the action taken be intimated to the Committee.

HARYANA CONCAST LIMITED

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

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

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

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

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

In their written reply, the Department/Corporation stated as under :—

Regarding non availing set off of Central Excise Duty on Ferro Alloys received during 1979 it is submitted that an appeal was filed before the Assistant Collector of Central Excise, Rohtak so that credit could be availed. But the Assistant Collector in his Adjudication orders decided against our Company. Therefore, an appeal was filed before the Collector, Central Excise & Customs Delhi. The Collector set aside the orders passed by Assistant Collector and redirected the case to him for re-examining and to issue a fresh favourable orders. The case was thus referred back to the Assistant Collector. The said notification 201/79 has since been withdrawn by the Government of India itself long back.

The Committee observe that some defect/delays had occurred at some stage which resulted in the matter being pursued vigorously by us and the Managing Director met the Assistant Collector, personally in this regard. The Assistant Collector, Central Excise, Rohtak has informed vide his letter No. V(68)/18/2/B/81/Part 8/727, dated 31st September 1981 that the matter is still under consideration. The delay in finalising the matter is mainly due to the effect of Mandal Commission agitation at Rohtak due to which their records have perhaps been upset. The para, may, therefore, kindly be dropped.

No such default has occurred during last 7—8 years and we exerting due caution and shall continue to be careful in this regard. The excise benefit scheme is being computerized.

It was stated during the course of oral examination by the representative of the Company that according to the prevalent procedure the Company was entitled to get the benefit of the excise duty paid on inputs in respect of output. However, during that period notification No. 178/77 was superseded by notification No. 201/79, which required the filling of a declaration in the form of a statement that excise duty paid on inputs would be claimed in respect of the outputs. There was not much of difference between the two notifications. Both these notifications were regarding the payment and set off of the excise duty except that a substantive condition regarding filling of declaration was imposed under notification No. 201/79, which was a formality and could be relaxed by the Collector. The Company had paid excise duty on inputs but cleared the goods without availing of the benefit of notification No. 201/79 and claimed refund, which was rejected by the Assistant Collector, Central Excise, Rohtak, on the ground that the required procedure had not been followed. The Company then filed an appeal with the Collector, Central Excise & Customs, Delhi, who passed the following order on 11-8-1982—

4. As they had established that excise duty had been paid on inputs they were entitled, on the benefit of notification in respect of the output. It is also their contention that they were not aware of the procedure and the various notifications issued from time to time but the Asstt. Collector could have satisfied himself regarding the actual payment of excise duty on various inputs and ordered refund.

5. To deprive the appellants of the amount of refund on a technical ground is not fair. The Asstt. Collector could have given them an opportunity to submit the necessary declaration as condition precedent to grant of refund.

6. I observe that both the notifications i.e. 178/77 and superseding notification No. 201/79 are regarding grant of set off in which one of the conditions is regarding declaration (in the form of statement or otherwise) in respect of inputs used and outputs obtained. Therefore while switching over from notification 178/77 to 201/79, a fresh declaration is merely a formality and subjected to relaxation by the Collector subject to such conditions as he may prescribe.

7. At the same time it is already a settled point that in case of substantive compliance into law a minor procedural lapse should not be allowed to come in the way of grant of benefit if otherwise due.

8. The adjudication order does not indicate whether the appellant case was put up to jurisdictional Collector for orders with reference to para 2-A of appendix 2 to notification No. 201/79 and his orders obtained and duly communicated to the appellants.

9. The adjudication order also does not indicate whether the officer had satisfied himself whether there was substantive compliance with the main provisions of notification No. 201/79. The case is, therefore, remanded for de novo examination in the light of above observations."

The case was remanded for de novo examination and it was still under consideration of the Assistant Collector.

When enquired the basis on which the Department/Company had mentioned in the written reply—

"...The collector set aside the orders passed by the Assistant Collector and redirected the case to him for re-examining and to issue afresh favourable orders".

as no judicial authority would pass an order in this manner, it was stated that the sentence of setting aside of the order of the Assistant Collector was mentioned in the order of the Collector, Central Excise and Customs (Appeal) dated 18-7-1986 and the relevant portion read as under—

"* * *

3.....The order of the Assistant Collector, is therefore, set aside with the direction that he should examine all the documentary evidence which the appellants may produce regarding 'Substantive compliance' of the 'main provisions' of the notification No. 201/79 and thereafter put up the case of the appellant to the Collector for considering relaxation of para 2-A of the notification No. 201/79. He will give suitable opportunities to the appellants before deciding the case afresh"

There was no mention of the words "favourable orders" in the said order. The words "before deciding the case afresh" had been wrongly interpreted by the official and used as 'favourable orders'. It was agreed that no judicial authority would use such an expression while passing an order of remand or for re-examination of the case. It was further submitted that the Collector, Customs and Central Excise, after considering the whole case, passed the following order—

"6. I accept this contention. Accordingly, three orders of the Assistant Collector are set aside. He should pass a fresh order/orders on these three cases also keeping in view the principles of 'substantive compliance' as stated in connection with the first appeal, after giving due opportunity to the appellants. In all these four cases, no cash refund would, however, be available as the same was barred under notification 201/79. This is in the event of the Assistant Collector passing favourable orders and the Principal Collector, Customs & Central Excise, Delhi, relaxing the provisions of declaration under para 2-A of Appendix II of erstwhile notification No. 201/79. In all fairness, in such an event they should not be denied credit of duty, by way of relief just because the disposal of the appeals was delayed and notification 201/79 is no longer in force."

It was further stated that the case was being pursued vigorously with the Assistant Collector, Central Excise, Rohtak, and the Managing Director of the Company had also met him in this connection, and it was during discussion that he was told that out of the four cases record in respect of two cases was not available as the same had got upset due to the Mandal Commission agitation at Rohtak. There was no written communication in this behalf from him and the Managing Director told him that he could supply him the copies of his original orders as also of the evidence recorded.

As desired by the Committee, the Company submitted a further reply in which it was stated as under.—

“We have given all evidence we had in our favour in the Court of Assistant Collector. We have even given them photo copies of earlier orders in our favour as one of their files could be traced. On the basis of our this evidence only the Collector (Appeals) passed orders in our favour.*** The Order clearly says that—

“From the impugned order it is seen that the Assistant Collector had not put up the case of the appellants to the jurisdictional Collector for considering relaxation as mentioned earlier. He did not also give any finding whether the main provisions of the exemption notification 201/79 were complied with. **THE ORDER OF THE ASSISTANT COLLECTOR IS THEREFORE SET ASIDE** with the direction that he should examine all the documentary evidence which the appellants may produce regarding ‘Substantive compliance’ of the ‘main provisions’ of the Notification No. 201/79 and thereafter put up the case of the appellant to the Collector for considering relaxation of para 2-A of the Notification No 201/79.”

The Learned Collector further agrees with our contention and says regarding the other related cases that .

“It was submitted that in the normal course the Appellate Collector **SHOULD HAVE DECIDED THESE APPEALS ALSO** along with his order of Remand since the appeals were already before him. **IN ALL FAIRNESS**, the ratio of the order-in-appeal No. 214-CE/DLI/82 dated 11th August, 1982 should apply to these three cases also.

I ACCEPT THIS CONTENTION. ACCORDINGLY, THREE ORDERS OF THE ASSISTANT COLLECTOR ARE SET ASIDE.”

Finally the learned Collector has observed that—

“IN ALL FAIRNESS, IN SUCH AN EVENT THEY SHOULD NOT BE DENIED CREDIT OF DUTY BY WAY OF RELIEF JUST BECAUSE THE DISPOSAL OF THE APPEALS WAS DELAYED AND NOTIFICATION 201/79 IS NO LONGER IN FORCE. SINCE THEY ARE AVAILING OF MODVAT THEY COULD BE ALLOWED SUCH CREDIT”

"Thus we feel that had the Assistant Collector taken a broader view of the situation the problem would have been solved. Thus all orders of the Assistant Collector in this case so far have been set aside by the Learned Collector and fresh orders are awaited."*

***The problem arose due to the change in Notification by the Government of India from 178 established since 1977 to No. 201 in 1979. The change was of technical nature and in principle our claim stands. The learned Collector observed.

"TO DEPRIVE THE APPLICANTS OF THE AMOUNT OF REFUND ON A TECHNICAL GROUND IS NOT FAIR. The Assistant Collector should have given them an opportunity to submit the necessary declaration as condition precedent to grant of refund.

I observe that both the notifications i.e. 178/77 and superseding notification No. 201/79 are regarding grant of set off in which one of the conditions regarding declaration (in the form of statement or otherwise) in respect of inputs used and outputs obtained. Therefore while switching over from notification 178/77 to 201/79 a fresh declaration is merely a formality and subjected to relaxation by the Collector subject to such conditions as he may prescribe".

"We are confident that this time we will win the case as we have full evidence in our favour on the basis of which the learned Collector set aside the orders of the Assistant Collector. In any case we have the Appellate Court of learned Collector to go to in case there is still any denial of our rightful dues. We are pursuing the case vigorously accordingly. Therefore this matter being subjudice the para be dropped."

The Committee are constrained to observe that the Company did not keep itself abreast with the procedure and the various notifications issued from time to time which resulted in the rejection of the claim by the Assistant Collector Central Excise, Rohtak.

The Committee recommend that responsibility for this lapse be fixed and the action taken against the erring officials be intimated to the Committee.

The Committee further recommend that the final outcome of the decision taken in this case be intimated to the Committee.

Haryana Land Reclamation and Development Corporation Limited.

7.01. Misappropriation/shortage of gypsum

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

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

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

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

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

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

(B) The entire quantity of gypsum (1,880,060 tonnes) salvaged from storage site at Karnal was shifted (February 1980) by the ex-regional manager to Company's farms at Munak (1000 tonnes) and Kawi (880.060 tonnes) through a single challan by paying transportation charges of Rs. 0.24 lakh. The gypsum was shown as used on farms on 20th April 1980 (880.060 tonnes) and in between 31st May 1980 to 15th April 1981 (1000 tonnes).

Another enquiry belatedly conducted by the Management in

September 1983 in the transfer and use of gypsum in farms revealed that :

- (i) Out of 1,880.060 tonnes of gypsum transferred to Munak and Kawi farms which were under the charge of ex-regional manager, only 873.945 tonnes were shifted to the farms and the remaining 1,006.115 tonnes of gypsum (value : Rs. 2.24 lakhs at subsidised cost) was not shifted to the farms and mis-appropriated by the ex-regional manager and the records of the farms were manipulated to show the receipt and use of gypsum in the farms
- (ii) Even the 873.945 tonnes of gypsum (value Rs 1.94 lakhs at subsidised cost) received in the farms which contained 50 per cent mud and pebbles and shown as used on farms on 31st March 1980 was also mis-appropriated by the ex-regional Manager as there was no evidence to show that the gypsum was applied in farms and no labour was employed for applying such a huge quantity of gypsum in fields.
- (iii) As against Rs 0.24 lakh paid for transportation of 1,151 tonnes of gypsum to farms by trucks, the quantity transported by trucks as per truck operators bills was only 688.945 tonnes (185 tonnes transported by company's tractor trollies) and the transportation charges (Rs. 0.09 lakh) for balance quantity were also embezzled by the ex-regional manager.

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

In their written reply, the Department/Corporation stated as under —

- “(i) As per report of the Enquiry Officer read with Enquiry Report S. P. (CID), Haryana the gypsum powder was not weighed while giving the delivery to HLRDC and bags were not of standard weight. Apart from this, there is no other record making it evident that gypsum bags were received in unstandard weights. Gypsum is very voluminous item and cannot be stored in the covered godowns. Even now it is always stored in open all over the State of Haryana. In Punjab also gypsum is stored in open. As regards storing of gypsum without watch and ward, it is submitted that Chowkidar remained posted at Baldi Bye-pass Karnal as per details given below:—

1. Sh. Jagan Nath, DPL Jan., 1975 to Sept., 1976
(Bye-pass, G.T. Road)
2. Sh. Amar Singh, DPL July, 1975 to Feb., 1977
(Bye-pass, G.T. Road)

3. Sh. Babu Ram, April, 1977 to 12-10-1979
(Bye-pass G.T. Road and then to Uchani Store)
4. Shri. Prem Singh 13-10-1979 to 15-12-1979
5. Shri Suller 01-10-1979 to 20-09-1980
6. Sh. Prem Parkash 21-09-1980 to 24-08-1982

(ii) The physical verification as on 30-6-1976 in respect of Karnal Bye-pass Store was conducted by Sh P.S Batla, the then service Engineer.*** However, subsequently the physical verification could not be conducted as Gypsum became in the form of heap.

(iii) Regarding shortage of 306.024 MT of gypsum Sh. S. K. Singla, the then R.M. Karnal was held responsible and criminal action was initiated against him by the Corporation on 23-4-1983. Finally, SSP Karnal vide his letter No. 21346 dated 11-7-1983 intimated HLRDC that no criminal act was committed in this case, rather it was a civil liability for which departmental action could be taken. The case was again taken up with Police Authorities on 28-10-83 and F.I.R., No 801/83 dated 9-12-1983 was registered for the shortage of 306.024 MT gypsum against S.K. Singla but subsequently, it was cancelled and closed on 19-7-85 by the order of the A.C.J.M. The Corporation also lodged a civil suit for the recovery of cost of 306.024 MT of gypsum on 24-11-1984. This case was decided against the Corporation on 29-11-1990 and against this order of the Lower Court, the Corporation went in Appeal before the District Judge Karnal in January, 1991. The Defendants have not in put their appearance in the Court. The case is pending and now fixed for 16-10-91.

(iv) Double sale of gypsum to the extent of 247.655 MT of gypsum was reversed and the subsidy claimed was also refunded to the Department of Agriculture during the Financial Year 1980-81 on 28-11-1980. Civil suit for the recovery of cost of 247.655 MT gypsum was instituted on 26-11-1984, but since this case was decided against the Corporation on 29-11-1990, the Corporation went in Appeal against the orders of Lower Court. This case is now fixed for 16-10-91.

(v) On 17-8-1981 the management placed the case before the Board of Directors for writing off the losses on account of shortage of 306.024 and 247.655 MT alongwith other shortages of gypsum of Karnal and other centres. Though Sh. S.K. Singla was charge sheeted for this shortage but after consideration of the reply of the official this charge sheet was dropped by the then Managing Director. When the case was placed before the Board of Directors for writing off the shortages, the Board desired that before taking any action, necessary details for allowing these shortages by FCI, Hindustan Copper

Limited and Rajasthan State Mineral and Mines Corporation be collected and placed before the Board of Directors. Subsequently the case came up before the Board of Directors in their meeting held on 2nd December, 1981. In spite of repeated reminders, this information was received from the FCI only in June, 1982 for which they informed that they allow 4 per cent losses to the Grinding Contractors. Accordingly, this information was placed before the Board in their 48th meeting held on 2nd September, 1982 but it again could not be considered for lack of time. Thereafter the case was again placed before the Board in their 49th meeting held on 14th December, 1982. Finally, the Board of Directors in their 50th meeting held on 1-2-1983 decided that the matter regarding shortages at Karnal bye-pass store be investigated, responsibility be fixed and case be put up to the Board, if necessary. Thereafter the enquiry was conducted by the Secretary and it was established that Sh. S. K. Singla the then Regional Manager was responsible for the shortages of 306.024 MT, 247.655 MT and 1006.115 MT.

- (vi) The resignation of Sh. S. K. Singla, the then R. M., Panipat was accepted by the Corporation on 23-6-82. The matter was discussed with the Chairman and the then Secretary to Govt. Haryana, Agriculture Deptt. and keeping in view the past work and conduct of Sh. S. K. Singla, it was felt absolutely necessary to get rid of such employees and his resignation was accepted conditionally i.e. without prejudice to the results of the pending enquiries against him. As regards the results of Police Investigation it is submitted that SSP, Karnal vide his letter No. 21346 dated 11-7-83 intimated to HLRDC that no criminal act was committed in this case, rather it was a civil liability, for which civil suits were filed by the Corporation on 24-11-1984. However the matter was taken up with the Government and subsequently Govt. of Haryana, Agriculture Deptt. also took up the case with the Financial Commissioner Home Department, so that local Police could be instructed for taking up the FIRs vide F.C.A., D.O. letter No. 1073 dated 18-1-1985. As per latest information both the above FIRs have been cancelled at the level of the Court. The case was taken up afresh with the Govt. in Agriculture Deptt. for taking up the matter with Police Authorities for reinvestigation vide this Corporation letter No. 3058 dated 24-3-1986. Accordingly, Govt. in Agriculture Deptt. has also taken up the matter with the Director General of Police for revival of these FIRs vide F.C.A., D.O. letter No. 10391 dated 22-5-1986. For both the FIRs, Sh. M. K. Miglani, ISA, Commissioner, Agriculture took up the case with Sh. M. S. Bawa, IPS, D. G. P., Haryana vide his letter No. 1449-Agri. 5(3)86/10390-91 dated 22-5-1987. The D.G.P., Haryana was requested again to order the re-investigation of the FIRs vide Corporation letter No. 581-82 dated 27-1-1988 with copy to Financial Commissioner, Agriculture Department with reference to their memo No. 3207/Agri. 5(3) 87/20710.

dated 17-11-1987. Case was again taken up with Commissioner, Agriculture for taking up with the Home Department, since no reply was received from the Police Authorities, vide Corpn. letter No 3757 dated 16-5-1989. As per the advice of Government to take up case with Police Authorities at Corporation level vide Commissioner, Agriculture Memo. No 1586-Agr. 5(3)89/15784 dated 6-6-1989, S.S.P., Karnal was requested to reinvestigate the case with copy to D.G.P., Haryana vide Corporation letter No. 8158-59 dated 30-11-1989, but no response has been received so far.

(B) (i) While conducting the departmental enquiry for the shortage of 306.024 MT and 247.655 MT of gypsum a new factor came to light that 1880.060 MT gypsum powder was shown as transferred from Karnal to PLP Farms through a single challan. When this aspect was enquired into, it was revealed that 1006.115 MT of gypsum was not reportedly shifted to PLP Farms and was mis-appropriated by Sh. S. K. Singla, Ex-Regional Manager, HLRDC. Accordingly, the Corporation filed the criminal case with S.H.O., Karnal vide letter No. 23941 dated 6-2-1984 and FIR was registered with Sadar Police Station, Karnal vide FIR No. 196/84 dated 13-5-1984. This FIR has been cancelled and closed vide order of A.C.J.M. on 27-2-1985. The case was taken up with various authorities as per details given in reply to Para 701 (VI) but no further action has been taken by the Police Authorities so far. There is no delay in conducting the enquiry as the material was shifted from Karnal to PLP Farms in between 31st May, 1980 to 15th April, 1981 (1000 tonnes) and April, 1980 (880.060 MT) as stated in para No 7. The matter was placed before the Board of Directors in their 44th meeting held on 17th August, 1981 and the matter remained under consideration with Board upto 1-2-83. The enquiry was initiated in view of the decision taken by the Board of Directors in their meeting held on 1-2-1983. Civil Suit for the recovery of the cost of 1006.115 MT gypsum powder was also filed at Karnal on 24-11-1984. The case was decided against the Corporation on 26th July, 1988 on technical grounds by the Lower Court. The Corpn. went in appeal and the District Judge Karnal also did not accept the appeal on technical grounds. The Corporation filed appeal in Hon'ble High Court during May, 1990. Since Sh. S. K. Singla, Ex-R. M. is avoiding the service, the notice through Press has been issued by the Court and case is pending.

- (ii) The matter was taken up with the Government and subsequently Government of Haryana Agriculture Department also took up the case with the Financial Commissioner, Home Department so that local Police could be instructed for taking up the FIR No. 196/84 vide FCA, D.O. letter No. 1073 dated 18-1-1985. As per the latest information, the above FIR has been cancelled at the level of the Court on 27-2-1985. The case has been taken up afresh with the Government in Agriculture Department for taking up the

matter with Police Authorities for re-investigation vide this Corpn. letter No. 3058 dated 24-3-1986. Accordingly, Government in Agriculture Department has also taken up the matter with Director General of Police for revival of this FIR vide FCA, D. O letter No. 10391 dated 22-5-1986. Subsequent details have been given in reply to para 7.01 (VI)''

It was stated by the representative of the Corporation during the course of oral examination that it was for the first time that the Corporation undertook the task of procurement, grinding, bagging and distribution of gypsum and entrusted it to its regional office at Karnal. The Corporation had learnt a good deal of lesson from this venture and since then grinded gypsum was being purchased from Hanumangarh. It was further stated that no shortage was detected in the physical verification done in June, 1976. Thereafter physical verification was not conducted because the gypsum was lying in heaps. It was in the physical verification done in November, 1978, that shortage of 306 024 tonnes of gypsum was found. Departmental enquiry conducted into the matter established that Shri S. K. Singla, the then Regional Manager, Karnal was personally responsible for the shortage. A criminal case was initiated against him in April, 1983, for embezzlement of Government funds amounting to Rs. 61,204.80 by selling the gypsum powder after fabricating the records, but, the S. S. P. Karnal intimated that it was not a case of criminal act but of civil liability for which departmental action could be taken. The Police authorities were again approached in October, 1983, and a case against Mr. Singla was registered vide FIR 801/83. Shri Singla was also held responsible for another shortage of 247.655 tonnes of gypsum on account of double account of sale. Shri Singla was further held responsible for nontransfer of 1006.115 MT gypsum from Karnal to PLP Farm and another case of embezzlement was registered against him on this account vide FIR No 196/84. It was further stated that even though the criminal cases registered against Mr. Singla had been closed /FIRs cancelled by the Police under orders of ACJM as intimated by them in March, 1986, the Corporation had been pursuing them at the higher level and the S.S.P Karnal was again requested to reinvestigate these cases in November, 1989, but no response from him had so far been received.

It was also stated that the Corporation also lodged civil suits against Shri Singla for the recovery of the cost of 553 679 (306.024 plus 247.655) tonnes of gypsum, which were decided against the Corporation in November, 1990, against which the Corporation had went in appeal before the District Judge Karnal in January, 1991, which were still pending. The Corporation had also filed a civil suit for the recovery of Rs. 1,45,880 towards the cost of 1006.115 MT gypsum at Karnal in November, 1984, which was decided against the Corporation in July, 1988, by the lower court on technical grounds. The appeal of the Corporation was also not accepted by the District Judge Karnal on technical grounds. The Corporation then filed an appeal in the High Court in May, 1990, which was also pending.

In regard to the technical grounds on which this case was dismissed by the lower court, it was subsequently intimated that it was dismissed on the ground that "the plaintiff fails to prove its claim."

The appeal in the appellate court was dismissed on the ground that "there was none to argue the case because of the lawyers strike on 8-3-1990." It was further stated that the proxy counsel who was present sought adjournment but the appellate court did not find sufficient ground to allow any further adjournment. The case was then examined and on the basis of affidavit given by the counsel engaged by the Corporation in this case in the appellate court, the Corporation filed an appeal in the High Court. Shri Singla was avoiding service of the summons and a notice had been issued by the court in the newspapers but the case had not yet been fixed for hearing.

It was also intimated that Shri O. P. Gupta, Junior Engineer, on deputation with the Corporation, was the Store Keeper handling the gypsum store at Karnal Bye-Pass and he was also found responsible for misappropriation of gypsum and his name also figured in FIR 801/83

It was also stated that Shri Singla was also charge-sheeted for the shortage of 553.679 tonnes gypsum and after considering his reply to the charge-sheet, the then Managing Director, Shri Gian Chand, held that no case of shortages was established and dropped the charge-sheet. It was further stated that although some of the irregularities of various PLP Farms were under investigation at the time of acceptance of his resignation but the allegations for the shortages of 306.024 MT and 245.655 MT of gypsum against Shri Singla were not on record since these had been dropped in April, 1980. It was also not established at that time that he was involved in the shortage of 1006.115 MT gypsum out of 1880.060 MT gypsum transferred to Munak and Kavi farms. The resignation of Shri Singla was accepted by the then Managing Director, Shri T. D. Jogapal, conditionally i.e. without prejudice to the results of the pending enquiries against him.

As desired by the Committee, the Corporation also supplied copies of the FIRs, handing over/taking over report, order of the Managing Director dated 11th April, 1980, exonerating the officer and other relevant papers of the case.

The Committee, after going through the relevant record and the facts of the case, have come to the irresistible conclusion that undue favour was done to Mr. Singla by the management by dropping the charge sheet concerning shortages and accepting his resignation when certain irregularities concerning PLP farms were under investigation.

The Committee also observe that no physical verification was made by the management and shortages of gypsum came to notice while shifting of store was completed on 31-1-1978. The management also failed to take departmental action against Mr. Singla, the then Regional Manager, and Shri O. P. Gupta, Ex-Store Keeper. It also failed to convince the court of its claim because the court awarded its judgement in favour of the delinquent officer by saying "the plaintiff fails to prove its claim".

The Committee recommend that suitable departmental action be initiated against Shri O. P. Gupta, Ex-Store Keeper, who was also found responsible for the misappropriation of gypsum.

The Committee also recommend that the cases pending in the courts be vigorously pursued and the decisions of the courts, when received, be intimated to the Committee.

HARYANA BREWERIES LIMITED

8.01. Purchase of barley malt

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

<i>Firm</i>	<i>Rate per tonne</i> (Rupees)
A	2,140
B	2,350
C	2,394
D	2,467

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

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

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

In their written reply, the Department /Corporation stated as under :—

"A Scrutiny of the relevant record shows that no malt was offered by this party or purchased from it in 1974-75. The Party being new, the placing of the entire order for the year with it was not considered free from risk. Malt is a bio-chemic product and its quality differs from batch to batch. The quality is properly tested only after actual use in pro-

duction and after seeing the facilities at the manufacturers' end and the results of laboratory analysis.

Orders for a full year's supply of malt are normally placed soon after barley harvesting when the rates are most competitive. To ensure regular supplies throughout the year it was necessary that the bulk of the annual requirement be met from tried parties and only a trial order be placed with a new party which had offered supplies to us for the first time that year.

In view of the above reasons firm orders were placed with the tried parties at negotiated rates and, to begin with, a trial order of 10 tonnes was placed with the new party at his rate. Subsequently during the course of the year, the order with this party was enhanced by 150 tonnes.

The decision not to place order for the entire quantity with the lowest tenderer was taken consciously by the management with the object of procuring high quality malt at the most competitive rates and also to avoid the risk of contracting the entire supply for the year with a new and untied party."

It was stated during the course of oral examination by the representative of the Company that the firm 'A' was a new party and if an order had been placed on them it was not free from risk. It was essential to place order for the annual requirement and, accordingly, firm orders were placed with tried parties to ensure regular supplies throughout the year, and a trial order for some quantity was placed with the new party as it took time to stabilise its products and could be developed for future. It was also stated that barley malt is a bio-chemic product and its quality differs from batch to batch and the test report was to be further supplemented by actual use. After the use of their first supplies, subsequent order was placed with this party and the trial order of 10 tonnes was enhanced to 150 tonnes. It was also stated that in the case of HAFED also some quantity was ordered to them in its first year of production and thereafter in the subsequent year when their process was stabilised about 50 per cent quantity was purchased from HAFED in the coming year. It was also stated that even this year a similar situation had arisen. A new party from Ghaziabad had quoted low than the abnormal high rates in the quotation. The difference was of Rs. 300/- but a trial order was proposed to them and after actual use and seeing the consignment further order could be placed.

When asked whether the supplies made by this firm to the Company had not been approved in early years, it was stated that no malt was ever offered by this firm or purchased from them in 1974-75 and it had been wrongly mentioned on some file, which was an error. This material was not purchased from this firm as it was a new firm and it sometimes functioned and at other times closed down. Even now it was lying closed. No reliance could be placed on a new party because if it failed to make the supplies, it could jeopardise production and business of the Company, which could not be allowed to be done and, therefore, the decision of the management to place the order for the

annual requirement on tried parties and also to place a trial order with the new party to encourage and develop and to generate competition was a bonafide and a commercial decision and in the best interest of the Company.

It was also stated that sometimes the material had to be get tested from two laboratories and it took 10-15 days for a laboratory to send the testing report and by the time the report was received, the validity period of the tender was over and in such cases reinviting of tenders brought higher quotations involving extra expenditure and, as such, in many cases the orders had to be placed without waiting for the second report to avoid expiry of validity period of the tender.

It was also intimated that the Managing Director at that time was Mr. K G. Verma who was on deputation with the Government of India but the decision in this case was taken by the Board of Directors.

The Committee feel that the decision of the management to place orders for the entire balance quantity on the other firms at higher rates on the same day when a trial order was placed on the firm offering lower rate without waiting for the results of the analysis report of the trial supply received from them, which proved to be satisfactory, was taken in haste and no effort was made by the Company to get the analysis report expedited before placing the order on the other firms.

The Committee, therefore, recommend that responsibility be fixed for the lapses involved in this case which caused additional expenditure of Rs. 1.16 lakhs, on the defaulting officials and the action taken against them be intimated to the Committee.

HARYANA STATE ELECTRICITY BOARD

10 08. Construction of quarters

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

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

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

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

In their written reply, the Department/Board stated as under —

- “(i) 6 No. category-II quarters were completed on 14-4-76 and 8 Nos, category-III quarters were completed on 15-2-1980.

Initially two or three sites for construction of sub-station were proposed by the (OP) Organisation to the P&C Organisation. The present site for erecting sub-station was selected keeping in view the present as well as future load conditions.

- (ii) The work of civil works was carried out by the Xen Civil Works (T) Divn as per prevalent practice. The fact of availability of sweet water was not considered for which responsibility has been fixed on Mr. H. R. Makhija the then Xen (Civil) since expired. The main reason for constructing colonies at the Sub-Station site is to facilitate the presence of essential staff round the clock to ensure uninterrupted supply of electricity to the consumers and for smooth and efficient running of plants and safety of costly equipments installed there.
- (iii) The quarters are at present lying vacant. The matter regarding getting sweet water from the nearby public health water supply line has been taken up with the Public Health Authorities by the Xen, Sub Urban Divn, Sonapat. An estimate for the same has been framed. As soon as the water supply line is completed and sweet water is available the quarters will be allotted to the employees.

Instructions have now been issued to all the Chief Engineers to invariably explore the availability of drinking water first before selecting site for construction of residential colony vide Deputy Secretary (Projects), HSEB, Circular Memo No. Ch-387/DS(P)/18 dated 7-4-89".

It was admitted by the representative of the Department/Board during the course of oral examination that it was a bad case. It was, however, stated that the estimate for Rs. 0.59 lakhs for providing drinking water to make the quarters habitable had been approved and the Public Health Department asked to undertake the work.

The Committee are not convinced that only the Executive Engineer could be held responsible for the serious lapse involved in this case.

The Committee, therefore, recommend that responsibility should also be fixed on the officers at the senior level who approved the site without properly going into the fact of availability of drinking water and the action taken against them be intimated to the Committee.

The Committee also desire that the Public Health Department be requested to complete the work of laying the water supply line within the time bound schedule so that the quarters are allotted to the employees and put to habitation without any further loss of time and the Board saved of the further loss being incurred on this account. The Committee would also like to be informed of the latest position with regard to the allotment/habitation of the quarters.

10.09. Waiver of bank guarantee

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

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

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

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

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

In their written reply, the Department/Board stated as under :—

- (i) A work order for conversion of M. S. Flāt 25x3 for mm 25 M.T. was issued on 10-7-81 on M/S D. K. Steel Rolling Mills, Bahadurgarh. As per clause-2 of the work order, the firm was to furnish a Bank Guarantee at the rate of Rs 3700/- per M.T. of Billets supplied to them (firm) for re-rolling. The firm requested on 1-9-81 for waiver of Bank Guarantee clause provided in the work order. The firm also mentioned in their letter that B.C.B. and Irrigation Department had also got their material converted from them and the material was re-rolled in their presence within the reasonable time. They also said that since in the instant case only 25 tonnes material is to be re-rolled, which could be done within a couple of days in the presence of Board's representative, the case for waiver of Bank Guarantee be considered favourably. The case was put up to the S.P.C. in its meeting held on 22-9-81 and the waiver of Bank Guarantee clause was approved keeping in view the position explained by the firm and the urgent requirement of material in the field. It was, however, specifically laid down by the S.P.C. that "Re-rolling should be got done in the presence of the Board's representative and delivery taken."
- (ii) Although the Xen, Central Store, Delhi was deputed to get the re-rolling done in his presence but he did not do so. Disciplinary action was initiated against him. Enquiry Officer was appointed. His findings have been received and are under consideration of the competent authority.
- (iii) The findings of the Police in respect of F.I.R. No. 112, dated 14-3-84 lodged in this case are still awaited. Suit No. 678/84 was filed in the court of Sub-Judge, Bahadurgarh on 22-2-85. The Sub Judge issued stay orders from disposing off the property and ordered attachment of the firm's property to the court. Firm was, however, acquitted in appeal by the Session Court, Rohtak on 18-3-85.

Whole-Time-Members in their meeting held on 21-9-84 also decided that an application for appointment of Arbitrator under Section 20 of Arbitration Act should also be moved. Sh. M. L. Chawla, S.E., (Operation), Rohtak was accordingly appointed as Arbitrator in this case.

He announced his award in the case on 29-6-88 against M/s D. K. Steel Rolling Mill, Bahadurgarh as under :—

(1) A sum of Rs. 1,10,000 (Rupees one Lac Tén Thousand only) is recoverable from the firm on a/c of cost of steel billets and other damages.

(2) Interest at the rate of 18 percent per annum is also recoverable from the firm w.e.f. 29-10-81 to the date of actual realisation.

An application to make the award rule of the court was filed on 8-8-88 in the court of Sub Judge 1st Class, Bahadurgarh. The Sub Judge 1st Class, Bahadurgarh has decreed the case in favour of the Board on 14-3-91 and Xen, Central Store, Delhi has applied for a copy of the same. The Law Officer, HSEB, Rohtak has been asked to get the decree sheet from the court so that execution proceedings against the judgement debtor are initiated.

(iv) Shri Rajinder Singh, Xen (since retired) has mainly been held responsible for violation of the directive of the Store Purchase Committee and for not safeguarding the interest of the Board. A Show Cause Notice for the recovery of Rs. 1,10,000 had been issued to him by the Secretary, HSEB vide his No. Ch. 116/GS-232, dt. 5-1-89. Since Sh. Rajinder Singh, Xen (Retired) has failed to submit his reply to the Show Cause Notice, Sh. V. K. Gupta, Chief Engineer (Const.) Panchkula was appointed as Enquiry Officer vide Secretary Board Office Order No. 7/GS-232, dated 7-2-90. The Enquiry Officer has submitted his report in 8/90 and is under consideration of the competent authority."

It was admitted during the course of oral examination by the representative of the Department/Board that this was a bad and indefensible case. It was also stated that besides the then Executive Engineer, who had retired in 1983, and against whom recovery proceedings had already been initiated, action had also been initiated for effecting a part of the amount from the other Executive Engineer (now Superintending Engineer) involved, who was still in service. Action to file execution application against the firm for the recovery of the amount awarded by the Sub Judge 1st Class, Bahadurgarh was also in progress.

When enquired whether any action was taken against the official who issued the no demand certificate and allowed the release of the pensionary benefits to the Executive Engineer who had retired when serious audit objection was pending and recovery from him was due, it was stated that it would be checked up and intimated to the Committee.

The Board subsequently intimated that on scrutiny of the case it was established that N.D.C. was issued by the then Assistant Executive Engineer posted in the office of Controller of Stores, HSEB, Hisar as a result of which the pensionary benefits were released to the then Executive Engineer, and a letter of warning had been issued by the

Secretary of the Board to be careful in performing his duties. It was also intimated that the competent authority had decided to recover 50 per cent loss of Rs. 1.10 lacs sustained by the Board from each of the two officers involved i.e. the now Superintending Engineer and the retired Executive Engineer and orders had been issued for the recovery of the amount of Rs. 55,000 from the Superintending Engineer. As regards the recovery of the balance amount of Rs. 55,000 due from the Executive Engineer since retired, the case had already been forwarded to the Legal Remembrancer, HSEB, for seeking legal advice as to in which manner the recovery could be effected from him and further action would be taken in the light of the advice received from him.

With regard to the latest position of the execution proceedings, it was intimated that in the absence of details of properties of the judgement debtor, the execution of the decree could not be further pursued by the Law Officer, HSEB, Rohtak. However, details of properties were being ascertained by Vigilance Cell of the Board and further action would be taken on receipt of required details from them.

The Committee recommend that the execution proceedings against the firm be expedited and its final outcome intimated to the Committee.

The Committee would also like to be informed of the amount so far recovered from the Superintending Engineer and the final outcome of the recovery proceedings initiated against the then Executive Engineer (since retired).

10.11. *Delay in bank reconciliation and remittances*

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

Due to non-pursuance of remittances by the depositing units and delays in reconciliation in the Central Accounts Office, discrepancies remained unnoticed/unsettled for long periods. In one case Rs. 0 78 lakh reportedly embezzled by the Cashier of Pipli Sub-Division between November 1980 and

February 1982 by tampering with the pay-in-slips of remittances could be detected only in February 1982 due to delay in reconciliation. The matter was still under investigation by police.

The delays in remittances of collection also affects the ways and means position of the Board and leads to unnecessary payment of interest on bank overdraft/cash credits. A test check in audit of remittances of the year 1982-83 revealed that in 7,671 cases (amount Rs. 22.08 crores) the banks did not transfer amounts promptly and the delays ranged from 1 to 304 days even after allowing 3 days for telegraphic transfers and 7 days for mail transfers. Out of interest of Rs. 65.35 lakhs paid by the Board during 1982-83 on cash credit/bank overdraft balances, interest amounting to Rs. 10.58 lakhs could have been saved if timely remittances had been made of balances from branches of the banks to main accounts at Chandigarh in respect of 8 banks (out of 11 banks) reviewed during test check. Besides this the reconciliation of credits in respect of 10 out of 11 banks disclosed that amounts aggregating Rs. 16.72 lakhs (Rs. 1.10 lakhs for the year 1973-74 to 1980-81, Rs. 2.79 lakhs for 1981-82 and Rs. 12.83 lakhs for 1982-83) had not been credited to Board's accounts up to December 1983.

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

In their written reply, the Department/Board stated as under

"(i) Checks prescribed for the SDO/ARA on the pay-in-slips while sending the cash to the Bank are being exercised.

(ii) Previously the out station branches of the Banks used to transfer the amounts deposited with them by field offices to their Chandigarh/Ambala City Branch through Mail Transfer. Some of the branches took longer period in such transfers. In order to cut down transit delays and to reduce the incidence of interest the Banks were asked in May, 1980 to transfer the deposit by telegraphic transfer if the amount of deposit exceeds Rs. 5000/- on any day. They could, however, continue to remit the amount by mail transfer if the amount deposited was less than Rs. 5000/-. This change in the procedure of transfer of amounts from M.T. to T.T. though minimised the period of transit, but created problems in reconciliation of the Banks Collection Accounts. Actually, while remitting the amounts through M.T. the outstation branches used to supply the details of the amount deposited by each office but office-wise details could not be supplied while remitting the amount through T.T. It led to delay in reconciliation of the Bank Collection Accounts. Moreover, most of the staff working on the job of reconciliation of banking account opted for transfer to Hisar, some time in April/May 1980 and new staff was posted. It disturbed the monthly reconciliation work. Further, although the work of Banking Section increased tremendously, yet the staff which was initially posted in 1967 continued to work and no additional staff was posted. Consequently, the reconciliation work accumulated.

Keeping in view the above, additional staff has been got sanctioned and posted during 1985 and the work of reconciliation of Banks' Collection Account has been brought upto date in respect of all the Banks except State Bank of India. The reconciliation of accounts of State Bank of India has been completed upto 3/86.

- (iii) The police filed the challan against the Cashier, who embezzled the amount, in the Court on 24-11-83 and the case is still under trial. The reconciliation of collections accounts has now been done upto date in respect of all the Banks (11 nos. Banks) except that of State Bank of India, which has been done upto 3/86.

The amount of Rs. 6,000/- was only recovered and remaining amount could not be recovered being the case still under trial.

- (iv) The delay in transfer of our deposits mostly occurs in cases where the Banks are located in remote areas and where communication services are poor. The delays also occur in villages or small towns where certain banks branches enjoy the monopoly and no branch of any other Bank exists and the Board has no option but to depend upon these single branches. Certain Bank/branches do take longer period in transferring our amounts. Such delays are taken up with the Regional Manager of these Banks both in writing as well as on personal contacts. If the Banks do not respond properly we shift the account to other banks/branches. Such steps have cut short the transit delays to a large extent.

- (v) Out of the amount of Rs. 16.72 lakhs as shown outstanding in the paragraph Rs. 16.20 lakhs has since been recovered/cleared. Only an amount of Rs. 0.52 lac now remains to be cleared. Efforts are being made to link up the outstanding items by collecting the details from outstation branches/offices of the Board and get the balance amount cleared.

- (vi) A comprehensive system of remittances into the Banks and pursuing the un-credited items with the Banks already exists in our banking instructions. The field offices have recently been again instructed vide this office Memo No. 1723/2240/FAHQ/Bkg/BC-34, dated the 31st August, 1986 to follow these instructions rigidly.

When asked, it was stated during the course of oral examination by the representative of the Board that the case filed against the then Cashier involving embezzlement had been decided and he had been sentenced under various sections to rigorous imprisonment of 14 years and to pay a fine of Rs. 1500/- under section 409 IPC and in default thereof to undergo simple imprisonment for a period of 6 months more. He had also been sentenced to undergo rigorous imprisonment for a period of 9 months under section 120 IPC. The period of sentence awarded under different sections would run concurrently.

It was also stated during the course of oral examination by the representative of the Board that the reconciliation of collection accounts had been computerised with effect from 1988 and the accounts upto August 1991 had been reconciled and out of Rs. 16.72 lacs placed under objection, Rs. 0.52 lacs only remained unreconciled against which unmatched credits afforded by the Bank amounting to Rs. 80770.47 were available with the Board.

The Committee recommend that the remaining amount be also reconciled at the earliest.

The Committee also recommend that the Board may consider the desirability of charging interest from the Banks for the delay caused by them in the transfer of remittances beyond a prescribed period and the decision taken in this behalf be intimated to them.

10.12. *Fire in Faridabad thermal power station*

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

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

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

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

In their written reply, the Department/Board stated as under :—

“(i) The scrapper system of Unit-III had been repaired during the shut down of Unit-III from the 8th December, 1983 to 24th December, 1983.

(ii) It is not possible to remove ash from the furnace in the running condition. It can only be done during the shut down. The pressurisation in the furnace was on account of erratic coal flow from the bunkers to the mills and to the furnace. It is very difficult to control variation in pressure under such conditions. Under the circumstances, no responsibility could be fixed on any official.

- (iii) Against total claim of Rs. 11,73,775.20 the insurance company has accepted the claim of Rs. 9,65,218/-. This amount has already been received vide Cheque no. A/9/341510, dated the 31st December, 1984 and deposited with Accounts Officer (Cash) HSEB, Chandigarh through Sr. A.O., (Funds), Chandigarh."

It was stated during the course of oral examination by the representative of the Board that the work of overhauling of the plant was not done according to instructions and the plant allowed to run to meet the growing demand of electricity which was in the interest of the farmers and the State and, therefore, the damage caused was not due to the negligence on the part of any official.

When the attention of the departmental representatives was drawn to the parawise replies given by the M.T. (G&P) on the report submitted by the Chief Engineer Thermal Faridabad on the fire incident after discussing the matter with him during his visit on 23rd/24th December, 1983, keeping in view the observations made by the Chairman of the Board, which clearly indicated that the ash was not cleared in the previous shift and the variation in the furnace pressure was not properly controlled by the boiler controller and had the boiler controller on duty been more vigilant and used his technical competence/ discretion, the accident could have been averted, it was stated by the representative of the Board that this case would be re-examined and responsibility fixed on the erring official.

The Committee recommend that the action against the defaulting official in this case be finalised at an early date and intimated to the Committee.

The Committee further recommend that the overhauling of the plants should be carried on according to the laid down instructions/procedure so that their performance efficiency is not affected and such incidents are avoided.

10.13. *Extra expenditure*

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

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

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

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

The Board stated (April 1984) that the price variation for earlier supplies up to October 1983 had been paid on the basis of actual use of cement as per original contract and as such could not be compared with the maximum consumption of 83 kg. per pole agreed upon subsequently. The reply is not tenable because as per purchase order, the poles were required to conform to ISI specifications according to which the cement to be used should not exceed 83 kg. per pole. Consequently, the additional payment due to escalation in the prices of cement on the basis of cement consumed at 116.91 kg. per pole was not justified.

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

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

In their written reply, the Department/Board stated as under :—

- “(i) The stage inspection report of poles as carried out by Sh. A.K. Bansal, Xen/Inspection on 27th May, 1982 was put up to the then Engineer-in-Chief/MM, who, observed that :—

“From the report it appears that some minor modifications are required for the moulds as well as in the manufacturing process and the firm may be asked to carry out the same. However, as the poles/concrete cubes have passed the tests as laid down in the ISI as such, poles may be accepted after carrying out the detailed inspection by our Inspecting Officer who has already been deputed for this purpose”.

The above observations of the then E.I.C./MM were approved by M.T./G&P. Thereafter Shri H.S. Gulati, Xen/Inspection, HSEB, stationed at Faridabad was deputed for carrying out the detailed stage inspection of the poles being manufactured by M/s Jai Hind Investment Industries, Faridabad. The above officer carried out the stage inspection of the poles at the firm's premises on 28th June, 1982, 12th July, 1982 and 3rd August, 1982. In his report the inspecting officer observed that the poles were being manufactured by the firm in accordance with various provisions of the P.O. The material was, therefore, accepted. Further in order to ensure proper quality of the poles being manufactured by the firm, continuous stage inspection/final inspection of poles was got conducted through Xen/Inspection stationed at Faridabad itself.

- (ii) The checking in respect of actual weight of cement being used was not done as the strength is the right criteria for checking the quality of mix being used in the manufacture of poles.
- (iii) Sh. J.N. Malik, the then Xen/Purchase (III) (Electrical Engineer) was deputed to work out the exact quantity of cement used by the firm as he was the concerned Xen dealing in the procurement of poles and was scrutinising various tender of poles against various tender enquiries and had also been looking after the work of checking up the tests reports submitted by various Inspecting Officers who carried out inspection of poles at the supplier's work's from time to time. The electrical engineer deputed for inspection of poles was equally experienced to a Civil Engineer and is considered specialist in this job.
- (iv) The payment of Rs. 14.57 lacs as price escalation in lieu of consumption of cement at the rate of 116.91 Kg. per pole has been made after due consideration by the Board at that time. The usage of above said quantity of cement per pole was considered to be justified at that time on the basis of detailed report submitted by Sh. J.N. Malik, the then Xen/P-III who was deputed to the firm's works to check the actual quantity of cement being used by the firm per pole. Also the firm had submitted its mix design which provided that quantity of 125.09

Kg. of cement is being used by them per pole. Further the Board had obtained from the firm a certificate submitted by Chartered Accountant that 837 M.T. of cement has been used by the firm for manufacture of 6573 poles which amounts to the use of 127.34 Kg. cement per pole. After considering the various aspects as detailed above, price escalation on the basis of 116.91 Kg. consumption per pole was allowed to the firm."

It was stated during the course of oral examination by the representative of the Board that a vigilance enquiry was got conducted into this case as a result of which action was being taken to effect recovery, not only from the firm but the following three officers, namely :—

1. Shri J.N. Malik, Xen (then Xen/Purchase-III);
2. Shri H.S. Gulati, S.E. (Retd.)—then Xen/Inspection; and
3. Shri B.K. Mengi, Xen (then AEE/Inspection)

involved in the extra expenditure caused to the Board had been charge-sheeted. It was also stated that if the interest could legally be charged on the amount recoverable from the firm, it would be done.

It was, however, further intimated that a case had been filed in the court of Shri T.R. Bansal, S.J.I.C. Chandigarh for appointment of arbitrators for recovery of claim of Rs. 24.00 lacs approximately, and the case was now fixed for 9th January, 1992. It was also stated that the replies to the charge sheets served on the three officers had been received, further commented upon by the Chief Engineer/MM Panchkula and were under process for consideration and decision by the competent authority over the issues involved.

The Committee recommend that the matter regarding effecting of recovery from the firm be pursued vigorously and final outcome thereof intimated to the Committee.

The Committee further recommend that the action against the defaulting officers due to whose negligence the Board had suffered a huge loss be finalised without any further loss of time and intimated to the Committee.

Paragraph 10.14: Delay in recovery of enhanced security deposit

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

A test check of consumers security deposit registers of 30 sub-divisions (out of 153 sub-divisions) up to December 1983 revealed that 378 consumers (including 5 bulk consumers) had not deposited enhanced security deposits amounting to Rs. 65.08 lakhs. Rupees 50.57 lakhs were due from 83 cons.

sumers (out of 191 large consumers) while Rs. 11.54 lakhs were recoverable from 290 medium supply consumers (out of 980 consumers) alone.

On this being pointed out in audit (December 1983) the Board issued instructions (January 1984) to the field officers for taking effective steps to recover the security at enhanced rates from consumers failing which their supplies were to be disconnected. Actual amount of security due for recovery at enhanced rates in respect of all the sub divisions had not been worked out by the Board. Delay in recovery of enhanced security deposits resulted in not achieving the main aim of mobilising cash resources. Recovery of enhanced security deposits even to the extent of Rs. 65.08 lakhs noticed in audit would have resulted in savings of interest on cash credit/overdrafts to tune of Rs. 19.96 lakhs for the period June 1981 to December 1983, after taking into account the interest payable to the consumers on such security.

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

In their written reply, the Department/Board stated as under :—

- (i) The instructions issued in April, 1981 regarding the enhancement of security deposit have now been implemented. The work of collection of enhanced security was a colossal work as all categories of consumers viz. Industrial, Agriculture, Domestic, Commercial etc. totalling to 12.19 lacs consumers in H.S.E.B. were involved. When notices to deposit enhanced security to some of the consumers were issued, a number of the consumers protested against enhanced security. Moreover, the staff in some Sub Divisions was not adequate. But later on when the consumers were convinced, they started to deposit the same.

(Rs. in lacs)

(ii) Total amount on a/c of enhanced security deposit recoverable :—	358.58
Amount recovered	326.83
Balance amount still outstanding	31.75

- (iii) The Board had to deal with more than 12.19 lacs consumers at the time of enhancement of security in April, 1981. As such dis-connections of the premises to the majority of the consumers who would not have deposited the enhanced security was not resorted to, as in that event, it would have caused great public outcry and loss of revenue to the Board and other legal complications could have arisen, besides, increases of a lot of administrative work and costs in all the sub-divisions for following up with the consumers, through notices etc. and other legal expenses. For instance, a consumer, M/s. B.D. Flour Mills, in Ambala Circle have obtained stay orders from the Court for enhanced security.

As the consumers had been objecting the enhanced security deposits, the recovery of the major amount has been recovered by virtue of personal interest taken by the field officials. Whenever some additional amount is imposed upon the consumers which is not initially payable, it has been essential to take some time to convince the consumers for depositing the amounts.

It is only a presumption that the collection of enhanced security could have made an impact on the overall interest charges of cash credit/overdrafts by the Board. The Board has also saved the interest payable to the consumers on security deposits whereas some interest could accrue on enhanced security to be deposited by them. The impact of loss of interest as such would be insignificant. No individual official can be made responsible for delay in implementation of the Board's decisions which affected 12.19 lacs consumers in 1981."

It was stated during the course of oral examination that except for Rs. 0.81 lacs due from two firms, namely, M/s B.D. Flour Mills, Ambala Cantt. (Rs. 0.34 lacs) and M/s Saraswati Spinning Mill, Bhiwani (Rs. 0.47 lacs), the whole amount had been recovered.

It was further intimated that necessary instructions to the field offices had been issued to ensure that the recovery of enhanced security was effected from consumers as notified from time to time, failing which, responsibility for lapse might have to be fixed.

The Committee recommend that the recovery due from the two defaulting firms be also effected expeditiously and the Committee informed of the latest position in this behalf.



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