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HARYANA VIDHAN SABHA

**COMMITTEE**

ON

**PUBLIC UNDERTAKINGS**

(1993-94)

(EIGHTH VIDHAN SABHA)

**THIRTY SIXTH REPORT**

ON THE

**REPORT**

OF THE

**COMPTROLLER AND AUDITOR GENERAL OF INDIA  
FOR THE YEAR 1987-88 (COMMERCIAL)**



Presented to the House

**HARYANA VIDHAN SABHA SECRETARIAT  
CHANDIGARH**

1994

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**COMPOSITION**  
**OF**  
**THE COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(1993 94)**

**CHAIRMAN**

- \*1 Shri Phool Chand Mullana
- 2 Shri Suraj Mal

**MEMBERS**

- 3 Shri Ram Rattan
- 4 Shri Phusa Ram
- 5 Dr Om Parkash Sharma
- 6 Shri Dhirpal Singh
- 7 Shri Satbir Singh Kadian
- 8 Shri Ram Bhajan Aggarwal
- 9 Shri Kitab Singh Malik
- \* 10 Shri Chander Mohan

**SECRETARIAT**

- 1 Shri Sumit Kumar Secretary
- 2 Shri Ashok Kumar Deputy Secretary

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Resigned with effect from 6th August 1993 on his appointment as Minister

\*\* Appointed Chairman with effect from 18th August 1993

\* \* Nominated with effect from 18th August 1993

**NOTE** The Committee for the year 1993 94 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 25th February 1993 authorising him to nominate the members of the Committee on Public Undertakings for the year 1993 94 on the 20th April 1993

(v)

## INTRODUCTION

I Suraj Mal Chairman Committee on Public Undertakings having been authorised by the Committee in this behalf present Thirty Sixth Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1987 88 (Commercial)

The Committee orally examined the representatives of the Government/Undertakings

A brief record of the proceedings of various meetings of the Committee held during the year 1993 94 has been kept in the Haryana Vidhan Sabha Secretariat

The Committee are thankful for the assistance rendered by the Accountant General (Audit) Haryana and his staff

The Committee are also thankful to the representatives of the Government/Undertakings who appeared before the Committee from time to time

The Committee are also thankful for the whole hearted and unstinted co operation extended by Secretary/Deputy Secretary and his staff

CHANDIGARH  
The 16th February 1994

SURAJ MAL  
CHAIRMAN

**REPORT**  
**HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED**  
**(REVIEW)**

**2 1 1    Introductory**

1    The Haryana Seeds Development Corporation was incorporated on 12th September 1974 with the object to supply foundation seeds to the grower shareholders process seeds on scientific and commercial lines storage and marketing of seeds within the State at reasonable prices

A review on the working of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 1980 81 (Civil) Government of Haryana Results of further study are embodied in the succeeding paragraphs

**2 1 1 0 1    Capacity utilisation of plants**

2    The corporation took over three processing plants at Karnal Yamuna Nagar and Hissar from National Seeds Corporation (NSC) during 1976 77 Three more plants were set up at Sirsa (August 1978) Haily Mandi (April 1980) and Umri (June 1983) The plant at Karnal was closed and its machinery shifted to newly set up plants at Palwal Bhiwani and Tohana during 1983 84

The table below indicates the plant wise capacity utilisation (wheat seed) for the three years ended Rabi 1986 87

Plant	1984 85	1985 86	1986-87
(In quintals)			
(1) Umri			
Installed capacity	10 00 00	10 00 00	10 00 00
Raw seed processed	5 92 83	7 71 49	3 76 75
Percentage	59 3	77 1	37 7
(2) Hissar			
Installed capacity	6 00 00	6 00 00	6 00 00
Raw Seed processed	4 00 03	5 19 13	3 23 05
Percentage	66 7	86 5	53 8

(3)	Yamuna Nagar			
	Installed capacity	4 00 00	4 00 00	4 00 00
	Raw Seed processed	2 92 59	2 58 89	1 39 62
	percentage	73 1	64 7	34 9
(4)	Haily Mandi			
	Installed capacity	3 50 00	3,50 00	3 50 00
	Raw Seed processed	2 52 74	1 64 37	99 18
	Percentage	72 2	47 0	28 3
(5)	Tohana			
	Installed capacity	4 00 00	4 00 00	4 00 00
	Raw seed processed	2 73 72	1 68 20	76 06
	Percentage	68 4	42 2	19 0
(6)	Bhiwani			
	Installed capacity	3 00 00	3 00 00	3 00 00
	Raw seed processed	1 99 07	1 50 86	76 66
	Percentage	66 3	50 3	25 5
(7)	Palwal			
	Installed capacity	4 00 00	4 00 00	4 00 00
	Raw seed processed	2 08 24	1 82 65	94 26
	Percentage	52 00	45 7	23 6
(8)	Sirsa			
	Installed capacity	5 00 00	5 00 00	5 00 00
	Raw seed processed	5 40 38	5 13 23	3 01 11
	Percentage	108 0	102 6	60 2
	Total capacity utilisation (for all the eight plants)	69 9	69 1	37 6

It would be seen from above that the overall capacity utilisation of all the eight plants registered a declining trend and came down sharply from 69.9 per cent in 1984-85 to 37.6 per cent in 1986-87.

In their written reply the Government/Corporation stated as under —

Earlier National Seeds Corporation (NSC) was giving indents for procuring of wheat and paddy seed but after Rabi 84-85 no wheat seed indent was received from NSC. Similarly no paddy seed indent was received after Kharif 85 production season. Accordingly Corporation had to reduce the seed production target in the absence of any indent from NSC. This resulted into abrupt fall in the capacity utilisation during 86-87 processing season. The position regarding capacity utilisation during 87-88 & 88-89 was as follows:

S No	Name of plant	1987-88	1988-89
1	Umri	39.9 %	58.8 %
2	Hisar	51.2 %	92.4 %
3	Yamuna Nagar	31.9 %	55.4 %
4	Haily Mandi	25.0 %	27.2 %
5	Sirsa	64.3 %	107.1 %

Total capacity utilisation percentage was 39.1% and 69.2% respectively.

During Oral Examination the Government stated that prior to 1984-85 the corporation was dependent upon the National Seeds Corporation (NSC) for distribution/sale of its seed in the State. When the NSC stopped purchase of seeds from the HSSDC the quantity of seeds processing also decreased which resulted in low capacity utilisation.

The Committee observed that dependency of the Corporation over the National Seeds Corporation for indents was not correct. The plants should have been installed according to the requirement of the Corporation in relation to Haryana State. The utilisation of processing plant at Umri, Yamunanagar and Haily Mandi continue to remain very low then their installed capacity.

The Committee would like to know the details of corrective measures taken in this regard. A report on viability of the plants with the latest trend of production may be reported to the Committee within three months.

## 2.1.11.5 Installation of Cotton processing plant

3. The plant for acid delinting of cotton seed started working from February 1986. During the trial runs of the plant the production

manager pointed out that there was high concentration of acid left on the seed and requested (December 1985) the regional manager for getting it tested at Haryana Agricultural University (HAU). No such test had been conducted so far (September, 1988).

3 5 19 25 quintals of raw cotton seed (Value Rs 9 15 lakhs) was processed in the plant during February to April 1986 and 2 998 95 quintals of acid delinted seed was obtained (202 10 quintals under sized seed and 318 20 quintals lost in production). Out of this 2 756 65 quintals (91 9 per cent) could meet the certification standard (with 228 quintals of undersized seed and 14 30 quintals lost in handling).

881 70 quintals of certified seed was sent to units (including Bhiwani) for sale. The Bhiwani unit reported (April 1986) the damage to large number of bags containing acid delinted cotton seed. The sale of the seed was stopped as the laboratory tests revealed (April May 1986) that the seed suffered injuries during acid delinting process. The Director (Farms) HAU Hisa who enquired into the matter attributed (August 1987) the cause of damage to the seed to the deficient working of the plant due to incompetence of the concerned officials even though they were trained for the job.

Ultimately 2 456 63 quintals of damaged seed was auctioned (June 1987) at a loss of Rs 532 lakhs. Further 475 quintals of damaged seed (including 285 quintals of undersized seed) was still lying undisposed of with the corporation (September 1988).

No responsibility for the loss had been fixed so far (September 1988).

In their written reply the Government/Corporation stated as under

(i) Facilities for testing of seeds are available at the Agriculture University. The Regional Manager Haryana Seeds Development Corporation Hisar was charge sheeted and a regular departmental enquiry was held against him which has been completed. It would be processed along with enquiry report on the chargesheet issued to other officers in this regard.

(ii) During the process of acid delinting the lint and other inert matter is burnt by the acid. The quality of this material differs from lot to lot and produce to produce. Hence any specified norm for the processing loss can not be fixed. Further during the operation of grading light and small seeds are blown off which is also considered as processing loss. However in the produce of Kharif 1985 the processing loss in case of cotton acid delinting and grading works out to only 9 04% which appears to be reasonable.

(iii) Following enquiry report of Director Farms Haryana Agriculture University in this case the production Manager, Chief Engineer and the then Regional Manager were chargesheeted for the alleged defaults on their parts. The regular enquiry is being conducted. Regular departmental enquiry was ordered with the appointment of Joint Secretary as



Enquiry Officer He could complete only one enquiry against the Regional Manager Haryana Seeds Development Corporation Hisar and the remaining enquiries are pending

(iv) The entire Qty of 475 quintals of damaged/undersized seed has been disposed of by inviting tenders 285 quintals of undersized cotton seed was sold @Rs 260/ per quintals and remaining 190 quintals condemn seeds was sold @Rs 204 per quintals Action against the defaulting officers will be taken after receipt of Enquiry Report

The Committee observe that the damage to the seed was caused due to deficient working of the plants because of carelessness and incompetence of concerned officials and therefore recommend that enquiries against the defaulting official be get expeditiously completed and result with action taken on the same be intimated to Committee

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4 1 899 61 quintals of raw cotton seed was purchased during Kharif 1986 and processed in March April 1987 Out of this 1536 50 quintals of cotton seed was recovered and 363 11 quintals was lost in processing Further while 865 20 quintals of seed could meet the certification standard the balance 671 30 quintals was rejected due to low germination The rejected quantity had not been disposed of so far (September 1988)

No responsibility for excessive processing loss and rejections was fixed by the Corporation (September 1988)

In their written reply the Government/Corporation stated as under —

i The matter is being probed Action would be taken against the defaulters if any on receipt of the enquiry report

ii Out of the total quantity of 671 30 quintals rejected seed the regarding loss was to the extent of 1 29 quintals The remaining quantity of 670 01 quintals was disposed of @ Rs 240/ per quintals against the exgodown price of Rs 761 25 per quintals”

The Committee observed that loss of 363 11 quintals of seed in the processing on very much higher side Further the quantity rejected for certification is also on much higher side and fined the reply very unsatisfactory The Committee viewed the slip shed way of probing the matter very seriously since no proper enquiry has been conducted despite the lapse of about seven years — — — — —

The Committee recommend that the Managing Director may personally ensure its completion by fixing a time slot and a detailed Report along with action taken against the defaulting officials may be reported to the Committee within six months How the loss is proposed to be made good may also be intimated ?

## 2 1 12 5 Sales Performance

5 Production programme for various types of seeds is finalised for each year after keeping in view the carried over stocks and projected sales. Allotments are made thereafter according to the requirement of the regions in which the seed processing plants are located. It was however observed in audit that the region wise requirement of seeds was not assessed properly with the result 30 428 quintals, 42169 quintals and 75496 quintals of seeds had to be transferred between different units (plants) for sale during 1984 85, 1985 86 and 1986 87 respectively after incurring Rs 6.99 lakhs, Rs 7.74 lakhs and Rs 14.45 lakhs as transportation charges. The percentage of seeds transferred between different units (plants) to total sales of seeds within the State during three years upto 1986 87 was 36.6, 39.0 and 47.8 respectively. The inter unit transfers could be minimised had region wise assessment of requirement of seeds been made properly.

In their written reply the Government/corporation stated as under —

The Corporation tries to process and store various varieties of seed so as to have the least expenditure on transportation etc. However, various factors like climatic variations, demand of the growers and optimum level of utilisation of capacity of the plant determine the processing and storage of various varieties of seeds. In view of these factors the interunit transportation of seed cannot be avoided.

The Committee observed that the interunit transfer of seeds is much on higher side and feels that the expenditure on interunit transportation of seeds could have been reduced by proper planning of Production Seed ensuring trend of demand of the growers. The tangible steps taken toward off unproductive expenditure on transportation may be reported. The details of expenditure incurred during 1990-91 to 1992-93 may also be reported.

## 2 1 14 1 Inventory Control

6 The table below indicates the inventory position of certification and packing materials held by the corporation for the three years ended 1986 87.

Year	Closing stock of certification and packing material	Consumption during the year	Stock in terms of months consumption
			(Rupees in lakhs)
1984 85	57.56	84.35	8.19
1985 86	39.81	93.35	5.12
1986 87	41.02	46.90	10.50

The Corporation had not laid down any maximum minimum and re ordering levels for any stock item. No system had been evolved for determining the normal requirements of these materials. As the Corporation had to borrow funds from the banks and the State Government for its working capital requirements blocking of money on inventories adversely affected the ways and means position of the Corporation.

In their written reply the Government/corporation stated as under —

The requirement of packing and Certification material is worked out on the basis of expected production out of seed production programme organised in each season. Fixing of limit of stock for Certification & packing material is not feasible.

Value of the stock consumed and closing stock of Certification and packing material from the year 1987-88 onward is as under —

Year	Value of stock consumed	Closing stock
1987-88	41.63	33.05
1988-89 (9 months)	20.88	28.14
1989-90	61.94	36.94
1990-91	56.00	59.23
1991-92	73.25	43.67
1992-93	87.03	58.82

The Committee desire that minimum and maximum levels for stocks may be fixed under intimation to the Committee.

## HARYANA CONCAST LIMITED (Review)

### 2 2 1 Introductory

7 Haryana Concast Limited was incorporated on 29th November 1973 in the joint sector by Haryana State Industrial Development Corporation Limited (HSIDC) in collaboration with a private Company of Bhavagar with the main object to produce deal sell iron and steel in all forms. The Corporation became a subsidiary of HSIDC in September 1977 as the agreement with the private Company was terminated in February 1976 owing to its failure to pay call money (Rs 3 47 lakhs) on shares.

A review on the working of corporation was included in the Report of the Comptroller and Auditor General of India for the year 1980 81 (Civil) Government of Haryana. Results of further study are contained in the succeeding paragraphs.

### 2 2 9 2 Project Undertaken

8 With the object to diversify the Board (June 1983) approved the production of stainless steel on trial basis. Meanwhile the corporation appointed (May 1983) a General Foreman for production of stainless steel. The corporation produced 15 030 tonnes of stainless steel at a cost of Rs 0 34 lakh per tonne in two heats (one in October 1983 and another in January 1984) as against Rs 0 20 lakh estimated by the corporation. The production loss worked out to 48 1 per cent against the estimated production loss of 9 5 per cent. Even though the production of the stainless steel was not found commercially viable the Board decided (February 1984) to manufacture another 15 heats.

Ferro nickel and Ferro chrome which are the main raw material required for the manufacture of stainless steel were purchased initially from the local markets. In order to manufacture additional heats as desired by the Board the corporation procured (August 1984) 4 697 tonnes of imported ferro nickel (value Rs 4 86 lakhs) but ferro chrome essential for production of stainless steel was not procured. As no stainless steel could be produced ferro nickel was ultimately sold (March 1986) at a loss of Rs 0 66 lakh.

Out of 16 030 tonnes of stainless steel produced 14 760 tonnes (cost Rs 5 01 lakhs) was sold after re rolling (at a cost of Rs 0 12 lakh) during 1986 87 for Rs 2 18 lakhs and the balance 1 270 tonnes (value Rs 0 43 lakh) was found short. Thus the production of stainless steel without assessing the techno economic viability resulted in a loss of Rs 4 04 lakhs.

In their written reply the Government/corporation stated as under —

- (i) As it was a new product the trial was taken up on an experimental basis. During the process of casting due to breakdown at the casting machine substantial amount of liquid metal could not be casted into finished product and

was wasted in the form of skull. Due to this reason the finished product percentage went down

- (ii) Since the lead period for procurement of Ferro Chrome from indigenous manufactures was very short the order was not placed for these items. In the meantime the production programme for making further 15 heats was dropped due to unfavourable market trend in stainless steel and technological problems
- (iii) It may be mentioned here that the corporation did not loose anything in the disposal of imported Ferro Nickel. Rather the corporation has earned a substantial profit which can be verified from the record
- (iv) On seeing the trial run performance it was decided not to go ahead with the stainless steel making. It was not on account of any negligence of the technical personnel but on technological gap and metallurgical problems

During the course of oral examination it was stated by the Managing Director that production of stainless steel was started on experimental basis without proper technical know-how. Accordingly the Committee took a serious view to start a project without its soundness and market viability

The Committee observed that market cum techno economic viability of the project was not properly assessed before taking up the same. It does not appear a commercially sound decision to incur loss of Rs 4.04 lakhs to start production of stainless steel on trial basis. The purchase of only ferro nickel was also not proper. The Committee therefore recommend that responsibility in the matter be fixed and action taken be intimated to the Committee within six months

### 2.2.10.3 Production performance

9 The Billet Casting Machine (BCM) had two strands for casting of billets. With a view to speed up casting of billets and early release of furnaces for re charging the Corporation on the recommendation of IRBI added a third strand which was commissioned on 5th March 1986 at a cost of Rs 14.91 lakhs

A review of the working of the BCM since the addition of third strand revealed that during the period from 5th March 1986 to 31st March 1988 1905 heats were taken to the BCM. The first, second and third strands worked for 1844 heats, 1809 heats and 782 heats which worked out to 96.8 per cent, 95.0 per cent and 41.0 per cent of the heats taken to the BCM. The performance of the third strand was thus low as compared to the performance of the first two strands installed in 1977. Thus the object to speed up casting of billets and early release of furnace for re charging could not be achieved. The Management stated (April 1988) that the third

strand mainly remained under maintenance/breakdown. However the matter regarding the poor performance of third strand was not taken up with the supplier who had guaranteed its performance for one year from the date of commissioning.

In their written reply the Government/Corporation stated as under —

'The Corporation has installed an Induction furnace in July 1993 and the entire production of I F is being regularly casted through 3rd strand of C C machine only which is for the first time in India. It did not carry any manufacturing defect and worked for a year from the date of commissioning and all operational issues have already been sorted out and the 3rd strand is being used daily.

The Committee is not satisfied with the reply and was constrained to observe that the third strand with a cost of Rs 14.91 lakhs was commissioned without improving the Billet Casting Machine as such its utilisation remained very much on the lower side. Besides its repeated breakdown was not taken up with the supplier within the guarantee period. The Committee would therefore like to know the comparative performance of the three Strands during the year 1988-89 to 1992-93 within three months. The responsibility for low utilisation of the third strand may also be fixed and suitable action be taken against the defaulting officer/officials.

## 2.2.11 Burning Losses

10 (i) A review of production reports for the four years up to 1987-88 revealed that in case of 2170 heats produced the actual burning loss ranged between 15.1 and 52.6 per cent which exceeded 14.5 per cent claimed by the corporation as normal loss (against the burning loss of 9.09 per cent mentioned in the project report) resulting in a loss of Rs 40.76 lakhs. The reasons for excess burning loss had not been investigated so far (September 1988).

In their written reply the Government/Corporation stated as under —

Burning loss is entirely dependent upon the scrap mix whereas it varies from heat to heat and due to other reasons as given below —

- Spillage after transportation from weighbridge to furnace which is not recovered in any case.
- Some times the metal remains inside the furnace in a particular heat and is recovered subsequently in following heats. It can be as a matter of fact computed precisely on a monthly basis only. The burning losses remained within the prescribed limits.

The Committee observed that the reply of the Government is not satisfactory. The factors leading to burning loss like scrap mix and other factors were duly weighed and taken into consideration at the time of preparation of the project report. Such loss was projected at 9.09 per cent. The excess burning loss to the tune of Rs 40.76 lakhs in 2170 heats is not justified. The Committee therefore recommends that the matter may be investigated and the results of investigation along with action taken may be intimated to the Committee within six months.

### 2.2.15.3 Sales policy and performance

11. A review of stock register of ingots/billets of Ludhiana branch revealed that 588 and 256 tonnes of ingots/billets received from Hisar Office were transferred to Gobindgarh branch during 1985-86 and 1987-88 (upto January 1988) respectively. Since the ultimate destination of the material was Gobindgarh which is enroute Ludhiana, the material should have been sent from Hisar direct to Gobindgarh. This resulted in an avoidable expenditure of Rs 0.71 lakh on freight loading, unloading and stacking.

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

The transfer of the material from Ludhiana to Mandi Gobindgarh for purposes of Rolling was not a routine matter but as an exception in view of the immediate need of the material for rerolling at Mandi Gobindgarh and onward supply. It was felt that the Rolling at Ludhiana would involve further delay and would attract unnecessary burden of interest. This was in fact an exception and warrants to be condoned.

The Committee observed that loss of Rs 0.71 lakh on freight loading, unloading and stacking was caused due to bad planning and carelessness of the officials in the transportation of ingots/billets first to Ludhiana and then to Gobindgarh instead of direct to Gobindgarh from Hisar.

The Committee therefore recommends that the responsibility of the defaulting officials may be fixed and action taken in this regard be intimated within six months.

### 2.2.19.3 Manpower

12. As per Section 10 of the Payment of Bonus Act, a minimum of 8.33 per cent of the salary/wages earned by the employee during the accounting year is payable as bonus irrespective of the fact whether there are any profits in that accounting year or not. Any payment over and above the above minimum can be made out of allocable surplus.

The Corporation paid in November 1987 bonus (Rs 3.82 lakhs) to its employees at the rate of 10 per cent of the salary for the year 1986-87. During 1986-87 the Corporation incurred a loss of Rs

1 10 45 lakhs and as such there was no allocable surplus for the grant of bonus in excess (Rs 0 64 lakh) of the minimum limit of 8 33 per cent. The Corporation also paid in November 1987 ex gratia (Rs 0 11 lakh) at the rate of 10 per cent of salary to the officers who were not entitled to bonus as per the provisions of the Act *ibid*. This resulted in irregular payment of bonus/ex gratia to the employees/officers amounting to Rs 0 75 lakh.

In their written reply the Government/Corporation stated as under —

Under the provision of the Bonus Act there is a provision for negotiable settlement with the Trade Unions. Keeping in view the harmonious relations and to motivate the work force yearly Bonus was decided on the basis of above facts.

In fact Bonus amount paid is much higher in the other Government Departments, Corporations and workers get aggressive in their demand for party."

The Committee observed that higher bonus than the prescribed minimum is to be paid only if the Corporation is showing profits. Since the Corporation was running in loss the Committee do not appreciate the payment of bonus at higher rates and desire that this aspect be kept in mind in future.

## 2 2 22 2 Other points of interest

13 The Corporation invited tenders (August 1987) for the transportation of scrap from Kandla to Hisar during the period from 1st October 1987 to 30th September 1988. Of the ten offers received the rate of Rs 353 per tonne of firm A was the lowest which was further reduced to Rs 318 per tonne after negotiations. The Board of Directors however ordered (September 1987) for retendering on the ground that the quantity of scrap to be transported was not mentioned in the NIT although the Managing Director in the Board meeting stated that the transportation rate of Rs 318 per tonne offered by the firm was all time low and the Corporation might not get such low rates in fresh quotations.

The Corporation however invited (October 1987) fresh tenders for transportation of 15 000 20 000 tonnes of scrap and awarded the contract to the same firm at the rate of Rs 334 per tonne. Between October 1987 and September 1988 the firm had transported 11,414 tonnes of scrap. This resulted in extra expenditure of Rs 1 83 lakhs as compared to the rate of Rs 318 per tonne agreed to by the firm earlier. The extra expenditure would increase to Rs 3 20 lakhs when the contract was completed.

In their written reply the Government/Corporation stated as under -

The tender proposal @ 318/- per MT was placed before the Board of Directors but it was the view of the Board members that this is not realistic and the Corporation may not be able to get the entire quantity lifted at this rate. So the Board decided to go in for re tendering.



The Committee is constrained to note that no market survey of transportation rates was conducted and it was illogical to reject the lowest negotiated rate at Rs 318/ per tonne for transportation of scrap from Kandli to Hisar on the ground that it was all time low. In a retender after a gap of two months the higher rate of Rs 334/ per tonne of the same firm was accepted. There appears something fishy. The Committee therefore desire that a thorough investigation in the case be conducted to fix the responsibility of loss and action taken report may be sent within six months.

## HARYANA BREWERIES LIMITED

### 3 1 1 Infuctuous expenditure

14 The Corporation had a sale depot at Chandigarh since 1975 for marketing beer. In view of its uneconomical working the Corporation decided to close the depot with effect from 1st June 1986 which was approved by the Board of Directors (2nd June 1986). The Board desired that the mapping up operations should be completed in June itself by giving one month's notice to the landlord for vacating the premises which was on rent of Rs 20 400 per annum.

Although no stock was kept in the depot after June 1986 the premises were not vacated. Besides one clerk and one peon continued to be posted with the depot without any work. This resulted in an infuctuous expenditure of Rs 1 04 lakhs on rent (Rs 0 36 lakh) telephone (Rs 0 19 lakh) and salaries of the clerk and peon (Rs 0 49 lakh) of the depot from July 1986 to March 1988. The infuctuous expenditure would increase as the Corporation had not yet vacated the premises and utilised the staff elsewhere.

The Corporation stated (April 1988) that due to sudden change in the management the action to implement the Board's decision could not be taken. The reply is not tenable as at no time specific approval of the Board was obtained for incurring expenditure on rent salaries telephone etc of the depot in supersession of the decision of Board taken in June 1986 to close the depot.

The matter was reported to the Corporation and Government in June 1988. Their replies had not been received (September 1988).

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

It is true that the Board of Directors had approved closure of Chandigarh Depot in June 1986. However since the new Government took over the management underwent a change and the earlier decision was kept in abeyance for a further review.

With the appointment of the non official Chairman in 1987 no firm decision could be taken for an immediate closure. The premises were regularly being used as a liaison office in Chandigarh and also for official overnight halts by all members of HBL. The Chairman was personally using the premises for halts on tour and did not approve closure of the office there. No doubt BOD approval should have been obtained but the same was our administrative lapse.

Further more with a fresh change in management and appointment of a new Chairman in May/June 1990 once again the possibility of closing the offices was explored and final decision taken thereafter by releasing the premises in Sept—Oct 1990.

In view of these facts the para may be dropped as the expenditure is no longer being incurred and justification for expenditure between 1986 and 1990 has been stated in this reply.

During the course of oral examination the representatives of the Government stated that no action has been taken against any officer so far although there has a loss of Rs 1.87 lakhs which is on account of delay in closing this office in pursuance of Board's decision. It was also stated that the responsibility for this lapse is required to be fixed and action needs to be taken against the defaulting officer.

The Committee therefore recommend that responsibility in this case should be fixed and action should be initiated against the defaulting officer and the Committee be also informed within two months accordingly.

### 3.1.3 Purchase of cartons

15 Tenders for supply of 20.70 lakhs printed corrugated cartons for packing of beer bottles were invited and opened in January 1986. 23 offers were received and the rates quoted ranged between Rs 2.43 and Rs 3.54 per carton. The firms were telegraphically called for negotiations on 27th January 1986. Sixteen firms attended negotiations and as a result of which two firms reduced the rates from Rs 2.60 per carton to Rs 2.55 per carton. On 28th January 1986 firm A which had quoted the lowest rate of Rs 2.43 per carton and had offered to supply one lakh carton per month requested the Company for fixing another date as on account of late receipt of telegram it could not attend the negotiations. In February 1986 two more firms which had quoted Rs 3 and Rs 3.10 per carton and had not participated in negotiations reduced their rates to Rs 2.55 per carton.

The General Manager (Finance) proposed (February 1986) the purchase of 1.30 lakh cartons per month up to June 1986 from six firms at rates ranging from Rs 2.43 to Rs 2.55 per carton but the proposal was not considered for which there were no reasons on record. Out of 23 firms from whom offers were received in January 1986 the Company again called 12 firms for negotiations on 10th March 1986 with reference to the specifications which were slightly revised in the meanwhile. The telegram and letter to firm A (the lowest tenderer) were sent on an incorrect address (to Delhi instead of to Sankhol in Haryana) and as such the firm could not attend the negotiations.

Order for supply of 0.72 lakh cartons (revised specifications) was placed (May 1986) on firm B at Rs 2.75 per carton and orders for supply of 6.35 lakhs cartons (original specifications) were placed on 5 firms at the same rate (Rs 2.60 per carton) at which supplies were effected by them during 1985-86. This resulted in an extra expenditure of Rs 1.08 lakhs on the purchase of 6.35 lakhs cartons (original specifications) which could have been saved by placing order on firm A at its quoted rate of Rs 2.43 per carton.

No responsibility for depriving firm A from attending the negotiations by despatching the telegram and letter to an incorrect address had been fixed by the Management so far (September 1988).

The matter was reported to the Corporation and Government in June 1988 their replies had not been received (September 1988)

In their written reply the Government Corporation stated as under -

It is correct that supplies of cartons was not ordered from the firm which was quoted the lowest at Rs 2.43. This was because the specifications of cartons were changed and when negotiations were carried out the lowest party was absent. It is true that they did not receive any intimation due to incorrect address. Therefore cartons had to be purchased for immediate use at higher rates.

It is true that no disciplinary action was initiated against the person or persons responsible for this lapse. This is because General Manager (F) Sh. B. D. Jain who was in charge of over all purchase work is no longer in employment of this Corporation and his services were terminated with 3 months notice on Sept. 1989. There were other complaints regarding this office due to which termination was urgently made.

It is only possible to take action against the lower purchase staff and enquiry will be carried out immediately by Manager (Accounts) and report shall be submitted to A.G. office shortly.

It was conceded by the representative of the Government that the Corporation failed to negotiate with the lowest tenderer and failing in negotiations resulted in a loss of about Rs 1.08 lakhs. It was also stated that the main person responsible for this lapse was Shri B. D. Jain Incharge of purchase work whose service were later on terminated. No responsibility was fixed in this case either against Shri B. D. Jain or the staff assisting him.

The Committee observed that it was the slackness on the part of the Corporation for not fixing the responsibility.

The Committee therefore desired that the responsibility of the defaulting officer be fixed after conducting proper enquiry and action be taken against them within a period of three months under intimation to the Committee.

### **3.1.4 Purchase of new bottles**

16. Tenders for the purchase of 50 lakh new bottles were invited and opened in September 1986. Of the two offers received the rate of firm A (Rs 2,212.44 per thousand bottles) was the lowest and that of firm B (Rs 2,346.79 per thousand bottles) was the 2nd lowest. Firm A offered to supply the tendered quantity and indicated a schedule of supply for 38 lakhs bottles between January to May 1987.

Firm B agreed during negotiations (October 1986) to reduce the rate to Rs 2,303.11 per thousand bottles. Meanwhile (October 1986) the requirement was reassessed at 74 lakhs bottles and

accordingly the Corporation placed orders (November 1986) for 32 lakh bottles on firm A at Rs 2 21 244 per thousand bottles and for 42 lakhs bottles on firm B at Rs 2 303 11 per thousand bottles. While firm A supplied 32 88 lakhs bottles (against ordered quantity of 32 lakh bottles) firm B supplied only 27 22 lakhs bottles as against the order for 42 lakhs bottles.

Thus by not placing the order for at least 38 lakh bottles on firm A for which the firm had even given the time schedule the Corporation suffered a loss of Rs 0 46 lakh. The Corporation could have saved further Rs 1 09 lakhs had it negotiated with firm A for supply of tendered quantity of 50 lakh bottles in view of its lower rates as was done with firm B for reduction of its rates and re scheduling.

The matter was reported to the Corporation and Government in August 1988 their replies had not been received (September 1988).

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

It is admitted that orders were given at very slightly different rates to two firms for supply of new bottles. As a matter of policy HBL is always careful to give important orders to 2 firms at least so that supply of critical material like bottles does not suffer and shortage do not occur at the plant during peak season.

In the present case there was an important reason in giving order to firm 'B' on higher rates as there was a labour problem in firm A which was communicated by firm A official to Haryana Breweries Ltd. Thus is the likelihood of some future trouble and stoppage of supplies. HBL was constrained to give orders to firm B. In view of the above explanation para may kindly be dropped.

During the course of oral examination the Managing Director of the Corporation stated that orders were placed with both the firms at different rates i.e. order to firm B was placed on higher rates. The Committee also observed that when the firm A supplied everything in time even more than the ordered quantity the Corporation would have placed further order with the said firm by negotiating time scheduling.

**The Committee therefore recommend that the responsibility in this behalf may be fixed at the earliest.**

## HARYANA STATE MINOR IRRIGATION AND TUBEWELLS CORPORATION LIMITED

### 3 3 1 Infertuous expenditure

17 The Corporation in response to the tenders (June 1980) from Haryana State Electricity Board (HSEB) offered (July 1980) to design manufacture and supply, five circulating water pumps (8575 M<sup>3</sup>/Hr capacity) at Rs 4.35 lakhs per pump. The Corporation received in February 1982 trial order for one pump only which was to be delivered within 18 months as the Corporation did not have the previous experience in the manufacture of circulating water pump.

The Corporation acquired drawings design model pump and pattern at a cost of Rs 5.50 lakhs without preparing any detailed cost estimates for the manufacture of pumps. After the successful model testing of the pump (October 1983) and its approval by the Board the manufacture of pump was commenced in March 1984 which was to be delivered to the Board by March 1986 (the extended delivery date).

The management realised (September—October, 1985) that the manufacture of the pump would involve an expenditure of Rs 8.52 lakhs against Rs 4.35 lakhs per pump quoted to the Board. The Corporation approached (November 1985) the Board for enhancement of the price equal to the ratio at which order for five pumps was placed on Delhi firm (Rs 5.81 lakhs for pump plus Rs 3.60 lakhs for spare parts testing and Commissioning) on the ground of increase in cost of material and labour and that the rates quoted by the Company were for five pumps but order given was only for one pump. The request was however not acceded to by the Board on the ground that it was against the terms of the order. Consequently the manufacture of circulating water pump was abandoned by the Company in January 1986 after spending Rs 6 lakhs (including Rs 0.50 lakh for discharge column etc.).

Thus owing to venturing into the manufacture of circulating water pumps without examining the economic viability the Corporation incurred an infertuous expenditure of Rs 6 lakhs.

The matter was reported to the Corporation and Government in July 1988 their replies had not been received (September 1988).

In their written reply the Government/Corporation stated as under —

A cost estimate was framed at the time of submission of tenders. In the past the Corpn had given tenders to Punjab and other States for manufacture of pumps which were not accepted on the plea that the Corporation did not possess any experience in the line. It was considered appropriate that the tender may be given to HSEB without incorporating the Research & Development charges to keep our price low with a view to get the order.

The Corporation took the work under diversification programme. It is again mentioned that while tendering the research & Development charges were not included in order to keep the price competitive.

At that time (year 1980) the Corporation was manufacturing pumps of 150 Cs capacity at a cost of Rs 2.30 lakhs for Irrigation Department and on proportionate cost estimate it was considered feasible to quote Rs 2.80 lacs per pump (excluding model, testing erection commissioning and spares etc.) as a safe price excluding Research & Development charges. This rate for one pump was quoted keeping in view that the total order was expected to be for 5 pumps. The break up of the cost estimate worked out during 1980 per pump is as under which was quoted

1	Supply of pump	=	Rs 2.80 lakhs
2	Model Testing	=	Rs 0.30
3	Erection & Commissioning at site	=	Rs 0.25
4	Spare parts (impeller pump shaft thrust bearing sleeves gland packing gaskets line shaft bearing)	=	Rs 1.00

Total	=	Rs 4.35 lakhs
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Later on when the cost of the pump was reviewed in 1985 it was found out that the cost excluding Research & Development charges for the supply of one pump worked out to Rs 8.52 lakhs as under —

1	Supply and testing of bowl assembly and spare impeller and sleeves	=	Rs 4.89 lakhs (with 4% tax)
2	Hydrostatic testing of castings	Rs	0.50 lakhs
3	Fabrication of discharge column shafts thrust bearing proto type testing erection and commissioning	Rs	2.50
4	Carriage of pattern	Rs	0.08
5	Supervision charges	Rs	0.05
6	Expenditure incurred by Karnal Workshop for discharge column	Rs	0.50

Total	Rs	8.52 lakhs
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The increase in cost of the pump is attributable to the following factors —

- (i) Initially it was planned to supply 5 pumps to the HSEB as per the tenders submitted whereas finally an order for the supply of only one pump was placed on HSMITC
- (ii) HSMITC had quoted the rates during 1980 for the pumps which were to be designed by HSMITB independently but later on when the order was placed on HSMITC by the HSEB it was mentioned that HSMITC shall supply a pump which shall have identical operational characteristics and dimensions as have been offered by M/S Voltas
- (iii) It is also worth adding here that the HSEB had placed an order on M/S Voltas Ltd during 5/82 for the supply of 5 pumps at the rate of Rs 5.81 lakhs per pump (excluding commissioning testing and spares etc) whereas HSEB placed an order of only one pump on HSMITC at the corresponding rate of Rs 2.80 lakhs only although the HSMITC pump was to possess identical operational characteristics and dimensions as have been offered by M/s Voltas
- (iv) Other factors such as increase in the cost of raw materials labour charges etc also contributed to the increase in cost of the pump. The consumer price index during 1980 was 390 and during 1986 it was 661 when pump was to be supplied

Although no fresh order for the supply of circulating water pump specifically used in Thermal power Stations has been received by HSMITC but other pumps have been manufactured. It is worthwhile to mention here that the experience and expertise gained during the design development manufacture of this pump have been used for design and manufacture of other pumps having similar design characteristics. The Corporation has gained experience knowledge and expertise on its own in the design and development of such pumps without entering into any outside collaboration. The name of projects for which pumps have been manufactured later on and supplied are as under —

Mixed flow pumps of 75 Cs 40 Cs etc have been manufactured and supplied to Rajasthan Government JLN and other projects costing about Rs 1 crore with a profit of 10%

The cost of such pumps already manufactured and now been manufactured by the Corporation is about Rs 2.72 lakhs as per statement attached. The Corporation has earned a profit of Rs 9.44 lacs on pumps already manufactured and further expects a profit of about Rs 17.30 lacs on the pumps under manufacture against pending job orders.

It may be further mentioned that the Board of Directors (i.e. the competent authority) was apprised to the whole situation who has regularised the expenditure of Rs 6.00 lakhs incurred on this pump towards Research and Development of this venture for which a provision of Rs 15 lakhs existed in the budget of the Corporation for the year 1985-86.



**Mixed flow Pumps Designed and manufactured on the basis of knowledge/experience gained by the Research & Development and Model Testing of C W Pumps**

Sr No	Particulars of pumps	Project/P H /Site	Qty	Approx cost	Indentor	Profit
<b>A Pump already manufactured &amp; supplied</b>						
1	40 Cs/21	Juni Canal P H No 1	9	Rs 53 53 lacs	S E Bhiwani Irr Circle Bhiwani	Rs 6 00 lacs
2	5 Cs/22	Dulher Disty	2	Rs 4 95 lacs	—do—	Rs 0 50 lacs
3	8 Cs/21'	Dinod Mr P H	3	Rs 5 25 lacs	S E BCC Bhiwani	Rs 0 52 lacs
4	5 50 Cs/21	Khara Minor P H	3	Rs 5 00 lacs	—do—	Rs 0 50 lacs
5	75 Cs/50	Pump Station No 1	5	Rs 14 25 lacs	Xen IGNP Bikaner	Rs 1 42 lacs
6	600 LPS/5 Mt 150 LPS/10 M	Hydraulic Laboratory of AHEC Roorkee	2	Rs 5 00 lacs	AHEC Roorkee	Rs 0 50 lacs
				<u>Rs 94 03 lacs</u>		<u>Rs 9 44 lacs</u>
<b>B Order in Hand</b>						
1	32 Cs/25	Nirona Canal P H I and II	8	Rs 75 00 lacs	S E BIC Bhiwani	Rs 7 50 lacs
2	26 50 Cs/5'	Gurgaon Water Supply Canal P H	6	Rs 78 00 lacs	S E Gurgaon Water Supply Gurgaon	Rs 7 80 lacs } expected
3	11 Cs/12'	Karu Minor P H No I II & III	5	Rs 25 00 lacs	S E BIC Bhiwani	Rs 2 50 lacs
				<u>Rs 272 00 lacs</u>		<u>Rs 17 80 lacs</u>
				<b>G Total</b>	<b>G Total Rs 9 44 + 17 80 = 27 24 lacs</b>	

During the course of oral examination the Committee observed as to what was the necessity for diversification because the Corporation was meant for providing irrigation facilities to the people where the canal system was not available and the Corporation started the futile exercise to get the pumps prepared and then supplied to Haryana State Electricity Board. The representatives of the Government stated that there was no work at Corporation workshop and unless the Corporation had not diversified its activities the workshop did not have any work which was not viable. It was also stated by the departmental representatives that they could manufacture only one instead of five pumps.

The Committee observed that there seems to be some negligence and would like to know the names of the officers who took this venture.

The Government/Corporation subsequently intimated as under —

The HSEB floated tenders for supply of 5 Nos. mixed flow type circulating water (CW) Pumps during June 1980. The HSMITC got the order from HSEB for supply of 1 No. C W pump at the cost of Rs 4.35 lacs. The development of this special type of pump required R & D inputs. The HSMITC which the aim to diversify its activities and to utilise the manpower and equipment already installed in the Karnal workshop wanted to enter to this field as it had already attained expertise and know how in the manufacture of other types of pumps supplied to various agencies. This work was taken up when Sh Jagman Singh (since retired) was the Managing Director. Other Officers connected with this work are as under —

- 1 Sh R S Mehra Chief Engineer (Works) (Retired)
- 2 Sh Om Parkash Project Engineer (Pumps) (Retired)
- 3 Sh S P Gupta Executive Engineer Marketing and Accounts Division Now S E (P&V)
- 4 Sh H C Dhingra Superintending Engineer ((Pump Design) (Retired)
- 5 Sh R K Jain Executive Engineer (Pump Design I) Now Executive Engineer (Purchase)
- 6 Sh S C Kaushik Executive Engineer (Pump Design II) Now Executive Engineer Workshop Divn HSMITC Karnal

As a necessary input for R&D effort required for manufacture and development of pump of high capacity and head a model study has to be conducted by first designing and manufacturing a model of the prototype simulating dynamically kinematically and geometrically similarities to the prototype and tested for desired discharge head and efficiency.

This developmental work was part of R&D activity for which budgetary provisions/allocations are provided each year. This R & D expenditure is to be recovered from pumps which are designed manufactured and supplied by HSMITC. This expenditure was approved by the Board of Directors of HSMITC.

On account of escalation in cost of material cost of labour subsequent to placement of order by HSEB HSMITC requested the HSEB authorities to allow the same rate as was applicable to M/s Voltas Ltd for supply of similar types of pumps. The HSEB refused to revise the rates for supply of WW pump by the HSMITC. The Corporation therefore decided not to manufacture this pump.

However HSMITC has incurred an expenditure of Rs 6.00 lacs and acquired the expertise and technical know how for design fabrication and manufacture of C W pumps. The technical know how and expertise gained can enable HSMITC to enter the field of WW Pumps as and when exigencies so arise and to compete with other manufacturers.

In view of above mentioned facts and for the reasons that experience gained on model testing of C W model pump has been properly utilised for the pumps being manufactured by HSMITC there is virtually no loss to HSMITC. Since the expenditure incurred was approved by Board of Directors as R&D expenditure in 80th meeting item No 80.23 no responsibility of any kind can be fixed. The position is brought to the kind notice of the committee.

The Committee was not satisfied with the facts as tendered above and recommend that responsibility in this case should be fixed and action be taken expeditiously within a period of one month under intimation to the Committee.

## HARYANA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

### 341 Non recovery of interest

18 The Cement Controller to the Government of India issued instruction in June 1974 under the Cement Control Act 1967 that cement producers who receive advance payments for supply of cement but fail to supply cement within 45 days of the receipt of the advances should pay interest at the rate of 8 *per cent* per annum on the money retained for the period in excess of this time limit (revised to 14 *per cent* and 15 days in September 1978 and to 30 days in February 1982)

The Company made advance payments aggregating Rs 27 58 lakhs to four cement factories during December 1981 to July 1986 for the supply of 3 100 tonnes of cement against the authorisations issued by the Cement Controller. The factories could supply only 2 451 65 tonnes of cement valuing Rs 19 88 lakhs during January 1982 to June 1986 and no supplies were made thereafter. Out of the balance amount of Rs 7 70 lakhs Rs 7 67 lakhs were refunded by the cement factories during July 1984 to December 1986 after delays ranging from 7 to 703 days. Neither the cement factories paid interest on the delayed refunds nor the Company claimed the interest in terms of the instructions of the Cement Controller.

The interest recoverable on the amounts so retained by the cement factories beyond 30 days (calculated at 14 *per cent* per annum) worked out to Rs 1 27 lakhs.

The Management stated (July 1988) that on suggestion of the Regional Development Commissioner for cement industry to take legal course for effecting recovery of interest from cement companies the matter was referred to State Government for legal advice. However the State Government advised the Company (September 1988) to consult some Advocate in the matter.

The matter was reported to Government in May 1988 reply had not been received (September 1988).

In their written reply the Government/Corporation State as under —

The position with regard to the non payment of interest by cement companies on the advance payments retained by them beyond 30 days of its receipt where no supplies of cement are made has already been brought to the notice of AG (Audit) Haryana from time to time. It is again intimated that the supply of cement is controlled and regulated by the Regional Development Commissioner for Cement Industry (NR) Govt of India Ministry of Industry Department of Industrial Development New Delhi. The procedure being followed by the Corporation is that an order for the supply of cement is placed with the Cement companies on receipt of an authorisation from the Development Commissioner for cement Industry Government of India New Delhi as all such requirements are sent to the

Government of India through the Director Food & Supplies Haryana On receipt of an authorisation from the Regional Development Commissioner for Cement Industry the advance payment is made to the cement companies against which cement is supplied by them in due course. Accordingly the advance payments are adjusted on receipt of supply of cement from the cement companies and the bills thereof are received after a considerable time and as such refund for balance advance money with the cement companies is pursued from the date of receipt of bills which contain necessary details of the amount for which cement has been received by the Corpn. Apparently sufficient time is consumed in process to Claim refund of the principal amount of advance along-with interest which is retained by the cement companies beyond 30 days of its receipt by them. Needless to mention here that the interest is required to be paid by the cement companies on their own without having the party to put in a formal claim for the same in respect of the amount of advance kept by them beyond 30 days of its receipt as per instructions issued by the Government of India from time to time. After a protracted correspondence the Regional Development Commissioner for Cement Industry Government of India New Delhi intimated vide his letter No RDC/NR/F-28/H/HY/3246 dated 7/8 5 1986 that the orders issued by the Ministry of Cement Industry to all cement producers to pay interest are in pursuance of informal understanding reached with the Cement Manufacturers and not issued under the Cement Control Order as contended by this Corporation. However this Corporation continued to pursue the matter vigorously with the Regional Development Commissioner for Cement Industry Government of India for the compliance of their instructions by the cement companies to pay interest on the amount of advance money retained by them beyond 30 days of its receipt. Ultimately the Regional Development Commissioner for Cement Industry New Delhi vide his letter dated 19/20 8 1987 intimated that purchase of cement is a direct deal between the purchaser and the cement works and his office has no concern to settle the issue as the instructions issued by the Government of India have no statutory binding on the cement companies to pay interest. It was advised that this Corporation should consider the desirability of taking legal action in the matter after securing legal advice. On this the Commissioner & Secretary to Government of Haryana Industries Department was requested vide this office letter No HSIDC/IS/ACCTTS/88/3539 dated 29 2 1988 to kindly favour Corporation with legal advice in the light of the clarification contained in Government of India letter dated 19/20 8 1987 from Regional Development Commissioner for Cement Industry New Delhi wherein it was suggested to adopt the legal course to effect the recovery of interest from the Cement Companies after securing legal advice where advance payment is retained by the Cement Producers beyond 30 days of its receipt. The legal advice was sought and it was intimated by the advocate that it is not a fit case to be filed in the court as suit is not likely to be decreed. It is quite clear that this Corporation

spared no efforts to pursue the matter with all concerned including Regional Development Commissioner for Cement Industry Government of India, New Delhi for the payment of interest by the cement companies but the exchange of correspondence could not yield any result for effecting recovery of interest from Cement companies as the instructions issued by Government of India has no statutory binding on them to pay interest to the Corporation. Keeping in view the above explained position it is requested that this para may kindly be dropped.

During the course of oral examination the representative of the Government informed that the Corporation used to deposit money in advance as there was shortage of cement and all companies demanded full amount in advance. It was also informed that there was no clause in the agreement to the effect that the Corporation will get interest on its deposits. The matter was also taken up with the Government of India but the Government of India did not accede our request rather informed that the corporation should deal with cement companies directly.

The Committee observed that if there is no clause in this respect available in the agreement then it is not maintainable in the Court of Law. The Committee therefore desired that in view of the legal opinion already taken in this case the advice of the Advocate General of Haryana should also be obtained as to whether interest on the advance money deposited with the company can be claimed and the advice so tendered by the Advocate General Haryana be also intimated to the Committee.

The Committee also desired the representative of the Government to supply the copies of correspondence made with the company the Government of India as also the advice of the Advocate of the Corporation.

**The required documents were not supplied till the framing of the report. The Committee therefore recommend that the responsibility for not laying down interest clause in the agreement be fixed and reasons for this lapse may also be intimated to the Committee immediately.**

## HARYANA STATE ELECTRICITY BOARD

### 3 5 2 Extra expenditure in the purchase of disc insulators

19 Tenders for the purchase of 20 360 disc insulators of 90 KN capacity and 19 212 disc insulators of 165 KN capacity were invited on 9th September 1985 stipulating the last date of receipt of offers as 17th October 1985 Without awaiting response till stipulated time the closing date was extended on 16th October 1985 up to 4th November 1985 on the ground that only two tenders had been received and two of the 7 firms who purchased tender documents had requested for extension on account of late receipt of tender documents

Three tenders of firms A B and C were received up to 17th October 1985 During the extended period four more firms D E F and G submitted their offers while firm C submitted a revised offer Although firm C had revised its offer and subsequently expressed its willingness (January 1986) to supply the material at the lowest technical acceptable offer the Board placed (January 1986) telegraphic order on the firm for supply of 20 360 (90 KN) disc insulators at Rs 74 79 per unit and 19 212 (165 KN) disc insulator at Rs 138 40 per unit on the basis of rates quoted in the originals offer dated 17th October 1985 Firm C refused to accept the order on the ground that it had submitted revised offer before the closing date of the tender Meanwhile the validity of offers of all the firms expired on 4th February 1986

Negotiations were held (February 1986) with the four firms (C D E and F) and on the basis of negotiations an order for supply of 10 180 (90 KN) disc insulators at Rs 101 68 per disc was placed (March 1986) on firm B Another order for supply of 10 180 (90 KN) disc insulators at Rs 101 68 per unit and 9,606 (165 KN) disc insulators at Rs 185 04 per unit was placed (March 1986) on firm E The balance quantity of 9 606 (165 KN) disc insulators was decided to be procured through fresh tenders As firm 'B made no supply and lower rates were received against subsequent tender enquiry (January 1987) the order was cancelled (June 1987) Firm E supplied (September 1986/January 1987) 5 000 (90 KN) and 3 000 (165 KN) disc insulators at the ordered rates while the balance quantity of 6 606 (165 KN) disc insulators was supplied (January 1988) by the firm at Rs 178 71 per unit in view of decrease in prices Further 10 180 (90 KN) disc insulators were purchased from firm C at Rs 83 30 per unit on the basis of fresh tenders

Thus the Board incurred an extra expenditure of Rs 6 27 lakhs in the purchase of 15 180 (90 KN) and 9 606 (165 KN) disc insulators as compared to the rates quoted by firm C in its original offer dated 7th October 1985 The extra expenditure could have been avoided had the tenders been finalised on the basis of offers received up to 17th October 1985 (the last date for submission of tenders) by accepting the lowest offered rates of firm C without extending the date of submission of tenders up to 4th November 1985

The matter was reported to the Board and Government in August 1988 their replies had not been received (September 1988)

In their written reply the Government/Board stated as under —

As per original schedule of opening of tenders the last due date for receipt of tenders was 17 10 85. On 16 10 85 when the request of the two firms namely M/s Jaya Shree Insulators Calcutta and M/s W S Industries Madras for extension of validity by one month was received only two tenders viz of M/s High Tension Ranchi and M/s Lakshmi Procelain Hyderabad had been received. The major manufacturers of quality Disc Insulators such as M/s BHEL M/s Sesa Sayee Industries M/s Punjab Ceramics had not submitted their tenders by then.

Out of the two firms who had submitted the tender upto 16 10 85 M/s Lakshmi Procelain Hyderabad was a new firm. Since no tender of any major manufacturers of Disc Insulators was received there was no alternative but to request the tenderers to extend the validity of their offers to ensure healthy competition and supply of quality material at competitive rates.

After telegrams to all the firms regarding extension in the date of acceptance of tenders had been sent on 16 10 85 M/s Jaya Shree Insulators who had sent a telegram requested for extension of date of receipt of tender. They also submitted their tender by the due date. As the firms had been informed about the postponement of date the tenders received could not be opened on 17 10 85.

It will thus be seen from the above position that the decision regarding postponement of date of opening of tenders was taken in the best interest of the Board and it could not be envisaged at that time that tenders received during the extended period will contain higher rates.

During the course of oral examination it was stated by the representative of the Board that although the tenders from three firms were received by 16th October 1985 yet they requested for extension of time with the result that rates were increased and the Board had to incur extra expenditure. Not only this the old firm M/s Jaya Shree Insulators on one hand got the benefit of extension of date for the receipt of tenders but on the other hand increased the rates also.

The Board by way of additional written information intimated as under —

It is reiterated that out of the 7 firms who had purchased the tender documents 2 Nos leading firms viz M/s W S Industries and M/s Jaya Shree Insulators requested for extending the last date of receipt/opening of tenders. Moreover the tenders from other leading manufacturers viz M/s BHEL M/s Sesa Sayee Industries and M/s Punjab Ceramics were not received till



16 10 85 There request was accepted by the competent authority to have participation of all leading manufacturers of Disc Insulators in the Country and to ensure competitive rates for purchase of good quality material. This decision was taken by the competent authority on 16 10 85 i.e. one day prior to receipt of tenders. This is the normal practice so that the tenderers who have already submitted their quotations are informed well in advance to avoid an unnecessary journey to be present at the time of opening of tenders. Unfortunately M/s Jaya Shree Insulators was the one supplier who had requested for extension of due date of receipt of tenders but on 17 10 85 they submitted their offer. However with the extension in due date of receipt of tenders all the suppliers were at liberty to quote afresh which may be lower or higher than the earlier quoted prices.

However it is intimated that the decision of extension in due date of receipt of tenders and opening thereof was approved by Sh. O. P. Puri, the then Chief Engineer on the basis of recommendation made by Sh. K. C. Singhal, the then Superintending Engineer. Both the officers have since retired. Their action was in the best interest of the Board in order to have healthy competition amongst leading suppliers of Disc Insulators and therefore no responsibility is fixed.

After hearing the Board's representative and going through the additional information supplied by the Board, the Committee observed that the M/s Jaya Shree Insulators was ready to supply the Disc Insulators at the old rates but with the extension of dates they also revised their rates. The Committee would therefore recommend that the responsibility of the officer who extended the date be fixed and the name of officer who initiated the matter along with the reasons may be intimated to the Committee within a period of two months.

### 3.5.3 Allotment of electrical works

20 With a view to achieving the revised target of 20,000 tubewell connections (from 10,000 envisaged earlier) for the year 1986-87, the Board issued instructions (July 1986) to the various operation circles to carry out the additional work through labour contract on work order basis by inviting tenders from labour contractors on the basis of prevalent H.S.E.B. schedule of rates for various electrical works. The rates were to be approved by the Superintending Engineers of the respective circles.

A test check conducted in three divisions out of five divisions under the operation circle Karnal viz. Sub-urban Division 1 Karnal, Sub-urban division Panipat City, Operation division Panipat revealed that these divisions invited limited quotations in December 1986 (one division at Karnal) and January 1987 (two divisions at Panipat) respectively on labour rate basis for providing tubewell connections. The lowest tenders offered to execute the work at 65 per cent (Karnal division) and 110 per cent (Panipat divisions) over the schedule of

rates of the Board for electrical works. These rates were approved by the Superintending Engineer in January 1987 without considering the wide variation in rates obtained by Karnal and Panipat divisions. Up to March 1987, works to the extent of Rs 11.03 lakhs (labour charges based on schedule of rates Rs 5.60 lakhs and premium Rs 5.43 lakhs) were allotted to the various contractors. This included works worth Rs 0.38 lakh which were allotted (January—February 1987) at 120 per cent above the schedule of rates by the City Operation division Panipat against the approved premium of 110 per cent.

Subsequently in March 1987 the Superintending Engineer invited tenders for electrical works for providing tubewell connections on labour rates in Sub-urban division Karnal and approved premium of 24 per cent (above Board's schedule of rates) on the basis of lowest rates quoted by contractors from Karnal, one from Sampat and one from Jind. Accordingly from April 1987 onwards the electrical works connected with providing tubewell connections were allotted at 24 per cent premium over the schedule of rates.

Thus allotment of works in December, 1986/January 1987 without taking into consideration the rates at which works were allotted by other divisions resulted in an extra expenditure Rs 4.09 lakhs.

The matter was reported to the Board and Government in August 1988; their replies had not been received (September 1988).

In their written reply the Government/Board stated as under —

- (i) Press tenders were called by the then S.E. OP Circle Karnal for registration of electrical contractors and only 6 No. contractors came forward for registration but informed verbally to the then S.E. that they are not interested to take up any work for less than 125% premium above the Schedule of labour rates. In order to energise maximum number of tubewells in a short spell of 3 months out of the heaviest target fixed for this circle Xens were allowed to call quotations in the best interest of work.
- (ii) Being first experiment in the Board the contractor were not available in the market for doing electrical works and keeping in view the urgency of work and limitation of time Xens were allowed to locate the licenced contractors and allot them the work after observing all usual formalities.
- (iii) The different rates were allowed to the contractors at different places as it depended on the demand and availability of labour in the area as the target for tubewell connections was raised from 10,000 Cos. to 20,000 tubewell connections was fixed only for Karnal circle.

In this connection it is also added that the connections to tubewells were to be released in the fields for from the Roads where the material had to be taken by Jhota Buggees/Carts which costs more than engine driven vehicles.

In certain cases where the site was beyond stading crops the material had to be taken even on the shoulders and heads by the labourers. As such it depend upon the site of releasing the connection in allowing different rates

(iv) No investigation was carried out at Board's level

The work was done in the best interest of the Board and it was less than the premium allowed for the Daily Wage Workers already working in the Board

During the course of oral examination the representative of the Board conceded that it is a bad case and requires reinvestigation

The Board by way of additional written information further intimated as under —

The case has been re examined and findings are as under —

(1) It was the first experiment in the Board and the contractors were not willing to undertake the electrical works in the HSEB and in order to achieve the progress of the work for energisation of the tubewells it was decided to discover the licensed contractors and to allot the work after observing all the usual formalities

In pursuance with the above decision the XENs/fields invited tenders from the registered/licensed holder contractors to carry out the different works in the Department

(2) The Board fixed a target for the energising of tubewells to the tune of 10 000 Nos and subsequently during 6/86 this target had been doubled without considering the difficulties which were being faced by the field officers. It was stressed that the target has to be achieved by taking the work on war footing basis as the State Govt was keen to provide a relief to the farmers

(3) It is not out of place to mention that all the fields where tubewells were to be energised were/are not connected by pucca/katcha roads and in certain places the material was to be carried out by jhota bughies and in certain cases the material was carried by the labourers. Therefore allowing the rates to the labour equal to other places can not be determined because of adverse location/difficulties. The tubewells which are connected by pucca roads the material can be transported through the Govt vehicles or by hiring the private vehicles. These rates are naturally low as compared to the material transported from Jhota Bughies or by labourers

(4) Even if the work was to be carried out by the departmental labour then the Board has to bear the expenditure above 125% of the approved rate of the State Govt and the departmental labour would have not been able to release the number of connections as per the target fixed. Therefore the rates allowed by the various XENs for the various contractors are less as compared to the HSR rates as approved vide Secretary HSEB Chandigarh O/o No 70/Bd 33 (261/78) dated 4 7 78 revised by Deputy Chief Engineer Coordination HSEB Chandigarh Memo No 1143/DCE/ Scheduled dated 3 12 85 w e f 1 4 86 and as such the Board has not suffered any loss on this account

Since the Xens approved less premium than 125% on HSR there has been gain to the Board and not the loss

(5) It is further added that the contractor has to face other difficulties in the thick populated areas where material can not be easily transported by the other means except the labour. Therefore the contractor has to claim the higher rates

(6) The Xens have allowed different rates to the contractors depending upon the circumstances/situations of the areas where connections were to be released

In view of above no responsibility is fixed

The Committee did not feel satisfied with the additional fact supplied by the Board. The Committee therefore recommend that responsibility of the officers who allotted work in 1986-87 at different rates which resulted into loss of Rs 4.09 lakhs may be fixed and the action may be initiated against them and results thereof be intimated to the Committee within a period of three months

#### 3.5.4 Purchase of crane

21. The Board after inviting tenders placed an order for supply of a 16 tonne capacity truck mounted mobile crane (value Rs 11.63 lakhs) on firm A in February 1982. The crane which was to be fabricated by firm B (principal of firm A) and mounted on an Ashok Leyland hippo chassis to be supplied by the Board was to be delivered within 5 months after the supply of chassis

The chassis (value Rs 6 lakhs) was supplied by the Board to firm B in August 1982. The Board appointed (April 1982) firm C for carrying out inspection of the crane at a fee of Rs 0.10 lakh. Firm C inspected the crane in October, December 1984 and January 1985 and while reporting (December 1984/January 1985) the working of crane as satisfactory pointed out that the following tests could not be carried out

- maximum size of the load to be lifted i.e. 16 tonnes could not be checked as single weight of this size was not available
- 16 tonnes capacity at 85 percent rating at 3.4 metre and 75 per cent rating at 1.3 metre could not be checked

Firm A informed (April 1985) the Board about its inability to supply the crane on account of some dispute between firms A (agent) and B (principal) leading to litigation. As firm B agreed (April 1985) to supply the crane directly to the Board at the rate at which it was to be supplied to its agent (firm A) for delivery to the Board, the order for supply of this crane for Rs 10.45 lakhs was placed on firm B in April 1985. As per the terms of the order the firm was to

- return Ashok Leyland hippo chassis duly mounted with crane (supplied by the Board in August, 1982) ,
- repair/replace any part/component in the machinery proved to have suffered from any manufacturing defect within 18 months or 3000 working hours of use whichever was earlier after the date of delivery of the equipment
- provide automatic safe load alarm with automatic cutout which in the event of over loading of the equipment automatically cuts off the crane's hydraulic pump from the boom automatic safe load indicator and limit switches were also to be provided and
- give performance bank guarantee for 10 per cent value of the cost of equipment for a period of 1½ years from the date of delivery

No further inspection/test of the crane was got carried out from firm C except that two engineers of the Board inspected (April 1985) the crane visually and found it conforming to the specifications. The crane was supplied by firm B in April 1985.

On 17th August 1985 the crane while in operation overturned on one side resulting in damage to the crane and the death of the crane operator. The matter regarding repair of the crane free of cost was taken up with the firm in August 1985. The firm declined to repair the crane as the accident had occurred due to faulty operation of the crane. The Board asked (September 1985) the firm to undertake the repair of the crane pending institution of an enquiry into the causes of the accident wherein the firm would be afforded full opportunity to present its case. Pending finalisation of the causes of the accident the Board decided (November 1985) to get the crane repaired on payment basis to be set off against the bank guarantee in case the crane was proved to have damaged due to manufacturing defects. The crane was repaired (January 1986) at a cost of Rs 1.57 lakhs but the firm expressed its inability to provide automatic safe load indicator on the crane and recommended installation of electronic safe load radius indicator from another firm. The electronic safe load indicator was installed (October 1986) at a cost of Rs 1.36 lakhs.

A Superintending Engineer of the Board was asked (January 1986) to investigate the causes of accident and to submit his report by 15th February 1986. The causes of the accident were investigated by the Superintending Engineer without giving an opportunity to firm B to present its case who in his report (June 1986) *inter alia* observed as under

- the accident seemed to have occurred due to manufacturing defects
- the provision of automatic safe load alarm with automatic cutout was not in operation or had not been provided by the manufacturer

- as per IS Specifications a load indicator was required to be provided to full view of crane operator but this requirement was not complied with by the firm

On the basis of investigation report of the Superintending Engineer a claim was lodged (October 1986) with the bank against the bank guarantee of Rs 0.98 lakh furnished by firm B. The bank refused to accept the claim on the ground that no suit for action to enforce the claim had been filed against the firm under the terms of the bank guarantee and no opportunity was given to firm B to present its case before investigating officer. The Board had also paid (September 1986) compensation of Rs 0.78 lakh to the legal heir of the deceased operator and the claim for which was pending settlement with the insurance company (June 1988).

Thus owing to acceptance of crane without carrying out the tests, delay in completion of investigation into the causes of accident and failure to provide an opportunity to firm B to present its case before investigating officer and to file a suit for action to enforce the claim against the bank guarantee, the Board suffered a loss of Rs 1.57 lakhs on account of repair charges of the crane besides incurring extra expenditure of Rs 1.36 lakhs on installation of electronic safe load indicator on the crane.

The matter was reported to the Board and Government in August 1988. Their replies had not been received (September 1988).

In their written reply the Government/Board stated as under

- (i) The work of inspection of 16 MT crane was assigned to world renowned inspecting agency M/s S G S India Pvt Ltd New Delhi vide Chief Engineer (Hydel) HSEB Yamunanagar Work Order No 465/P 265 dated 26.4.82 and the following was included in the broad scope of inspection —

- 1 Final dimensional test
- 2 Functional test
- 3 Performance test
- 4 Safety check

M/s S G S India carried out the inspection from time to time and the final report was submitted by them on 23.1.85. The report also clearly showed that they had carried out complete inspection of the crane and all tests performed had been found to be satisfactory.

So far as the non conducting of tests pointed out by the inspecting agency are concerned the position is as under —

- (i) The remarks of inspecting agency against Sr No 4 of check test of firm's letter dt 23.1.85 that Single Weight of this size is not available give a feeling that the load test at 16 MT was not carried out at all. But the fact of the case is that

since a single piece of load of 16 M T was not available at the time of testing a bunch of smaller weights was used to make the test loads of 16 026 M T at which the crane was tested by the inspecting agency and confirmed in their report dated 31 12 84. It is worth while to mention here that it is not the size of the load but weight at which it is to be tested that is important and it was not necessary to record dimensions/sizes of various loads

- (ii) The inspecting agency carried out the load test of the crane at different radii/loads with varying boom lengths. So far as the testing of crane at a radius of 3.4 metres is concerned this is already covered in the load test carried out by the inspecting agency as per details reproduced below —

Radius in Metres	8.8 M Boom	12.8 M Boom	16.4 M Boom	20.0 M Boom
3	16026			
4		11535		
5	8825		8296	
6			6531	5077
7	6155			
8		4867	4012	
9				3485
10		3450		
11			2375	
12				1307
13				547

So far as the test at 1.3 metres at 75% rating is concerned this test is covered since the crane having lifted full load at 3.0 metres could easily have lifted even higher load at this radius of 1.3 metres. Moreover the inspecting agency vide their final report dated 23 1 85 as per item 2 and 3 of check list has confirmed that performance at a clear cut reach of 1.35 metres with stabilizers at 16 M T capacity is satisfactory.

Keeping in view the details under para 1 and 2 above and inspection having been carried out by the renowned inspecting agency authorised by the Board no further tests were required to be carried out by the officers who were deputed later on, for physical checking of the crane and taking its delivery.

- (ii) There were no constraints in giving opportunity to the firm to present its case as informed by the Enquiry Officer vide his Memo No Ch -16/AC 14 dt 21 10 88. The firm was requested vide letters given below to appear before the Enquiry Officer or depute their representative —

No & date vide which requested	Date for appearance
21/AC 14 dt 15 3 89	24 3 89 Regd
22/AC 14 dt 28 3 89	6 4 89 Regd
289/DEW 15 dt 12 4 89	26 4 89
145/EB 14 dt 12 4 89	26 4 89
25/AC 14 dt 7 6 89	15 6 89
81/DEW 26 dt 20 6 89	30 6 89
124/EB 14-Vol II dt 21 6 89	3 6 89 Regd

Despite issue of all these letters they failed to appear before the enquiry officer

- (iii) There was a provision that unless a suit or action to enforce a claim under the guarantee is filed against the Bank before the said date all our rights under the said guarantee shall be forfeited and the Bank shall be relieved/discharged from all liabilities there under. Accordingly the action for lodging claim with the Bank was taken through telegram dated 22 10 86 and a copy thereof was sent by post in confirmation under endst No 22/(1 2)/SAO/PO 712 dated 22 10 86 under registered cover

As intimated by Legal Remembrancer suit for mandatory injunction already stands filed against the bank of Maharashtra New Delhi as well as M/S IHI (Indian Hydraulic Industries) New Delhi in the court of Addl Sr Sub Judge Jagadhri and the next date of hearing in this case has been fixed for 21 11 1992

- (iv) The claim for the amount of Rs 77 856/ paid to the legal heir of the deceased operator lodged with M/S United India Insurance Co has since been received from them (Insurance Co) vide cheque No 868851 dated 21 9 1988

During the course of oral examination the representative of the Board informed that the work relating to testing of crane has been completed. Moreover radius test has been completed and insurance money because of accident has been received whereas the case relating to liquidation of bank guarantee is pending in the Court and is fixed for 7th August, 1993



Since the bank guarantee has not so far been released the Committee recommend that the decision pronounced by the Court may be intimated at the earliest

### 3 5 5 1 Nugatory expenditure

22 Section 25 (F) of the Industrial Disputes Act 1947 *inter alia* lays down that no workman employed in any industry who has been in continuous service for not less than one year under an employer shall be retrenched until he has been given one month's notice in writing indicating the reasons for retrenchment and the period of notice has expired or the workman has been paid in lieu of such notice wages for the period of notice

The services of 41 casual labourers were terminated (June 1980—February 1983) by the sub divisional officer, operation sub division Ganaur without any prior notice or payment of any retrenchment compensation

On representation from the 10 casual labourers (appointed during February 1979—February 1981) the State Government (Labour Department) referred in April and November 1983 the disputes to the labour court Rohtak for adjudication

The Law officer of the Board while suggesting that it would be in the interest of the Board if the officials were taken back on duty and there would be no financial implication opined (February 1985) that the order of termination had been passed by the authority which was not competent to pass such orders. No action was however taken by the Board on the basis of the legal opinion

The labour court ordered (September 1986) the reinstatement of all workman (except one who had not completed 240 days of actual work with the Board) with continuity of service and full back wages. The Board filed (March, 1987) an appeal in the High Court against the order of labour court but the later upheld (April 1987) the decision of the labour court. Accordingly wages amounting to Rs 1.79 lakhs for the period from the date of termination of their services (June 1980—February 1983) to 23rd/26th May 1987 were paid to the 9 workmen in June 1987 without gainful employment

Thus owing to non compliance of provisions of Industrial Disputes Act 1947 before terminating the services of labourers and failure to act on the legal advice to reinstate the labourers without payment of back wages the Board has to incur nugatory expenditure of Rs 1.79 lakhs on wages

The Executive Engineer, sub urban division Sonapat stated (April 1988) that the then sub divisional officer Ganaur was responsible for non compliance of the provisions of the Industrial Disputes Act 1947

No responsibility in the matter had been fixed by the Board so far (September 1988)

The matter was reported to the Board and Government in July 1988 their replies had been received (September 1988)

In their written reply the Government/Board stated as under —

- (i) The concerned XEN is the competent authority to issue retrenchment notice/orders. After approval of competent authority the order can be issued even by SDO quoting that the orders have approval of the competent authority. Actually the SDO failed to seek approval of the XEN in writing nor quoted that the order has been issued with the approval of competent authority.
- (ii) There is no question of ignoring the Law Officer's advice. Actually in view of opinion of the Law Officer in 10/84 that the case is weak on merits as the provisions of Industrial Disputes Act have not been met with. The XEN S/Urban Division Sonapat requested the Law Officer during 1/85 to find out the possibility of making an out of court settlement with the workers on the conditions that they will be taken back on duty on the post they held at the time of retrenchment with continuity of service but without back wages. The Law Officer mentioned in his suggestion in 2/85 to take necessary action with the approval of competent authority. Accordingly a reference was made by the XEN to the SE OP Circle Delhi with a copy to Secretary, Legal/IR Cell for approval in 2/85. No decision could however be arrived at upto 4/85 when the Labour Court summoned the record and the representative of the workers did not agree for settlement on the above condition.

During 12/85 however the counsel for the workers agreed to forego half wages. Since this had financial implications the case was referred to the Chief Engineer OP Z-II Delhi for advice which was tendered in 3/86 that if at all a compromise is to be reached with the retrenched labourers then no back wages may be paid and they may be taken back in service by assuring them that their services will be considered continuous. In case they do not agree the case may be contested in the court of Law and action taken as per decision of the Court.

In view of above it is very much clear that the suggestion tendered by the Law Officer was not ignored. In fact there was no offer from the opposite party to compromise without back wages. Had it been so it would have been made.

- (iii) The appeal was filed in the High Court on the advice of Legal Section of the Board.

- (iv) The then Sub Divisional Officer Ganaur Shri M R Tandon and the XEN Sonapat Sh A P Chaudhary were issued charge sheets and Sh S P Ajmani S E was appointed as Enquiry Officer. After considering the report of Enquiry Officer the charge sheets against both the officers were withdrawn.

The representative of the Government during the course of oral examination informed that the Sub Divisional Officer was not competent to retrench the employees. The advice of legal officer is also not in favour of the officer concerned. Since the financial implication was involved the Superintending Engineer was asked to examine the case. The Superintending Engineer could not decide the matter by the time the matter was decided by the Labour Court in favour of retrenched employees. It was also informed that enquiry was conducted by the Superintending Engineer but charges could not be proved against the Executive Engineer and the Sub Divisional Officer.

The Committee observed that the reply of the representatives of the Board was contradictory in itself. He however suggested for reopening the case for review.

The Board also intimated by way of additional written reply that the case was put to the Chairman Haryana State Electricity Board for approval to place before the Board who has approved the same. Now memorandum is being placed before the Board the competent authority to take decision to reopen and review the case.

The Committee therefore recommend that the case may be reviewed the responsibility be fixed and outcome of the enquiry be intimated to the Committee within two months.

### 3 5 5 2

23 Punjab Civil Services Rules Vol I Part I applicable to the Haryana State Electricity Board employees *inter alia* lay down that the appointing authority shall if it is of the opinion that it is in the public interest to do so have the absolute right to retire any employee other than class IV employee by giving him notice of not less than three months in writing or three months pay and allowances in lieu of such notice after he has attained the age of 55 years.

A line man working in sub urban sub division Narnaul who was appointed in December 1953 applied on 7th January 1985 for extension in service (through SDO) for 3 years to the Chief Engineer (Operation) before attaining the age of 55 years. While the request for extension in service was yet to be considered by the competent authority the sub divisional officer retired and relieved the official from service on 12th April 1985. The official filed (March 1986) a suit in the court challenging his retirement from service.

The suit was decreed (August 1987) in favour of the official as the counsel of the Board admitted the claim of the

official The official was taken back in service on 11th September 1987 and the period of absence from 13th April 1985 to 10th September 1987 was treated as duty. The amount of wages for the period of absence payable to the official worked out to Rs 0.52 lakh.

Thus failure to follow the laid down procedure resulted in nugatory expenditure of Rs 0.52 lakh.

No responsibility in the matter had been fixed so far (September 1988).

The matter was reported to the Board and Government in August 1988. Their replies had not been received (September 1988).

In their written reply the Government/Board stated as under -

- (i) The official himself is not required to apply for extension in service beyond the age of 55 years. The extension cases are processed by the Drawing and Disbursing Officers to the cadre controlling officers before six months of the attaining the age of 55 years which are decided by the cadre controlling authority in time but some cases are decided late due to non availability of confidential record.
- (ii) The SDO has no power to retire the official without the order of competent authority. The SDO had relieved the official in writing and to get further orders from the competent authority a copy of letter was sent to the Divisional Office. As such the SDO has violated the provisions of HSEB rules.
- (iii) A show cause notice was served upon the SDO Sh. K. C. Girdhar by the Secretary HSEB Panchkula vide his Memo No. Ch 18/Conf 1493 dt 27.11.91 under regulation 8 read with regulation 4 (i to iv) HSEB employees (P&A) Regulation 1990. The Officer submitted defence reply to the Show Cause Notice and the same was sent to the Chief Engineer OP Zone II Delhi for verifying the facts and to offer his comments thereon. Necessary comments have been forwarded to the Secretary/Services III HSEB Panchkula by the Chief Engineer OP Zone II Delhi vide his Memo No. Ch 83/ESG 1731 dated 22.4.93. Final disciplinary action is yet to be decided by the competent Authority viz Secretary Board.

The representative of the Government conceded that the Sub Divisional Officer has been found negligent and has been awarded punishment of stoppage of one increment with effect from 29th July 1993.

The Committee observed that the concerned Sub Divisional Officer has intentionally violated the rules for which awarding of punishment of stoppage of one increment is not sufficient

The Committee therefore recommend that a sum of Rs 0 52 Lakh paid to, the retire be recovered from the concerned Sub Divisional officer for which the representative of the Board agreed to reopen the case

The Board by way of additional written information informed that the case after approval by the competent authority stands reopened and is under consideration -The Committee therefore recommend that the action taken in the matter be intimated to the Committee within two months

### 3 5 6 Extra expenditure

24 The State Government issued a notification on 17th March 1979 (published in Gazette on 22nd March 1979) under the Land Acquisition Act 1894 empowering the Board to survey the land at Sikanderpur (measuring 5 Acres 2 Kanals and 5 Marlas) for construction of 33 KV sub station and to invite objections from the land owners within 30 days of the publication of the notification. The Collector (Land Acquisition) on 2nd April 1979 asked the Board to get the publicity of notification done through the Revenue Patwari in the concerned village within 7 days. The publicity was arranged in the concerned village only on 20th April 1979. Meanwhile in anticipation of the award of Government for acquisition of the land the Board persuaded the land owner to hand over the possession of the land. The land owner on persuasion by the Board handed over (20th April 1979) the land subject to payment of adequate compensation. Government withdrew (14th March 1980) the notification of 17th March 1979 for the acquisition of the land due to delayed publicity of the notification and advised the Board to send fresh proposal for acquisition in case the land was still required. The Board did not furnish the fresh proposals and started (20th April 1980) the construction of sub station which was energised on 20th August 1981. In April 1981 the land owner claimed damages for illegal use and occupation of land at Rs 0 11 lakh per annum from 20th April 1979 besides compensation on account of cost of land. The Board offered (November 1981) Rs 0 63 lakh as cost of land on the basis of rates intimated in March 1980 by Revenue authorities to the land owner but the same was not accepted. The land owner filed (November 1981) a petition against the Board in the court claiming compensation for use and occupation of land and interest thereon. Since the land had been occupied by the Board without invoking the provisions of the Land Acquisition Act 1894 and payment of its cost the matter was settled out of court by paying Rs 2 27 lakhs (cost of land Rs 1 85 lakhs charges for use and occupation Rs 0 42 lakh) to the land owner in November 1985/January 1986. This resulted in an extra expenditure of Rs 1 64 lakhs to the Board.

Thus owing to occupation of land without completion of legal formalities laid down under the Land Acquisition Act the Board had to incur an avoidable extra expenditure of Rs 1 64 lakhs

The matter was reported to the Board and Government in June 19880 their replies had not been received (September 1988)

In their written reply the Government/Board state as under —

- (i) The Haryana Government Gazette Notification under section 4 of the Land Acquisition Act 1894 published on 22 3 79 to get the publicity done in village Sikander pur through Revenue Patwari within 7 days from the date of publication was received in the office of the Xen OP Division Sirsa on 4-4-79 after the expiry of required/stipulated period. The said notification was despatched by the Collector Land Acquisition Ambala on 2 4 79 vide his letter No LA 276/1042 dt 2 4 79 and was received on 4 4 79 when 13 days (22 3 79 3 4 79) period had already passed so the publicity could not be done within 7 days. However Collector (Land Acquisition) vide his letter dated 12 5 89 has intimated that it was /is the absolute responsibility of the Xen office who initiates the Land Acquisition case to give wide publicity to the issuance of notification U/s 4 of the ibid Act. Therefore the concerned Xen and SDO have been held responsible for such lapses.
- (ii) The construction of 33 KV Sub Station at Village Sikanderpur was approved for the year 1978 79 and accordingly acquisition proceedings were started. Possession of the land was taken on 20 4 79 subject to the payment of adequate compensation to avoid further delay in the preparation and approval of Electrical/Civil layouts drawings pre requisite for the execution of Electrical/Civil works on the land.
- (iii) No specific amount was agreed to be paid to the consumer at the time of taking over possession of land but the consumer had given in writing that he is ready to handover possession of land subject to adequate compensation. Matter was pursued by LAC Ambala and this office since July 1979 with the Deputy Commissioner Sirsa to supply the collector rates so that payment could be made. Collector rates were received from DC Sirsa in 7/80. Accordingly estimate was prepared/sent to SE OP Circle Hisar/Chief Engineer OP HSEB Chandigarh. Estimate was sanctioned for Rs 63 375 and then a cheque of Rs 63 375 dated 31 8 81 was issued but the owner was away/out of station and returned in 11/81. He agreed to accept the amount only on certain terms in the

meantime he also moved the case in the Court of Sr Sub Judge Sirsa Secretary HSEB Chandigarh had desired that payment be made only after sanction of detailed technical Estimates/provision of Funds in the annual financial statement. It took about a year to get the Estimate sanctioned from the competent authority (C E OP Chandigarh)

- (iv) Shri V P Arya and Shri V K Garg the then Xen/AE were held responsible and cases referred to Secreatry HSEB Panchkula for initiating disciplinary action against the officers

Both of the officers have been charge sheeted as detailed below —

- 1 Sh V P Arya Xen Memo No Ch 24/Conf 2071 dt 10 7-92
- 2 Sh V K Garg AE Memo No CH 1/Conf 2527 dated 15 9 92

The Committee was informed that it was the responsibility of the Executive Engineer concerned to see the publication and publicity of the notification as contemplated under Section 4(1) of the Land Acquisition Act 1894. It was also informed by the representative of the Board that a perusal of the file reveal that the case was not followed. Further the representative of the Board informed that land for Sikanderpur Sub Station was not acquired the proposal for which was sent to the Government and the notification was published on 22nd March 1979 rather the land was purchased later on. It was also informed that deliquent officer(s) have been charge sheeted

The Board informed the Committee by way of written reply that Shri V P Arya Excutive Engineer and Shri V K Garg Assistant Engineer were held responsible for not making publicity of the notification within the stipulated period. They stand served with a charge sheet. The reply of Shri Arya has been received. Since both these cases are clubbed together it has been decided to take a collective view and the case will be decided on receipt of Shri Garg's reply to the charge sheet.

In view of the progress in this case the Committee recommend that action be completed against the officers within two months and the Committee be informed accordingly

### 3 5 7 Purchase of EHV transformer oil

25 Based on an indent (December 1984) of Chief Engineer (Workshops) Dhulkote four orders for supply of 1200 KLS of Extra High Viscosity (EHV) transformer oil required for power transformfers at the rate of Rs 012 lakh per KL were placed (June 1985) on firms A B C and D. The supplies were to be

completed by January 1986. Firms A B and C supplied 1 055 267 KLS of oil during November 1985 to October 1986 and full payments were realised to the firms against railway receipts in terms of orders. The order on firm D for supply of 150 KLS of oil was cancelled (November 1987) in view of the inability of the firm to make supplies in time and the comfortable stock position.

During the course of audit it was noticed that against supply of 1 055 267 KLS of oil only 1 013 890 KLS was taken on bin cards. The balance 41 377 KLS of oil valuing Rs 5.69 lakhs was reported (July 1988) by the Chief Engineer (Material Management) to be under dispute due to shortage/ rejection of contaminated oil.

Further out of 1 013 890 KLS of oil 875 215 KLS of oil was utilised up to 13th May 1988 leaving a balance of 138 675 KLS of oil (value Rs 19.07 lakhs) in stock. Out of 875 215 KLS of oil used 56 222 KLS was utilised in the distribution transformers for which ordinary transformer oil (which was cheaper by Rs 2 000 per KL) could be used resulting in an extra expenditure of Rs 1.12 lakhs.

The Board also suffered a loss due to non-recovery of Rs 5.69 lakhs from firms A and B on account of shortages etc. beside blockage of funds on purchase of oil to the extent of Rs 19.07 lakhs in excess of the requirements.

The matter was reported to the Board and Government in August 1988. Their replies had not been received (September 1988).

In their written reply the Government/Board states as under —

(ii) Purchase order wise shortages and rejection of oil pointed out and recoveries effected from the firms are given below —

P O No	Qty Ordered	Qty des patched by firms	Taken on books	Qty found short	Remarks
1	2	3	4	5	6
HD 2256	500 KL	499 719 KL	471 938 KL	27 781 KL	(a) 25 918 KL oil had not been found according to specifications and was returned to firm. 2 299 KL oil was noticed defective later on. (b) Rs 3 73 000/- recovered from the supplier on a/c of cost of defective/ short of oil.



1	2	3	4	5	6
					(c) Rs 50 887 30 on a/c of excess amount spent on repurchase of 30 080 KL oil was recovered
HD 2257	400 KL	400 026 KL	392 018 KL	8 008 KL	(a) The firm deposited Rs 40000/- +74006 as cost of shortages pointed out in July 1990 and Nov 1990 respectively
					(b) 69 drums oil found contaminated was replaced by the firm
HD 2258	150 KL	150 KL	149 984 KL	0 066 KL	Rs 7497 44 on a/c of cost of shortages deposited by the firm in Oct 1987
			Total	35 855 KL	
HD 2259	150 KL	Order cancelled without financial repercussions on either side vide amendment dt 11 1 87			

Against the shortage rejection of 41 377 KL oil mentioned in Audit para recovery of 35 855 KL oil (In addition to 2 299 KL oil noticed defective later on) stands made Regarding difference of 5 522 KL (41 377—35 855) it is stated that the Audit party did not consider the receipt of 5 589 KL oil received in Central Store Ballabgarh as per SMB Page No 119/217/14 dt 1 10 86

- (ii) Tender enquiry was floated on the basis of requirement received from Chief Engineer (Workshop) Dhulkote and while placing the orders the balance of T/F oil in stock and supplies in pipe line (excepted against the pending purchase orders) as kept in view

So far as the deterioration in the electrical characteristics of the transformer oil is concerned it is stated that due to long storage there can be deterioration in the oil but the same can be corrected by dehydration and filtration of the oil before putting the same to use in the electrical equipment There has been no adverse report about the transformer oil received against the above purchase orders

- (iii) As stated above the transformer oil is purchased against indent received duly approved by the competent authority The indents for procurement are based on consumption in the past and the requirement in future stock position and material in pipeline The estimated quantity thus arrived at can not be very accurate

Since this item is in demand throughout the year and is always short the purchase made was not excessive

The Board by way of additional written reply intimated as under —

- (a) Orders for 1200 KLs EHV grade oil against PO Nos HD 2256/2257 2258 and 2259 were placed on 17 6 85 against tender enquiry No OD 1195 at the rate of Rs 12 000 per KL FOR destination Supply of this oil was received between 11/85 to 10/86 Simultaneously order for 300 KLs of ordinary grade transformer oil was placed as per PO No HD 2263 dt 21 6 85 on M/s Sharavathy Petro Chemicals This firm did not supply transformer oil and fresh purchase of ordinary grade transformer oil was processed against a limited enquiry No QSD 292 opened on 29 4 86 and press enquiry No QD 1258 opened on 6 5 86 The earliest substantial supply of ordinary grade oil was received on stock in 2/87 against enquiry No QD 1258 (P O No 2463 dt 4 9 86 placed on M/s Savita Chemicals for 175 KLs) at an for Destination rate of Rs 11850 per KL

There was an urgent need of ordinary grade oil for repair and maintenance of distribution transformers during the intervening period between 10/86 and 2/87 when EHV grade oil was available and the ordinary grade oil was not in stock WTM's decided in their meeting held on 14 10 86 that 100 KLs of EHV grade transformer oil may be used in manufacture/repair of distribution transformers This was done keeping in view the urgent requirement of oil for distribution transformers The net price difference between the EHV grade oil as per PO dt 17 6 85 and ordinary grade oil as per PO dt 4 9 86 was only Rs 150 per KL (Rs 12000—11850) Since the price difference between the two grades of oil was only 15 paise per litre use of EHV grade oil for distribution transformers caused a negligible financial implication as such the point may kindly be dropped

- (b) As regards the consumption of remaining 138 75 KL of EHV oil is concerned it may be informed that stock position of this item was 13 167 KL on 27 6 89 which was consumed in the immediate future

The Committee recommend that responsibility for not affecting recovery of Rs 5 69 lakhs from the respective firms and blocking of funds on account of purchase of oil in excess of requirement be fixed and intimated to the Committee within a period of two months

### 3 5 8 2 Extra Expenditure

26 Tenders for increase in ash disposal area in Faridabad Thermal Power Plant were invited (February 1982) on the basis of rough estimates without supporting detailed designs/drawings and opened in April 1982. The work was awarded (May 1982) to contractor A at Rs 56.77 lakhs whose offer was the lowest out of the three offers received. However, on preparation of drawings as per the site conditions during execution of the work, actual quantities of various items of work varied from 15 to 510 per cent. The work was got executed (June 1985) from contractor A at Rs 61.85 lakhs. Besides 3 items of work which were not included in the tender estimates were also got executed from contractor A at a cost of Rs 7.82 lakhs without calling for tenders. A comparison of rates quoted by contractor B with those of contractor A quoted against the tendered estimates revealed that the work could have been got executed at a cost of Rs 61.01 lakhs from contractor B.

Thus, due to allotment and execution of work without approval of detailed designs, the Board had to bear an extra expenditure of Rs 0.84 lakh. Besides, the Board was deprived of the benefit of competitive rates in getting executed 3 items of work at a cost of Rs 7.82 lakhs.

The Executive Engineer (Civil), Faridabad Thermal Power Plant, stated (February 1988) that in the absence of a design cell with the plant, Central Electricity Authority (project consultants) were giving detailed construction drawings also and the variation in quantities were allowed on the basis of construction drawings issued during the currency of the work. The reply is not tenable as the work should not commence unless a properly detailed design and estimate were prepared and sanctioned.

The matter was reported to the Board and Government in July 1988; their replies had not been received (September 1988).

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

- (i) Central Electricity Authority were the consultants who are the experts in this field. For the purpose of tender/estimation, it is neither possible nor practicable to have detailed drawings in the beginning. In this case, based on field survey data supplied by the Project Authorities, the CEA (Consultants) prepared the tender drawings/estimate (schedule of quantities). The work was allotted to the bidder who quoted the lowest rates in response to our tenders.

The consultants were associated during the execution of work. Some changes as per site/ground conditions were made as per their advice, which is normal. It

is only to account for such changes there is provision of  $\pm$  30 per cent variation clause. The variation clause is as under

Deviation limit for the contract as a whole shall be  $\pm$  30% of the value of the contract. The individual items can vary to any extent.

In addition there was seepage and leakage of water from Ash Pond directly affecting the houses/lanes and other areas of the Vill Nawada Kon due to which there was lot of resentment and hue & cry. The villagers resented the execution of the work for raising of Ash Pond Bund for creating more pondage. To soften their attitude/resistance to raising up a high powered committee of Experts consisting of Engineer in Chief Irrigation Department Haryana) M D HSMITC Chief Engineer/Thermal (Design Cell) CEA New Delhi and Chief Engineer (Thermal) HSEB Faridabad was constituted by HSEB to look into the problems of villagers and suggest remedial measures. Some recommendations of the Committee were to be got executed immediately so as to facilitate execution of main work. These suggestions of high powered committee were incorporated in the construction drawings released by the Consultants. This also resulted in change of some of quantities the Schedule of quantity as subsequently released by the Consultants included these changes.

- (ii) This was a case of typical nature when the work was to be got done without closing of the power plant and in a fixed time schedule despite stiff resistance from the nearby village Nawada Kon residents who were seriously affected due to rise in water table in their house and lanes on a/c of seepage/leakage from Ash Pondage. The problem being typical advance notice to ECA for study and solutions could not be given.

During the course of oral examination the representative of the Board informed that according to the procedure in the first instance the estimated drawing is prepared and the work is allocated and later on total engineering drawing is prepared. It definitely results into variation.

The Committee therefore recommends that in order to avoid unnecessary expenditure the Board should streamline the procedure and steps taken in this regard be intimated to the Committee within a period of six months.

### 3.5.9 Infertuous expenditure

27 In May 1987 the Executive Engineer (Colony Cons

truction Division) Assan (Panipat) without obtaining administrative/technical sanctions preparation of estimates calling for tenders and approval of the Thermal Standing Committee (TSC) allotted the work of construction of temporary hostel for trainees to firm A on item wise rates (ranging from 44 per cent to 84 per cent above Delhi schedule of rates ) approved (May 1987) for the construction of 90 quarters (category III)

After commencement of the work the Architect of the Board expressed (June 1987) some reservations about the location of building on the major road near the field hostel But as the work was in progress and the building was temporary it was agreed to retain the existing layout The Chief Engineer (Operation and Maintenance) Panipat also objected (June 1987) to the construction of temporary hostel as it would spoil aesthetically the very face and entrance to the colony During the visit of the Chairman of the Board to the colony in August 1987 the matter was discussed with the Chief Engineer (Construction) and Chief Engineer (O&M) and it was decided to abandon the work As a result the temporary structure already built was dismantled This resulted in infructuous expenditure of Rs 0.71 lakh after giving credit for dismantled material The TSC approved the proposal on 17th September 1987 without fixing any responsibility in the matter

Thus owing to failure of the Board to select an appropriate site for construction of the temporary hostel despite availability of services of qualified architects award of work without administrative/technical sanction from the competent authority and without calling for tenders and approval of TSC failure of the construction wing to stop construction in June 1987 and to refer the objections raised by Chief Engineer (O & M) to TSC for final decision and lack of co ordination between Construction and Operation and Maintenance wings of the project the Board had to incur infructuous expenditure of Rs 0.71 lakh

The matter was reported to the Board and Government in August 1988 their replies had not been received (September 1988)

In their written reply the Government/Board state as under —

- (i) The work was allotted by the Xen to the firm after getting the approval of SPC in file No PTP/CD/Colony 107 on 14.5.87 The facts have also been brought to the notice of Thermal Standing Committee (Agenda item No 93 dated 16.17.9/87)
- (ii) The Architect Shri Singla cleared the location during his visit on 5.6.87 at Panipat
- (iii) Necessary comments on the reference of Chief Engineer (O&M) were supplied to the Member Tech

nical (G&P) by the Chief Engineer (Construction) PTPP vide his letter No Ch 4/CWC 88 dated 14 7 87 and it was intimated that the work was being got completed

- (iv) As stated in reply to Q (i) above it is again mentioned here that the work was allotted to the firm after approval of the SPC. The Thermal Standing Committee however approved the same in its meeting held at Panipat on 16 17/9/87 and also the case regarding regularisation of expenditure already incurred on construction of the GTA's hostel in the colony at Panipat Thermal Power Project

It is further added that the foundations already laid will be utilised in the construction of company's personnel hostel for which the work has been allotted to M/s Hindustan Pre Fab Lt (A Govt of India Undertaking) on 22 9 92

The representatives of the Board during the course of oral examination informed that in May 1987 the Superintending Engineer prepared the Estimates for inviting tenders without the administrative and technical approval. He also informed that construction of building of new hostel started without the approval of TSC. He further informed that the construction work was stopped on the intervention of the Chairman of the Board and temporary constructed building was demolished with the result that Board had to incur an infructuous expenditure of Rs 0.71 lakh. It was also informed to the Committee that the plinth was used for the construction of building of Hostel of M/s Hindustan Pre Fab Limited. In addition to it the Board's representatives informed that the extra raw material which is available with the Board will be used somewhere else according to the requirement.

The Committee therefore recommends that report regarding the utilisation of the material and action taken against the officer who acted against the instructions by fixing his responsibility be sent to the Committee without any further loss of time.

### 3.5.10 Avoidable payment of freight

28. An order for the supply of 1,479.83 KLs of Light Diesel Oil (LDO) was placed (May 1981) on Hindustan Petroleum Corporation Limited (HPCL) New Delhi by the Executive Engineer (Procurement) Panipat Thermal Power Station without ascertaining its use at power station. 1,479.83 KLs of LDO was despatched (23rd to 26th May 1981) from Panki (near Kanpur) by HPCL in view of urgent requirement of the Board. The Chief Engineer (Thermal) Panipat requested (May 1981) the supplier

for diversion of the material to some other consumer as there was no requirement of LDO for the power station. However, the material arrived at Panipat on 29th May 1981 and was diverted by the Board to Indian Oil Corporation Delhi without consulting the HPCL after giving an undertaking to the Railways that all the charges for diversion and demurrage would be borne by the Board. This resulted in an avoidable payment of Rs 0.62 lakh (additional freight charges from Delhi to Panipat and back Rs 0.59 lakh, demurrage Rs 0.03 lakh) which was deducted (October 1987) by HPCL from the amount due to the Board. The amount was placed (November 1987) in the miscellaneous advances against the Executive Engineer (Procurement) pending investigation.

Thus, owing to placing of order for supply of LDO without ascertaining its use at the power station and consequent diversion of rake of LDO without consulting HPCL, resulted in an avoidable payment of Rs 0.62 lakh on account of freight and demurrage charges.

The matter was reported to the Board and Government in August 1988; their replies had not been received (September 1988).

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

- (i) In May 1981, the availability of HFO was short with the Plant. M/s HPCL informed the Project authorities telephonically on 13.5.81 that HFO oil is not available and they have approached even the Minister of Energy in this regard. HPCL offered LDO in place of HFO.

The then Xen/Efficiency vide his Memo No. 897/Oil dt. 20.5.81 informed the Xen/Procurement SE/OP & SE/Mtc and Xen/Store that the stock of HFO available was sufficient for 23 days only.

An order dt. 22.5.81 for the despatch of LDO rake was placed by Sh. S. M. Madan, the then Xen/Proc, on the firm Sh. S. M. Madan. Xen vide his letter dt. 23.2.88 has informed that the P.O. for LDO was placed as per verbal directions of the then Chief Engineer.

- (ii) Phonogram was sent on 23.5.81 at 10.30 P.M. to Sh. K. D. Singh, Joint Director of IOC, Delhi; Mr. Khosla of M/s HPC Ltd, New Delhi; Mr. Dhir of M/s HPC, Chandigarh; and Mr. Thapar, Joint Director, Northern Railways, New Delhi, that LDO can not be used at PTPS. As such, LDO rake under loading be diverted to some other consumer and supply of FO be expedited to the Power Station to avoid Plant closure. Although the concerned authorities were

informed on the next day of placing the P O (23 5 81) and these authorities had sufficient time to stop/ divert the rake under loading but no action was taken and rake was despatched on 27 5-81 which reached Panipat on 29 5 81

The Railways authorities at Panipat were contacted to divert this rake vide Xen/Store Memo No 1716/ SMPO dated 29 5 81 (11 40 AM) and got conveyed further message to Sr COS & Sr SDE Railways New Delhi on 29 5 81 (11 45 AM) Railways vide message No 136/POL dt 29 5 81 informed that LDO rake has been booked by IOC direct Xen/Store Panipat Thermal siding to contact IOC and get this rake re booked Accordingly the rake was re-booked to IOC Shakur Basti vide Invoice No I&R B-999566 dt 30 5 81 As such the rake could not be despatched onward destination due to the following reasons

- (a) The Project authorities have no power to divert the rake onwards as the powers rest with the Railways authorities
  - (b) The onward place where it could be used and the user was not known to the Project authorities
  - (c) Shakurbasti New Delhi is the nearest Depot of IOC from Panipat where it could be diverted
  - (d) The diversion to Delhi was to avoid unnecessary demurrage
- (iii) The case was examined by the MT (G&P) and his observations are as under —
- (a) Shri S M Madan Xen placed the order for LDO rakes on M/s HPC New Delhi on 22 5 81 on the verbal instructions of the then Chief Engineer Shri G P Sood (Now retired)
  - (b) The order for LDO rakes was placed by him due to shortage of HFO so that the generation does not suffer without realising that LDO can not be used in place of HFO
  - (c) On realising that LDO can not be used at PTPP on the very next day i.e. on 23 5 81 M/s HPC was requested by phonogram to divert the LDO rake under loading and there was enough time for M/s HPC New Delhi to divert this rake but M/s HPC did not act promptly



and the rake reached PTPS which had to be diverted by PTPP authorities to Sakurbasti Depot

- (d) M/s HPC New Delhi is a Government concern and there was no malafide intention of Sh S M Madan to place an order of LDO rakes on HPC
- (e) The expenditure of Rs 0.62 lakh on account of freight demurrage etc should be borne by M/s HPC as timely intimation had been given to them for diverting the rake

Accordingly efforts were made to get the amount recovered from M/s HPC but they did not agree to accept the claim. The matter was also discussed by the then General Manager and FA & CAO with the firm but even then the firm has not accepted our claim. However for the settlement of long outstanding issue the matter was again discussed in detail recently by the Project authorities with the representatives of the firm. After long discussions with the firm representatives of M/s HPC have agreed to recommend the case to their Head Office for reconsideration. Therefore the case is being sent separately and latest position will be intimated in due course of time.

Regarding action against Sh S M Madan it is stated that Show Cause Notice was served upon him in 5/90 and keeping in view his reply to the Show Cause Notice and observations of the Chief Engineer (O&M) PTPS Panipat and MT (G&P) it was decided by the competent authority to drop the Show Cause Notice served upon him.

During the course of oral examination the representatives of the Board informed that order for the supply of light diesel oil was placed by the Executive Engineer under the verbal orders of the Chief Engineer on 22nd May 1981. The phonogram for the cancellation of order was sent on 23rd May 1981 when it came to the notice that LDO cannot be used for Thermal Power Plant HPC Ltd was requested to divert the rake but they could not do so. He conceded that the officers of the Board were at fault alongwith HPC Ltd. The Committee observed that the Executive Engineer (Procurement) must have knowledge about the working of the Plant. The Committee also observed that the enquiry which was conducted against the Executive Engineer and was later on dropped without any basis especially when the Board had to make avoidable payment of Rs 0.62 lakh on account of freight and demurrage charges which is only because of negligence of the officer concerned.

**The Committee therefore recommend that the recovery be affected from the officer at fault within one month and the Board should not bear this loss.**

The Board by way of additional written reply informed that the case was put up to the Chairman, Haryana state Electricity Board for approval to place before the Board who has approved the same. Now memorandum is being placed before the Board the competent authority to take decision to reopen and review the case. However the matter has also been taken up with the company (M/s H P C Ltd) by the P T P S authorities vide their letter dated 19th November 1993 and 10 December 1993 but their reply is still awaited.

The Committee therefore recommend that decision taken in the matter intimated to the Committee forthwith.

### 3.5.12 Loss of revenue due to delay in checking of meters

29 Under Sales Manual of the Board the sub divisional officer (Maintenance and Protection) is required to check all meters of large/medium (above 70KW) and bulk supply consumers once in every six months. It was observed in audit that in the case of two consumers viz A and B of Raipur Rani and Manesar there was delay of 12 to 16 months in inspection of the meters.

The inspection conducted during March and October 1986 revealed that energy metres of these consumers were running slow by 50 per cent and 68.7 per cent respectively.

The Board could however raise (December 1986) additional demands for Rs 0.34 lakh (energy charges Rs 0.27 lakh electricity duty Rs 0.07 lakh) against consumer B only for the period from May to October 1986 i.e. for six months preceding the date of inspection but the payment had not been received (September 1988) as consumer had not accepted the Board's findings. The demand of Rs 0.87 lakh (energy charges Rs 0.70 lakh electricity duty Rs 0.17 lakh) for the period from July 1985 to April 1986 i.e. beyond six months could not be raised as Section 26(6) of Indian Electricity Act 1910 prohibited such billing.

In case of consumer A of Raipur Rani the additional demand of Rs 2 lakhs (energy charges Rs 1.73 lakhs electricity duty Rs 0.27 lakh) for a period of even six months was not raised as the consumer objected to the demand on the ground that the fact of slow running of the meter was not shown to his representative.

Thus due to delay in inspection of meters and non obtaining the signature of consumer or his representative in token of acceptance of results of checking of meter resulted in loss of revenue of Rs 2.87 lakhs (energy charges Rs 2.43 lakhs electricity duty Rs 0.44 lakh). The realisation of Rs 0.34 lakh from consumer B is also doubtful.

No responsibility for the loss of revenue and delay in checking of the meters had been fixed by the Board so far (September, 1988)

The matter was reported to the Board and Government in August 1988 their replies had not been received (September 1988)

In their written reply the Government/Board states as under —

- (i) The connection A is a bulk supply connection (BS 1) in the name of M/s MES Barwala a Govt of India Organisation. Earlier it was under the charge of Raipur Rani Sub Office which has been upgraded as a Sub division with headquarters at Barwala and known as operation Sub Division Barwala

The Bulk Supply connection (BS 1) at Barwala was getting supply from 33 KV sub station Industrial Area Phase I Chandigarh (UT). The consumption readings were being taken by the UT Electricity wing and the same was being adjusted against the dues of HSEB against UT Chandigarh

It is a fact that the meter of the said consumer was not checked by the M&P Organisation prior to 3/86 presumably on the understanding that it was not brought to their notice by the Operation staff Officer Incharge of Raipur Rani Sub Office (OP Sub Division Naraingarh) during the period 4/85 to 3/86. The operation staff was under the impression that since the supply is being received from UT Chandigarh and they are taking the monthly readings of the power consumer by the Bulk Supply Consumer. It was their duty to get the meter checked. It was an inadvertant mistake on the part of Operation Organisation but there was no bad intention on their part as consumer being a Govt of India Organisation.

However when this lapse was brought to the notice of M&P Organisation for the first time during 3/86 the energy meter was checked and found slow by 50%. It was set right there and then. Now it is being checked at regular intervals as per instructions of the Board.

In case of consumer B (M/s Geeta Stone Crusher) the meter was checked on 14.6.85 and the next checking was due in 12/85. The post of AE/M&P remained vacant during 9/85 to 1/86 and the lonely AEE posted under M&P Division Gurgaon could not cope with the work load. The meter was checked on 17.4.86 but load was not available. The meter

could be checked only in 10/86 when it was found to be running 68.66% slow. For this lapse of not checking the meter within the prescribed time limit the following officers were held responsible —

- 1 Sh T D Taneja AEE/M&P
- 2 Sh L N Sharma AE/M&P
- 3 Sh S K Sharma SDO OP' Manesar

- (ii) In case of consumer A the connection was checked in the presence of the representative of the consumer and his signatures were got appended on the checking report in token thereof. Perusal of the consumption by the consumer indicated a fall in consumption from 3/85 onward. Accordingly audit got charged a sum of Rs 158341 on account of 50% less consumption recorded during the period from 3/85 to 2/86.

The consumer however represented that the less consumption during the above period was due to the fact that most of the persons of this location had gone out during this period for some specific defence task and the equipments lying there were not in use. They further intimated that the Board can charge for a maximum period of 6 months as per clause F of the terms and conditions of the Board. This aspect was considered by the Xen OP Division Panchkula SE OP Circle Ambala and it was decided to charge the consumer for maximum period of 6 months as per terms and conditions of the Board and accordingly a bill was raised for a Rs 90789.20 which stands paid by the consumer.

Perusal of the consumption data for the period from 3/86 onward shows that the consumption during summer season is less as compared to the consumption during winter months. There is every reason to believe that the meter might have gone defective say about 6 months prior to the checking done on 23.3.86. The decision of the then SE OP Circle Ambala appears to be quite reasonable and justified especially when the Bulk Supply connection was in the name of Indian Air Force Barwala a Govt of Indian Organisation.

Further detailed investigations revealed that the consumption for which the bills were raised/being adjusted against HSEB by U T Electricity Department Chandigarh was 291120 units for the period from 3/85 to 2/86 whereas HSEB has recovered electricity charges from

the consumer for 355 260 units There is absolutely no pecuniary loss to the Board

In case of consumer B on checking of meter on 20-10-86 when meter was found to be running slow by 68.66% the consumer refused to sign the checking report. Rather he challenged the checking in the court of law and obtained stay from the court. Re-checking was arranged on 6-2-87 which could not be fruitful the load being imbalanced. It could be checked on 20-2-87 when it was found slow by 27.69% which was accepted by the consumer and payment made accordingly.

(iii) The Board has already investigated the matter in case of consumer A and held the following officers responsible for the lapse —

- 1 The Xen/OP Divn HSEB Panchkula
- 2 The Xen/M&P Divn HSEB Yamunanagar
- 3 The SDO (M&P) Sub Divn HSEB Yamunanagar
- 4 The SDO (OP) Sub Divn HSEB Naraingarh

Charge sheet to Sh. P. N. Sood SDO (OP) Sub Divn HSEB Naraingarh has been served. Show Cause Notices to other three officers are also being issued.

However, it is added for information that the connection was released to Indian Air Force prior to the reorganisation of erstwhile Punjab State during 1966 and the lapse was unintentional and inadvertent on the part of the field staff.

As stated above in the case of consumer B for the lapses responsibility was fixed. The services of S/Shri T. D. Taneja AEE/M&P and L. N. Sharma AE/M&P held responsible were censured. The SDO OP (Sh. S. K. Sharma) has already expired on 14th February 1990 and therefore, disciplinary proceedings against him were recommended to be stopped/not initiated.

It was informed by the representatives of Government during the course of oral examination that checking of two meters which was required to be carried out after every six months was not done at the appropriate interval and when it took place it was found that first meter was running at 50% slow speed and the second meter was running at 68.7% slow speed. It was conceded by the representatives of the Board that non-checking of meters was because of the negligence on the part of the Board officers who have been served with show cause notice. The Committee observed that action be expedited and the Committee be intimated as to when the show cause notices were issued.

It was intimated by the Board by way of additional written reply that the whole case has thoroughly been scrutinised and considered by the Chairman HSEB and it has been decided to take disciplinary action against the JEs incharge of Raipur Rani Sub office and the SDOs incharge of (OP) Sub Division Naraingarh who were during the period from 1967 onwards. Accordingly SE(OP) Yamuna Nagar has been directed by the CE (OP) Zone 1 Panchkula vide his memo No Ch 71/EPF 759 dated 4th January 1994 and remained vide letter dated 21st January 1994 to prepare draft show cause notices against the delinquent official/officers.

The Committee therefore recommend that action taken in the matter be intimated to the Committee within a period of two months.

### 3.5.13 Release of unauthorised connections

30 One Junior Engineer (JE) and a Sub Divisional Officer (SDO) of the Board working under Operation Division Kaithal during August 1985 to June 1986 did not submit monthly accounts along with material at site (MAS) accounts (as required under the rules of the Board) of the materials valuing Rs 6.67 lakhs drawn from store for the work of providing tubewell connections under Operation Sub Division Siwan. No action was taken against the officials for non-submission of the accounts. On the basis of complaints received in April July 1986 the Superintending Engineer (SE) Operation Circle Kurukshetra asked the Executive Engineer Operation Division Kaithal in September 1986 to investigate the matter.

The Executive Engineer Operation Division Kaithal while sending statement of charges (September/December 1986) against the SDO to the SE Operation Circle Kurukshetra *inter alia* stated that the SDO had released 130 unauthorised tubewell connections in violation of departmental instructions. No bills were issued to these consumers by him which resulted into financial loss to the Board.

Based on the investigations into the unauthorised issue of connections by a team of officers of the Board during February to December 1986 a total amount of Rs 1.79 lakhs was debited to 121 consumers on account of energy charges for a period of six months prior to the date of detection of unauthorised connections. Of this a sum of Rs 0.89 lakh had been recovered from the consumers and recovery of balance amount of Rs 0.90 lakh (4 cases pending in court Rs 0.06 lakh 60 cases amount charged in arrears Rs 0.84 lakh) was yet (September 1988) to be made. In respect of balance 9 connections bills to the extent of Rs 0.14 lakh had not been raised.

While the JE had submitted (March 1988) MAS accounts in respect of material of Rs 3.89 lakhs drawn by him which were under check (September 1988) in Divisional office no such accounts for Rs 2.78 lakhs had been rendered by the SDO.

Thus owing to failure to ensure prompt submission of monthly accounts by the SDO and JE the Board had suffered loss of revenue on account of release of unauthorised connections (amount not recoverable).

The matter was reported to the Board and Government in August 1988 their replies had not been received (September 1988)

In their written reply the Government/Board stated as under —

- (i) The Xen OP Division Kaithal repeatedly asked the SDO Siwan and JE(F) for submission of MAS accounts but they delayed the same on one pretext or the other. Sh D S Gill SDO(OP) Siwan did not own responsibility for the submission of the MAS accounts in respect of material worth Rs 2.78 lakhs on the plea that the material drawn by him was handed over to Sh OP Grover JE(F) and it was for him to render the account. It is however stated that Sh D S Gill the then SDO Siwan was charge sheeted by the Board for various omissions/commissions on his part.

The Enquiry Officer was appointed in respect of the charge sheet regarding unauthorised release of connections and non submission of accounts of the material during his stay as SDO OP Siwan. The Enquiry report submitted by the Enquiry Officer has been sent to the Secy Board by the SE OP Circle Kurukshetra with his letter dated 16th February 1993. Final decision in this case is yet to be taken by the competent authority.

Shri OP Grover JE(F) has since expired on 22nd December 1989 and no departmental action could be taken against him. However all his MAS accounts have been got settled through a committee comprising of Xen OP Division Kaithal SDO OP Sub Division Siwan and SSE 132 KV/ Sub Station Siwan and the net outstanding amount against him is Rs 1280.40 which has been intimated in the final no demand certificate for recovery.

- (ii) The recovery of Rs 0.70 lakh from 50 consumers has since been made & balance recovery of Rs 0.20 lakh is pending due to 3 Nos Court cases and 11 Nos permanent disconnection of supply. One court case has been decided against the Board and amount stand with down. Further raising of bills against 9 Nos consumers the same has already been done. However the Xen OP Divn Kaithal is being advised to get the cases finalised expeditiously.

- (iii) Sh D S Gill SDO has not submitted MAS accounts so far. He was charge sheeted and enquiry officer was also appointed. His enquiry report has been received and sent to the competent authority to take further necessary action.

As already stated in reply to question No 1 above the MAS account in respect of late Sh OP Grover JE has been got settled and net shortage of Rs 1280.40 has been worked out.

- (iv) Requisite to amount as per Board's instructions has already been debited to the consumers who were identified by the team of officers. As such there was no loss of revenue to the Board.

During the course of oral examination the representative of the Government informed that four cases are pending in the Court and recovery which is to be affected from the consumers will be effected.

The Committee therefore recommend that outcome of the Court cases and the fulfilment of the assurance be informed to the Committee as also the steps taken to effect the recovery within a period of two months.

### 3.5.14 Purchase of tube mills

31. On the recommendation of the steering committee formed (September 1984) by the Government of India to identify the problems affecting the performance of thermal units and to suggest remedial measures the Board submitted (December 1984) a project report for renovation and modernisation of Thermal Power House Faridabad at an estimated cost of Rs 45.93 crores to the Central Electricity Authority (CEA). The project report included replacement of the existing hammer type coal mills of unit I and II with tube type mills.

The CEA in its techno economic appraisal report while confirming that the hammer type coal mills wear out fast and cause outages recommended replacement of these mills with some other suitable mills keeping in view the space limitations and existing layout. The report was approved by Planning Commission in February 1985.

However before the appraisal report was received the Board placed an order (February 1985) for 2 tube mills on Bharat Heavy Electricals Limited (BHEL) for Rs 12.28 crores which was followed by another order (May 1985) for erection and commissioning of the mills at a cost of Rs 37.56 lakhs. An interest free advance of Rs 2.83 crores was also released to BHEL in July 1985/March 1986.

In May 1987 the Board intimated CEA that a techno economic study had revealed that the replacement of coal mills with tube mills was not viable as the shutdown period required to instal the new mills would create problem in the system due to existing layout and space constraints this work would be time consuming and the Board would incur an extra expenditure of over Rs 2 crores per unit on interest and depreciation. It was further stated that the hammer type coal mills were now giving no problem as the plant load factor had improved to more than 45 percent after the installation (September 1986) of sealair fan system at a cost of Rs 8.72 lakhs.

Accordingly BHEL was requested (May 1987) to stop manufacture of the tube mills. However BHEL expressed (June 1987) its inability to discontinue the manufacture in view of the fact that the tube mills were in various stages of manufacture and imported.



supplies for the second unit had already been delivered by foreign suppliers at port of despatch. Further the full commercial responsibility towards the order would have to be borne by the Board. Thus placing the order for tube mills without conducting feasibility study resulted into blocking of funds to the tune of Rs 2.83 crores on which loss of interest (at the rate of 8 per cent per annum which was charged by Government of India on funds advanced to the Board) worked out to Rs 50.85 lakhs up to March 1988. Besides the Board was liable to pay Rs 4.57 crores to BHEL for equipments already received.

The matter was reported to the Board and Government in July 1988. Their replies had not been received (September 1988).

In their written reply the Government/Board stated as under —

- (i) After the visit of joint team comprising of Engineers of CEA, BHEL, ILK (steering Committee) from 26th November 1984 to 28th November 1984 project report comprising of the activities agreed to in the above visit was prepared and submitted to CEA and other offices on 20th December 1984. Techno Economic Appraisal report of the above Renovation Activities was approved in the meeting held on 9th January 1985 in CEA and on the recommendations of the CEA Planning Commission (Power and Engineering Division) approved the same vide their letter dated 27th February 1985.

Order for supply of tube mills/drum mills in place of hammer mills was placed vide letter No 155/RNV 5 dated 21st February 1985 and order for erection, testing and commissioning was placed vide letter No 99/RN dated 28th May 1985.

As such the order for tube mills was placed after the receipt of techno economic appraisal report from CEA. Moreover the order for tubemills was required to be placed during the financial year 1984-85 in order to utilise the funds made available by Ministry of Energy, Government of India for renovation works.


- (ii) After placement of order for supply and erection of tube mills M/s BHEL submitted an offer dated 22nd December 1986 amounting to Rs 8.60 crores for supply and erection of controls and instrumentation v/s BHEL had mentioned in the original offer that the controls and instrumentation required for the operation of tube mills without intervention of the operator was also included in the scope of their original offer. Thus a commercial dispute arose as BHEL did not stick to the original offer terms and conditions. It was not considered techno economical viable to execute the activity at a high cost of Rs 22 crores instead of Rs 10 crore originally envisaged. This being imported and sophisticated equipment full technical details were not available with BHEL at the time of placement of order.

- (iii) A joint team comprising of Engineers of CEA BHEL and ILK visited Faridabad Thermal Power Station on 24th November 1984 to 26th November 1984 and had detailed discussions with Station Engineers about the problems and possible solutions based on which R&M programme Phase I was finalised/approved. One of the activities under this programme was installation of Seal Air Fan System for Unit I and II. It was a trial exercise. Thus the above decision for installation of Seal Air Fan was evolved in a group discussion after discussion at length and keeping in view the specific problems faced by the Power Station.
- (iv) Material amounting to Rs 703.28 Lakhs was received but no payment after the initial advance was made. M/s BHEL had taken back the entire material. As per the latest meeting held between BHEL and HSEB on 3rd June 1992 it was been agreed to adjust amount of advance payment of Rs 286 Lakhs less Rs 28.45 Lakhs already paid by BHEL to Sales Tax Authorities against outstanding with HSEB.

Regarding Rs 28.45 Lakhs BHEL is pursuing for refund with Sales Tax Authorities. HSEB impressed upon BHEL during the meeting on 3rd June 1992 that the issue of refund of Sales Tax needs to be dealt with on priority basis and BHEL should take all necessary steps to get the refund from Sales Tax Authorities.

The representative of the Board during the course of oral examination informed the Committee about the position of the adjustment/recovery of advance paid to M/s BHEL against the tube mills order. It was also intimated that M/s BHEL are continuously pursuing with the Sales Tax authorities through their R O D /Bombay office for expediting the refund of Sales Tax paid. It was assured that outcome shall be intimated in due course.

The Committee therefore recommend that latest position be intimated accordingly.



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