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HARYANA VIDHAN SABHA

COMMITTEE

ON

PUBLIC UNDERTAKINGS

(1996-97)

(NINTH VIDHAN SABHA)

FORTY-FIRST REPORT

ON THE

REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1992-93 (COMMERCIAL)

Presented to the House on........................ 19 MAR 1997

HARYANA VIDHAN SABHA SECRETARIAT,
CHANDIGARH
1997

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COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
1996-97

CHAIRMAN

* 1. Shri Jaswant Singh

** 2. Shri Sat Pal Sangwan

MEMBERS

3. Shri Somvir Singh
4. Shri Ramesh Kashyap

*** 5. Shri O. P. Mahajan

6. Dr. Virender Pal
7. Shri Ram Pal Majra
8. Shri Mani Ram
9. Capt. Ajay Singh

**** 10. Shri Jagdish Nayar

***** 11. Smt. Kanta

SECRETARIAT

1. Shri P. Raghavendra Rao, Secretary
2. Shri Ajit Singh Yadav, Under Secretary

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* Resigned w.e.f. 14th January, 1997 on his appointment as Minister.

** Appointed Chairman w.e.f. 29th January, 1997.

*** Resigned w.e.f. 14th January, 1997 on his appointment as Minister.

**** Nominated w.e.f. 29th January, 1997.

***** Nominated w.e.f. 29th January, 1997.

NOTE: The Committee for the year 1996-97 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 24th May, 1996, authorising him to nominate the members of the Committee on Public Undertakings for the year 1996-97 on 6th June, 1996.

INTRODUCTION

I, Sat Pal Sangwan Chairman, Committee on Public Undertakings, having been authorised by the Committee in this behalf present Forty First Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1992 93 (Commercial)

The Committee orally examined the representatives of the Government/ Undertakings/Boards

A brief record of the proceedings of various meetings of the Committee held during the year 1996 97 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 to the Government/Undertakings/Boards 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/Under Secretary and his staff

CHANDIGARH
THE 27th FEBRUARY, 1997

SAT PAL SANGWAN
CHAIRMAN

REPORT

HARYANA LAND RECLAMATION AND DEVELOPMENT CORPORATION LIMITED

(REVIEW)

2A 7 Land reclamation Declassified on 21-10-03

I Haryana State is having a major problem of alkali/salinity as a result of which vast areas which were once under cultivation have been rendered barren or are giving limited yields, Gypsum is the most important component for reclamation of alkaline/saline land The Company is the sole agent in the state for supply of gypsum and executes annual contract with the state agencies of Rajasthan and transporters for supply and transportation of gypsum Annual targets are fixed by the Company for the sale of gypsum Monthly requirements are assessed and despatch instructions are issued to the agencies and transporters with a copy to the Company s Manager stationed at Hanumangarh (Rajasthan) to liaise with these agencies Gypsum is supplied by the Company to the farmers in the State through 9 selling centres and 112 private dealers under Government sponsored scheme Sale rates are fixed by the Company in consultation with Agriculture Department Out of sale price of gypsum, 75 per-cent is received from the Central and State Governments as subsidy in equal proportion and balance 25 per cent is recovered from farmers

The sa e of gypsum with reference to targets for the five years up to 1991-92 is tabulated below

Year	Targets		Achievement		Percentage achievement of physical targets
	Physical (Tonnes)	Financial (Rupees in lakhs)	Physical (Tonnes)	Financial (Rupees in lakhs)	
1987 88	75 000	320 00	67111	286 02	89 5
1988 89	75,000	335 00	59958	267 41	79 9
1989 90	80 000	350 00	72557	333 21	90 7
1990 91	100 000	600-00	66875	318 90	66 9
1991 92	100 000	666 00	57748	384 60	57 8

From the above table, it would be seen that the Company could not achieve sale targets in any of the years The percentage of achievement against targets decreased from 89 5 during 1987 88 to 57 8 during 1991 92 except during 1989 90 when it was 90 7 per cent

The Management stated (March 1993) that requirement of gypsum had a direct relation with availability of subsidy and that during 1990 91 less subsidy was available

The reply is not tenable as the subsidy received during 1990-91 was the highest during the five years ended March 1992, as indicated in the table below

Year	Opening balance	Received	Adjusted	Balance
		(Rupees in lakhs)		
1987 88	160 14	10 00	170 65	(—)0 51
1988 89	(—)0 51	135 00	183 38	(—)48 89
1989 90	(—) 48 89	167 00	87 61	30 50
1990 91	30 50	342 78	276 01	97 27
1991 92	97 27	270 50	340 69	27 08

In their written reply the Government/Corporation stated as under

'No doubt that landed cost of gypsum was increased from Rs 135/ in July 1989 to Rs 151/ Rs 161/ Rs 171/ per tonne during January 1990, June,1990 and November 1990 respectively and the rate of ypsum was increased from Rs 472/ to Rs 666/ in February 1991 Normally the Govt do not allow frequent revision of rates of gypsum keeping in view the interest of the farming community as a whole Slight margin for future escalation is always kept in view while fixing the sale rate of gypsum

The audit has compared the sale of gypsum with reference to target but figures mentioned in column target (physical) are not the target of sale of gypsum but infact these figures are the quantities of gypsum planned to be transported from Hanumangarh for stocking at various sale centre in the state for further sale to the Farmers These planned figures are kept higher than the likely sale of gypsum during the year keeping in mind that sufficient stock of gypsum may remain in balance by the end of each month/year Therefore these planned figures of stocking are not in fact the target of sale of gypsum and hence the achievement cannot be compared with these planned figures of stocking

As far as the sale of gypsum and utilisation of subsidy concerned the sale of gypsum was being done on the recommendation of the official of the department of Agriculture The farmers willing to purchase the gypsum for land reclamation had to contact the concerned official of the department of Agriculture and concerned official recommended the quantity of gypsum to that farmer on the basis of stutus of alkalinity in his land After that the farmers approached the outlet of the Corporation and purcha ed gypsum accordingly The Corporation's main job was stocking of gypsum and the sale was effected only on the recommendation of the department of Agriculture what so ever quantity of gypsum was recommended by the official of the department of Agriculture to the farmer s the same was supplied/sold to the farmers and therefore, the sale of gypsum was depended on both availability of subsidy as well as recommendation of the official of the dehpartment of Agriculture on the application of the farmers Availability of subsidy in the state budget is the main constraint in the sale of gypsum At the end of 31st March, 1993, the Corporation utilized not only the whole of the subsidy provided under Centrally Sponsored scheme but the sale of gypsum exceeded to the subsidy provided in the state budget and the subsidy to the extent of Rs 85 09 lakh was outstanding at the close of financial year 1992-93 i e 31st March, 1993 As stated by the audit that Rs 30 50 lac were lying unutilized by the Corporation at the end of 31-3 89, it is stated that this amount was received on 31-3 89 Hence this amount could not be utilized upto 31-3-89"

The Corporation by way of additional written information intimated as under -

1990 91

"During the year 1990-91, a Provision was made by the Government of India as there share to the extent of Rs 145 00 lac, whereas in the budget of the state Agriculture Department there was a provision of Rs 75 00 lac only The programme for the sale of gypsum was fixed for one lac MT, for which requirement of subsidy was Rs 354 00 lac

The Dierector of Agriculture vide his letter No 4575/20—356 dated 22—8—89 advised the corporation to restrict the sale of gypsum only to the extent of gypsum subsidy available with the Department of Agriculture or gysum may be sold without subsidy Subsidy of Rs 150 00 lac was sufficient only for 42370 MT

HLRDC took up the matter with the Hon'ble Chief Minister, Haryana and a meeting was held under the Chairmanship of C M Haayana on 26-7-1990 Keeping in view the importance of land reclamation programme, the Hon'ble Chief Minister, Haryana decided that Directorate of Agriculture will issue instructions for the sale of additional 25000 MT of gypsum which is held by the Corporation It was also decided that Department of Agriculture will send a separate proposal to the State Government for the enhancement of budget provision from Rs 75 00 lac to Rs 145 00 lac Accordingly, additional proposal for 25000 M T to cover the additional area of 3700 hectares alkali land was sent to the Government of India on 11 March, 1991 The Government of India sanctioned Rs 40 50 lac as its share vide letter dated 21st March 1991 for this additional programme

It clearly shows that the subsidy was the main constraint in the sale of gysum Out of total subsidy of 342 78 lac released during the year 1991-92 a sum of Rs 240 19 lac was released on 30 3-1991 Thus, a balance amount of Rs 97 27 lac remained outstanding as on 31st March 1991 The sale of gypsum during the year was 66875 MT

1991-92

During the year 1991-92, the Corporation planned to stock one lac MT of gypsum The requirement of subsidy for one lac MT was 500 lac The Government of India provided a sum of Rs One crore as their share However, the state Government provided only Rs 80 00 lac as its share During this year, subsidy to the extent of Rs 270 50 lac was released Out of which Rs 137 00 lac was released on 31-3 92 The entire amount adjusted leaving a balance of 27-08 lac as unutilised at the clase of the financial year This amount was adjusted in 1992-93

As per approval pattern of the scheme the amount is released in advance to the Corporation for the purchase and stocking of gypsum lateron to be adjusted as subsidy to the farmers The Corporation could sell 57748 MT of gypsum during the year 1991 92

In view of the fact that there was huge difference in rates at which the gypsum was received/purchased and the rates at which the same was sold to the farmers **The Committee recommend that the economical measures be taken by the Company to reduce the Company s overhead expenditure so that gypsum be sold to farmers at not more than 25% of the Sales price as the balance 75% being borne by the State/Central Government**

The Committee alse recommend that some suitable formulae be worked out after minimising the overheads for fixing of the sales rates in future

The Committee also noticed during the oral examination that the total subsidy to the extent of Rs 170 50 lacs was released during the financial year 1991 92 out of which Rs 137 00 lacs was released on the last day of the financial year i e 31 3 1992 and the entire amount was adjusted except Rs 27 08 lacs in the next year i e in the year 1992 93 **The Committee therefore recommend that responsibility of concerned officer/officials be fixed for releasing the subsidy to the tune of Rs 137 00 lacs on last day of financial year i e 31 3 1992 due to which an amount of Rs 27 08 lacs could not be utilised in the same financial year**

The Committee further recommend that Government may ensure in future that amount of subsidy year marked for a financial year may be released well in advance of the closing of the financial years so that the subsidy fixed for a particular year be utilised in the same year

2A.7 2 National oil seeds development project

2 A centrally sponsored scheme for the application of gypsum to oil seed crops as a source of sulphur was introduce in 1986 87 The subsidy was to be given by the Central Government in advance every year Under the scheme gypsum was to be provided to the farmers at 5 bags (50 Kg each) per hectare at 75 per cent subsidy against permits issued by the Agriculture Department The quantum of subsidy was increased to 90 per cent from 1989 90 The permit system was discontinued from September 1992 Annual targets for gypsum to be sold were fixed by the Director of Agriculture

As per the arrangement the advance subsidy was adjusted by the Agriculture Department against bills sub mitted by the Company Details of sale targets and achievement there against during the six years up to 1992 93 are tabulated below

Year	Targets	Actual sales (In tonnes)	Achievement (percentage)	Unutilised subsidy (Rupees in lakhs)
1987 88	35	1_18 30	48 1	46 14
1988 89	Not fixed	1603 30	—	40 78
1989 90	8760	60_4 09	68 8	15 15
1990 91	1 000	6639 00	60 4	68 41
1991 92	13100	7647 00	58 4	74 60
1992 93	13660	8823 00	64 6	N A

It would be seen from the above table that the targets of sales could not be achieved in any of the years

The Management stated (April 1993) that the Agriculture Department fixes targets for sale of gypsum keeping in view the subsidy amount and their field officers were required to achieve the targets by educating the farmers and that the Company had sufficient quantity of gypsum for selling to farmers

It was noticed in audit that

— In Palwal circle against the demand of 4600 tonnes of gypsum for the period from April to September 1992 the Company could make available only 203 tonnes with the result that no gypsum was available in 7 centres in 1992 90 per cent sarson sowing during 1991 was completed without supply of gypsum in Gurgaon and Faridabad districts

— In Sonepat district against the target of 2500 tonnes of gypsum given by the District Soil and Conservation Officer during the period from June to October 1992 the Company could supply 879 tonne only to the farmers and

—During the period from October 1992 to January 1993 there was no stock of gypsum at 5 centres each under Rewari and Charkhi Dadri circles against the demand of 3031 tonnes of gypsum

There were no recorded reasons for short supply of gypsum

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

1 Regarding the reasons for non availability of gypsum at Palwal Sonepat Rewari & Ch Dadri circles under the Oil Seed Scheme it is submitted that requirement of gypsum under the above scheme is only during September October and February March The non availability of gypsum during April to September as pointed out by the Audit does not have any impact on the achievement of the targets under Oil Seeds Scheme "

As regards the demand of 2500 tonnes of gypsum given by the DSCO of Sonepat district is concerned, the demand of Sonepat district was meant for Land Reclamation Scheme from June to October 1992 From the above it is quite clear that the less achievement under the scheme was not due to the non availability of gypsum but because of the actual requirement of the farmers being two bags per acre

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

"Regarding the reason for non availability of gypsum at Palwal, Rewari Charkhi Dadri and Sonepat circles under Oil Seed Schemes it is submitted that requirement of gypsum under the above scheme is only during September, October in this region

From the perusal of the records of these centres, it is clearly understood that sufficient stock of gypsum were available in the Oil Seed Area at Palwal Rewari, Charkhi Dadri and Sonepat centres during the period The less progress was only because of ceiling of 2 bags per acre and not because of gypsum was not available The stocking position remained as under —

Centre	Month	Closing balance
Palwal/Rewari/ Charkhi Dadri	9/92	1168 MT
—do—	10/92	1165 MT
Sonepat	4/92 to 10/92	359 MT"

The Company informed the Committee that the sufficient stock of Gypsum was available in the Oil Seeds Scheme at Panipat, Rewari, Charkhi-Dadri and Sonepat is contrary to the information sent by the D-C-, Sonepat stating that there was shortage of Gypsum and the Managers of these centres have repeatedly reported the shortage of Gypsum The Commissioner and Secretary, Agriculture assured the Committee to look into the matter

The Committee, therefore, recommend that matter may be thoroughly looked into and if it was found that the gypsum was not available during the peak seasons at Charkhi-Dadri, Palwal, Rewari and Sonepat then the action may be initiated against the officer/officials responsible for not arranging the sufficient quantity of gypsum at these centres during the peak seasons The Committee be intimated accordingly

The Committee is of the view that ceiling of two bags per acre of gypsum was not sufficient therefore the Committee recommend that the ceiling of two bags of gypsum per acre for farmers be increased to a sufficient numbers of bags of gypsum after consulting the experts in this field

2A 7 3 Sale of gypsum on discount

3 As per agreement entered into with the dealers of gypsum, any damage or loss caused o the stocks for any reasons whatsoever, was to be recovered from them During the years 1991-92 and 1992-93, 1347 50 tonnes of damaged gypsum with the dealers was sold at a discount of Rs 50 per tonne and the amount of discount of Rs 0 67 lakh was not recovered from the dealers

The Management stated (March 1993) that the discount on damaged gypsum was allowed directly to the farmers The reply is not tenable as the discount allowed should have also been recovered from the dealers in terms of agreement

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

"The dealers get only Rs 15/ per M T as service charges/Commission for stocking/selling of gypsum including rental value of place where gypsum is stocked by the dealer The gypsum, record books etc are provided to the dealers by the Corporation and all are the properties of the Corporation Rs 15/- is very negligible if rental value of the stocking place, time devoted by the dealer is taken into consideration The gypsum is stocked in open space and the bags generally torn out due to their stocking in rain/hot sun shine due to phosphotic contents of gypsum Therefore, the dealer should not be penalised if any of the gypsum bag is torn out due to rains/sun shine etc If dealer is held responsible then no dealer will come forward for the dealership So, in such conditions the Corporation generally allow Rs 50/ per M T as rebate to attract the farmers to purchase gypsum in such torn bags so that Corporation don't suffer any further loss for re bagging expenses, which would have been Rs 120/- PMT allowed directly to the farmers in the interest of the Corpn "

The Committee noticed that loss amounting to Rs 0 67 lacs was not recovered from the dealers due to damage caused to 1347 50 tonnes of gypsum during the year 1991 92 and 1992 93 though an agreement was entered into with the dealers of the gypsum for the recovery of any damage or loss caused to the stocks of gypsum for any reasons

The Committee, therefore recommend that the responsibility of the officer/officials be fixed who failed to initiate the case of recovery from the dealers for the above said loss caused to the stocks of gyusum

2A 7 4 Extra expenditure on transportation of gypsum

4 (a) The Company invited (December 1985) tenders for transportation of 60,000 tonnes of gypsum during the year 1986 from Rajasthan to various places in Haryana Offers were received from three firms After negotiations (January 1986) the work was awarded n February 1986 to two firms of Hanumangarh and Chandigarh for transportation of 40,000 tonnes of gypsum from Hanumangarh (Rajasthan) at rates ranging between Rs 60 and Rs 89 per tonne and for transportation of 20 000 tonnes of gypsum from Suratgarh (Rajasthan) at the rates ranging between Rs 79 and Rs 94 per tonne, respectively, to various destinations in Haryana The contract for the year 1986 of both the firms was extended (February 1987) for the year 1987 without inviting fresh tenders of assessing current rates

In December 1987, the Company extended the contract with the Chandigarh firm up to March 1988 on its offer to transport gypsum for the year 1988 on rates which were reduced by Rs 3 50 per tonne for transportation from Hanumangarh and by Rs 3 20 per tonne for transportation from Suratgarh

In March 1988 fresh tenders were invited The offer of one Abohar firm was accepted and the work was awarded (April 1988) to it for transportation of gypsum for the period from April to December 1988 at the rates ranging between Rs 53 40 and Rs 82 45 per tonne from Hanumangarh and Suratgarh which were lower than the reduced rates of Chandigarh firm Thus extension of transportation contract in respect of both the firms for the year 1987 and for three months for the year 1988 in respect of one firm without inviting fresh tenders resulted in an extra expenditure of Rs 6 99 lakhs on transportation of 68767 tonnes gypsum during the extended period

The management stated (March 1993) that keeping in view the increase in railway freight and overall price increase it was decided to extend the transportation contract for the year 1987 and although the rates in 1988 were lower the transporter lifted less quantity than agreed upon

The reply is not tenable as while extending contract for 1987 neither fresh tenders were invited nor market survey was conducted to assess the reasonableness of rates So far as lifting of less quantity was concerned it was observed in audit that the transporters were not lifting full quantity as per despatch instructions even in subsequent years

(b) The contract for transportation of gypsum awarded (December 1989) to a firm of Hanumangarh for the year 1990 at rates ranging between Rs 82 and 120 per tonne from Hanumangarh to various destinations in Haryana was extended (November 1990) for the year 1991 without inviting fresh tenders The firm requested for increase of Rs 25 per tonne in the rates on account of 25 percent increase in diesel rates due to gulf war The Company allowed (April 1991) increase of 15 per cent on the existing rates effective from May 1991 even though clause 14 of the agreement entered into with the firm in January 1990 stipulated that no escalation on any account whatsoever was to be provided in the rates of transportation during the currency of the contract This increase in rates resulted in extra expenditure of Rs 4 79 lakhs for the period from May to December 1991 on transportation of 33318 tonnes of gypsum

The Management stated (March 1993) that had escalation in rates not been allowed the transporter would not have lifted sufficient quantity and the Company would have been forced to get transportation by rail resulting in extra expenditure

The reply is not tenable as non fulfilment of contractual obligations by the firm would have attracted penalties and completion of transportation contract at the risk and cost of the firm

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

For finalisation of the contract for Road Transportation of Gypsum for the year 1987 88, the Board of Directors had constituted a committee consisting of the then M D , the then Director of Agriculture, one Director of the Board besides the Officers of the Corporation The Committee while deciding about the extention of the existing transportation contract had observed that due to the recent increase in railway freight and overall price increase the Corporation was likely to have higher rates then the rates under existing contract, in case tenders was floated for the new transportation contract It was felt that the Corporation would be gainer if the existing contractor agreed to the renewal of their contracts for the next year also on existing rates & terms As such there was no need for conducting any survey

When one of the transporter reduced rates only for 3 months open tenders were invited through press In the open tenders it was clearly mentioned that parties quoting tenders will be considered only when their offers are below the existing rates mentioned in the tender documents This itself amounted to indirect marketing survey

While deciding about the issue in its 87th Board meeting the Board of Directors had noted that the rates of Diesel alone had gone up by Rs 1 55 per Ltr in order to meet any shortage during reclamation season transportation by Railway Rakes would be much costly affair In view of this, the Board of Directors after detailed discussions had unanimously approved the enhancement of existing zone wise transportation rates effective from 1st May, 1991 The increase in the transportation rates was allowed by the Board of Directors of the Corporation '

The Committee noticed that the Company extended the contract of both the firms in the year 1986 without conducting any survey for the rates of transportation from Hanumangarh/Suratgarh The Committee also noticed in another case in the year 1987 that the market survey was not conducted by the Company to assess the transportation rates till the time one of the transporter reduced the rates

The representatives of the Company admitted during the oral examination that the company agreed to increase the rates though no escalation of any kind was allowed as per agreement entered into with the firm for transporting the gypsum in the year 1990

The Committee therefore recommend that the responsibility for granting extension to the transporter without survey in the year 1986 for not conducting the survey in the year 1987 and agreed to increase the rates in 1990 be fixed and action be initiated against the defaulting officer/officials under intimation to the Committee

2A-7 5 Non levy of penalty

5 For transportation of gypsum to various places in Haryana, the Company entered into annual agreement with various transporters As per clause 15 of the annual agreement entered into with the transporters, the Company was entitled to impose penalty at the rate of Rs 5 per tonne on shortfall in transportation of the agreed quantity and to get the left over quantity transported at the risk and cost of the transporter

The following irregularities were noticed in audit during scrutiny of some of the agreements

(i) During the calendar years from 1988 to 1992, the transporters failed to transport gypsum as per despatch instructions issued/contract executed by the Company as per details tabulated below

Year	Name of transporter	Quantity for which despatch advice issued	Contracted quantity	Actual transportation	Shortfall with reference to contracted quantity or despatch advice whichever is less
		(In tonnes)			
1988	R K & Co	120744	70000	42795	27205
1990	Gypsum Road Carrier	65040	90000	32294	32746
1991	Gypsum Road Carrier	90880	70000	53157	16843
1992	Gypsum Road Carrier	80495	70000	46406	23594
					100388

It would thus be seen that the penalty of Rs 5 02 lakhs leviable for short lifting of 100388 tonnes of gypsum was not levied and the Company released the securities of the transporters

(ii) Due to failure of transporters to lift required quantity of gypsum by road the Company had to transport gypsum through rail during the years 1988 1989, 1990 and 1992 by incurring an extra expenditure of Rs 22 96 lakhs on unlifted quantity by transporters as given below

Year	Quantity transported through rail	Railway freight paid	Amount payable by road	Excess freight paid
	(in tonnes)	(Rupees in lakhs)		
1988	20787 450	21 35	14 80	6 55
1989	31215 000	34 98	20 99	13 99
1990	893 550	1 06	0 57	0 49
1992	4895 940	7 31	5 38	1 93
				22 96

There were no recorded reasons for non enforcing risk purchase clause of the agreement against the transporters Resultantly, the Company incurred an extra expenditure of Rs 22 96 lakhs

(iii) It was further observed in audit that there was shortage of 249 60 tonnes of gypsum (Value Rs 1 18 lakhs) in the transportation through rail during the years 1989 and 1990 which could not be recovered from the railways Had this quantity been transported by transporters by road as per agreement, the Company could have recovered this shortage from them

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

"Short transportation of Gypsum is not always because of the failure on account of the transporter It is also because a required quantities of Gypsum not being available with the supplier organisations of Rajasthan which are also Public Sector Undertakings All such cases are examined and in case the failure is on part of transporter penalties have been imposed such as a penality of Rs 23 000/ was decided to be deducted from the Transporter for the contract of 1989 by the Arbitrator

Similarly the Board of Directors while accepting the claim of escalation in transportation rates decided to recover the risk purchase cost on account of transportation by Rail and penality amounting to Rs 2 70 456 72 from this transporter against the contract of 1992

Since all such cases are examined and management decisions are collective no individual Officer/Official is responsible

As already explained in the reply indicated above that shortfall in transportation is not always because of the failure of transporter, all the cases are examined on merit As regards the transportation of gypsum through railway rakes in addition to the transportation by road a decision had been taken to bring 11 rake loads in order to create sufficient buffer in August 1989 which was apart from road transportation as such had nothing to do with the then transporter The decision was taken as every tonne of gypsum available with the Corporation increase the profitability of the Corporation

As regards 1992 when 4895 94 M T were transported through rail at the risk and cost of the then transporter, an amount of Rs 2 26 Lacs has already been recovered from him on account of extra expenditure involved in risk purchase as per the decision of the Board of Directors Since management decisions are collective, no individual Officer/Official is responsible

For Gypsum, Railway Authorities generally issue Unclear RR' which means Material is said to be contained Therefore railway authorities do not issue shortage certificate Without shortage certificate no claim is entertained neither by Insurance Company nor by railway authorities. Therefore no insurance of the gypsum was got done to avoid un necessary expenditure of insurance."

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

"Gypsum which is an important ingredient for reclamation of alkali soils is procured by this Corporation from the Public Sector Undertaking of Rajasthan State, namely the Rajasthan State Mines & Minerals Corporation and Rajasthan State Minerals Development Corporation as gypsum mines in the State are on lease with these Organization These organizations mine gypsum and transport this run of mines (Gypsum lumps) to the loading stations which are quite a distance from these mines At loading stations, these gypsum lumps are grind d and packed into HDPE bags The HDPE Bags for packing of gypsum to these Organizations are being provided by the purchaser Corporation Besides this Corporation, these Organizations have to make available gypsum to Punjab Land Reclamation & Development Corporation, the U.P. Land Reclamation Corpora ion and to Rajfed of Rajasthan State These Organizations also because of the operational problems both at their mines and grinding/loading stations are not able to supply gypsum timely as per required quantities

From loading stations, the gypsum being made available by the Supplier Organizations is transported through road and rail by the purchaser Organization like, HLRDC PLDRC and U P. Land Reclamation Corporation

In view of the gypsum not being made available by the supplier Organizations timely for road transportation and also in view of the failure on the part of the road transporters at times to transport required quantities if made available by the supplier Organizations, this Corporation transports gypsum through railway rakes also in order to maintain the timely availability to the farmers The transportation of gypsum through rail is separate from the transportation through road unless the rail transportation is being done at the cost of the road transport contractors Conscious collective decisions are taken by the management to transport gypsum through railway rakes in addition to road transporation inspite of the fact that landed cost of gysum transported through rail is slightly more than transported through road But it is this timely availability of gypsum which earns profit to the Corporation besides the utilization of subsidy amounts, made available for the purpose by the Central and the State Government Timely availability of gypsum also helps the farmers in reclamation of their lands. It is by maximising availability of gypsum through rail and road, the sales during 1988-89 till

1992-93 alongwith the profits for these years were as —

Sr No	Year	Sale of Gypsum (M T)	Profit (Rs in lac)
1	1988 89	59 805	43 22
2	1989 90	73,400	42 27
3	1990 91	66 875	21 13
4	1991-92	58 951	91 24
5	1992-93	79,493	166 05

In case gypsum is transported through railway rakes at the cost of the road transport contractor the extra expenditure so incurred is recovered from road transport contractor Even the road transport contractors are penalised for short transportation of gypsum by them in case the failure is exclusively on their part However as per the agreements signed with the road transport contractors "the Managing Director of HLRDC will have the absolute discretion to waive off any or all the penalties and his decisions shall be final and binding on the transporter"

The amount of Rs 22 96 lac indicated by the Audit is the excess amount of railway freight incurred by the Corporation in bringing gypsum through railway rakes from 1988 to 1992 Had the Corporation not incurred this extra expenditure in bringing gypsum through rail to meet the demand of farmers and utilise the subsidy the profits during these years as indicated above would not have been to this extent

For making arrangement for road transportation of gypsum the Corporation floats open tenders in press through D P R Haryana Besides communication about the advertisement is sent to the trans porters whose list is available with the Corporation The road transportation contract is awarded on the lowest rates received

Short transportation of gypsum is not always because of the failure on the part of road transport contractor to transport required quantities It is also because of the non availability of gypsum timely with the supplier organisations which are Public Sector Undertakings of Rajasthan Government The penalties for short transportation of gypsum if it is because of the road transport contractor are being imposed

The other details as to the yearwise quantities transported by different transporters through road the penalty imposed etc are given below yearwise —

Regarding road transportation contract of 1988

(i) For the year 1988 road transportation contract was awarded to M/s R K & Co Abohar since their rates offered against the tender of the Corporation were the lowest The period of contract with this road transporter was from 1-4-1988 to 31-12 88 During the period of contract, he had to transport a quantity of 70 000 M T of Gypsum The transport contract also mentioned that the transporter shall transport the entire material as per transportation instructions given to him by the Corporation from time to time failing which the Corporation shall have the right to impose on the transporter a penalty @ Rs 5 per M T on the left over untransported material which shall be recovered from him The agreement also mentioned that 'The decision of the Managing Director of this Corporation in this regard shall be final and binding on the transporter'

During contracted period a quantity of 34 357 M T have been transported through road The road transportation was less because of the non availability of Gypsum timely with the supplier Further this was also effected by rains during September 1988 when because of the floods in Ghaggar the roads were blocked The penalty on account of short transportation would have been to the tune of Rs 1 78 lac However the then Managing Director exercising his powers to waive off the penalty ordered the release of his security on 31st May 1989

Regarding Road Transportation Contract of 1989

For the year 1989 the road transport contract was awarded to M/s Raja & Raja & Co Hanumangarh as their rates against the open tenders were the lowest The period of contract was from January 1989 to end December 1989 The transporter during this period had to transport a quantity of 70 000 M T Against this a quantity of 39 159 M T was transported through road

The Penalty on account of short transportation of 30 841 M T @ Rs 5 per M T on the transporter works out of Rs 1 54 lac The transporter had in between requested for enhancement of his road transportation rate through letter dated 21 7 1989 mentioning that the Government had strictly started following Motor Vehicle Act according to which trucks can not load more than 9 to 10 M T This request of the transporter was considered by the Board of Directors in its 82nd meeting held on 15 12 89 The Board of Directors had not allowed any enhancement in the transportation rates in view of clear terms & conditions of the contract The Board of Directors had also observed that the performance of this transporter was very poor and action should be taken against him as per the agreement imposing penalty for forfeiture of security and recovery of extra expenditure incurred by the Corporation in transporting gypsum by rail due to failure of the transporter The Board had further observed that this party should not be considered for granting transport contract in future and action for black-listing of the firm may also be taken

Later the transporter had requested for releasing of the security This together with the decision of Board of Directors for taking action against the firm for poor performance was put up to the then Managing Director of the Corporation for orders The then Managing Director of the Corporation had observed that the decision of the Board of Directors was too harsh and he was of the opinion that we place the matter again before the Board of Directors for reconsideration of the earlier decision and request for releasing of security of this firm after imposing some penalty on them as desired by the Board The matter was again placed before the Board of Directors in its 84th meeting held on 22nd June 1990 The Board of Directors did not feel it necessary to revise its decision taken in the Board meeting held on 15 12 1989 The Board of Directors accordingly decided that M/s Raja & Raja Enterprises Gypsum transporter may go for arbitration if it is per missible and if the s me is desired by the Transporter

Notice for forfeiture of security and imposing penalty etc was issued to the transporter The transporter preferred an application for reference under sction 20 of the Arbitration Act for refund of Security against the transportation agreement before the Arbitrator who was the Chairman of the Corporation The Chairman directed the then Managing Director to conduct the arbitration proceedings The arbitrator after hearing advocates on behalf of both the transporter and the Corporation directed on 23rd November 1990 that the security of M/s Raja & Raja Enterprises Gypsum Transporter be released to them after imposing penalty of Rs 23 000 only In view of these orders the security of the transporter was released after deducting of above said penalty amount

Regarding Road Transportation Contract of 1990 & 1991

For the year 1990 the road transportation contract was awarded to M/s Gypsum Road Carrier Hanumangarh as his rates against the open tender of the Corporation were lowest The period of agreement was from 9 1 1990 to 31 12 1990 and was for transportation of a quan tity of 90 000 M T Against this a quantity of 51 470 M T were trans ported through road The road transportation was suspended by the Corporation in July 1990 in view of the instructions from the then Director of Agriculture to sell gypsum only to the extent of subsidy available which was for 42 000 M T only

The road transportation contract for the year 1991 was also la teron extended in his favour for one year from 1 1 1991 to 31-12 1991 by a joint decision taken by the Management of the Corporation under the Chairmanship of the then Managing Director As regards the quan tity to be transported during this period of contract it was mentioned that transporter will transport the quantities as required by the Corpo ration During this extended period a quantity of 48 199 M T have been transported through road and no material was transported through rail The security of this transporter was not released but was adjusted towards the contract for the year 1992 as per the orders of the then Managing Director

Regarding Road Transportation Contract for the year 1992

The road transport contract for the year 1992 was also awarded to M/s Gypsum Road Carrier Hanumangarh as his transportation rates against the open tender of the Corporation were lowest. The period of contract was from 1 1 1992 to 31 12 1992 but was later on extended by one month During this contracted period the transporter had to transport a quantity of One lac M T of gypsum Against this the road transportation was 69 367 M T During this period the Corporation also transported a quantity of 4 896 5 M T through rail at the cost of this transporter The Board of Directors while approving the release of his security in its 102nd meeting held on 24 3 1995 ordered the release of security of this transporter after deduction of penalty of Rs 43,795 on account of short transportation by him during the period of transport contract The Board further directed that a sum of Rs 2,26,661 72 incurred by the Corporation in bringing 4 896 5 M.T of gypsum by rail at the risk and cost of this contractor be also recovered from him The security was released by the Corporation after recovering the above mentioned penalties

As regards the observation of the Committee on Public undertakings as to why bank guarantee from transport contractor was not obtained it is to mention that in view of the cash security the bank guarantee was never insisted for However for future the bank guarantee would also be asked for from the transport contractor"

The Committee noticed that penalty of Rs 0 23 lacs imposed by the arbitrator in the year 1989 was recovered from the firm but the Committee could not understand as to why penalty as per agreement amounting to Rs 5 02 lacs during the year 1988 1990 1991 and 1992 as pointed out in the para were not recovered on the same pattern **The Committee, therefore, observed that the penalty amounting to Rs 5 02 lacs should have been recovered The Committee recommend that matter be re-investigated to fix the responsibility of the defaulting officer/officials who had failed to recover the amount of Rs 5 02 lacs of penalty as per agreement**

The Committee also recommend that a clause be also incorporated in the agreement that if a transporter failed to transport the fix quantity due to any reason then the transporter be liable to bear the transportation charges being spent by the Company to transport the remaining quantity of gypsum by other transporters or by rail The Committee further recommend that the Company would ensure the availability of gypsum to the transporter according to the Despatch instructions given to him

The Committee was also constrained to observe that the decision of the Managing Director to waive off the penalty imposed on the transporter as per agreement and also to release the security was against the interest of the Company as the transporter by not lifting the quantity as per despatch advice was responsible for huge loss by transporting the unlifted material through Rail by the Company

The Commttee recommend that the Managing Director may be held responsible for the loss accured to the Company for waiving off penalty and the Company to ensure that such type of penalties may not be waived off in future easily

The Committee also recommend that open tender for transportations contract after wide publicity be invited and the transporter be asked to furnish the Bank gurantee before awarding the transportation contract in future so that the interest of the Company could be fully saved The worthyness of the transporters should also be kept in view.

2A 8. Custom hiring of tractors

2A.8 1

6. Rainfall in Haryana is not only erratic but also inadequate accompanied with lack of canal irrigation through conventional gravity flow. Therefore meagre irrigation resources available in the state are precious and need to be utilised in the most economic manner

To achieve this objective land levelling and grading of fields is essential for extending irrigation to large areas and also minimising field application losses since properly levelled land increases manifold the irrigation potential with existing discharge

As the cost of land levelling is very high subsidy on land levelling works is provided at the rate of 50 per cent to farmers having land holding up to seven and a half acres and 25 per cent to other farmers by the Agriculture Department of the State Subsidy is also made available by the Command Area Development Authority at 25 per cent and 33 per cent for small and marginal farmers respectively in the Command Areas of the State Besides 100 per cent subsidy for land levelling is also provided by District Rural Development Authority for Panchayat lands

Since subsidy is paid by Agriculture Department and other agencies, the works are also procured by the Company through these agencies and the works are executed when the customers deposit their own share After completion of the works the bills for subsidy are submitted to the concerned agencies

The activity was initially started with 65 tractors in 1975 As on 31st March 1992, the Company had a fleet of 103 tractors out of which 16 were engaged at Hisar farm and 87 engaged in custom hiring work

In addition to its own tractors the Company had also engaged private tractors during peak season to cope up with the rush of work

The hiring rates of tractors are fixed on hourly basis by the Board of Directors from time to time The rates are fixed keeping in view the prevalent market rates charged by private tractor operators But it was observed in Audit that the rates fixed were much below the operational cost While seeking approval for increase of rates in June 1992 from Rs 100 to Rs 140 per hour the operation cost of Rs 200 per hour was intimated to the Board of Directors yet these could not be fixed as it was considered that no farmer would be ready to engage the Company's tractors at these rates The Management approached the State Government in August 1984 and October 1992 for compensation of loss in the shape of grant in aid but no response was received It would thus be clear that the Company could not complete with private parties in the operational cost of tractors vis a vis custom hiring rates

The performance of tractors under land levelling scheme for the five years up to 1991 92 is tabulated below

Year	Tractors	Targets	Achievement	Shortfall	Percentage of short fall
	(Numbers)		(In hours)		
1987 88	70	166000	120853	45147	27 2
1988 89	71	180000	106628	73372	40 8
1989 90	93	170000	99238	70762	41 6
1990 91	60	170000	77133	92867	54 6
1991 92	87	295000	94188	200812	68 1

It was observed in audit that

(i) The Company could not achieve the targets and the performance continued to decline as the percentage of shortfall increased from 27 2 in 1987 88 to 68 1 in 1991 92

(ii) Under the land levelling scheme the Company earned profits of Rs 6 15 lakhs in 1988 89 Rs 2 30 lakhs in 1989 90 and incurred loss of Rs 37 77 lakhs in 1990 91 and Rs 38 79 lakhs in 1991 92 The marginal profit earned during the years 1988 89 to 1989 90 was mainly due to profit earned by deployment of private tractors as detailed below

Year	Profit (+) Loss(—)	Profit from hired private tractors
1988 89	(+)6 15	6 16
1989 90	(+)2 30	16 72
1990-91	(—)37 77	18 09
1991 92	(—)38 79	15 44

It would thus, be seen that in case the profits from hiring of private tractors had not accrued the Company would have incurred losses during the period from 1988 89 to 1989 90 and much higher losses during the period from 1990 91 to 1991 92

There was nothing on record to indicate that the management had given due attention to arrest the tendency of incurring loss by increasing operational efficiency and reducing cost

The Management stated (March 1993) that land levelling activity was continued to help the small and marginal farmers and the operational tragets were fixed on higher side to ensure maximum utilisation The optimum utilisation could not be obtained due to its seasonal nature and reduction in subsidy and the scheme was being closed down in phased manner

The reply is not tenable because in a meeting held on 11th June 1985 under the chairmanship of the State Finance Minister the State Government decided that the Company should discontinue the activity gradually as it was incurring heavy losses But on persistent plea of the Company the Government agreed for the continuance of the activity as long as it runs into profit However despite losses on the operation of its own tractors the Company did not close down this activity On the other hand the Company purchased 30 and 41 tractors valued at Rs 49 10 lakhs and Rs 83 47 lakhs during September October 1989 and April 1991 respecttivey Regarding reduction of subsidy and seasonal nature of work as stated by the Company it was seen in audit the Company had engaged year round private tractors for 18 049, 21795 78248 95957 and 85 671 hours during the period from 1987 88 to 1991-92 respectively As such it is apparent that there was no constraint of work and subsidy

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

The operational cost per hour in case of Corporation tractors vis-a-vis the private tractors was higher as the Corporation would provide for the interest on investments the depreciation and for other fixed costs which the private tractor owners do not take into consideration The other factors were increase in wages etc The Corporation tractors would find work only because of the availability of subsidy Since the subsidy schemes in DRDA/DPAP were withdrawn the tractors of the Corporation did not find work Moreover the working efficiency of Tractors Operators was also a reason for the utilisation not picking up In view of this the tractor hiring activity has already been closed by the Corporation w.e f 1-4 1994 The staff was retrenched after paying them retrenchment compensation and the tractors under this activity have been disposed off

In view of the mounting recurring losses being incurred by the Corporation under this activity this activity as already mentioned above has already been closed w e f 1 4 1994 The staff has since been retrenched after paying due retrenchment compensation and the tractors have been auctioned

When the Land Levelling Activity was started by the Corporation in the year 1975 the No of tractors in the State was only 21 069 in 1973 74 which was less than the demand of farmers The No of tractors in the State rose to 1 33 lacs till 1991 92 i e about 615% more than in 1973-74 With the increase in private tractors in the State the utilisation of tractors was bound to decrease The utilisation for Corporation tractors was mainly because of the availability of subsidy With the abolition of subsidy schemes the utilisation of Corporation tractors further decreased In view of this this activity was closed w e f 1 4 1994 with the approval of the State Govt The utilisation of Corporation tractors from 1988 89 to 1992 93 is indicated below —

Year	No of Corporation tractors	Utilisation (Productive Hour)
1988 89	70	106628 0
1989 90	70	100652 9
1990 91	60	78245 4
1991-92	101	93256 8
1992 93	62	59648 5"

The Committee noticed that 30 and 41 tractors were purchased valued at Rs 49 10 lacs and Rs 83 47 lacs in October 1989 and April 1991 respectively at the time when the Company was suffering heavy losses on this activity

The Committee recommend that the responsibility of the officer be fixed under whose orders the tractors were purchased at the time when the Company was suffering huge losses without proper justification inspite of Government decision to continue land levelling activity so long as it was in profit

The Committee strongly recommend that concrete steps be taken by the Company to curb the tendency of mounting loss till the scheme was in operation i e March, 1994

2A 8 2 Hiring of private tractors

7 The Company had been utilising the services of private tractors for land levelling work during the peak season to cope with the rush of work and it had directed its field offices from time to time that the private tractors were to be hired only when its own tractors were fully utilised

A test check of the records maintained in the field offices revealed that the Company made a payment of Rs 43 14 lakhs on engaging private tractors while its own tractors were standing idle (even when in working order) during the same period as per details given below

Serial number	Name of centre	Year	Private tractor hours utilised	Avoidable private tractor hours
1	2	3	4	5
			(In numbers)	
1	Naraingarh	1988 89	6 502 6	2988 5
		1991-92	11955 3	4552 0
2	Bhiwani	1988 89	2046 6	1761 7
		1989 90	10976 7	4303 0
		1990 91	13686 6	5 420 7
		1991 92	15062 2	2394 4
3	Palwal	1988 89	1519 3	1356 0
		1989 90	2767 0	777 0
		1990 91	10386 8	3940 4
		1991 92	10819 9	1598 0
4	Rewari	1988 89	3566 8	1744 7
		1989 90	12065 9	3230 0
		1990 91	21416 0	1792 0
		1991 92	12625 2	2408 5
5	Charkhi Dadri	1988 89	933 1	853 6
		1989 90	15368 6	4510 0
		1990 91	18767 3	2295 5
		1991 92	11797 7	5494 7
6	Hisar	1989 90	6161 4	2550 0
		1990-91	14559 3	945 0
		1991 92	10839 5	1088 0
7	Sirsa	1990 91	11621 7	1776 0
		1991-92	10986 3	1656 0

The Management stated (March 1993) that engagement of private tractors was restricted till the Company s tractors were fully engaged and some tractors of the Company during this period could not work due to break-down

The reply is not tenable as the avoidable private tractor hours given in the above table represent only those cases where private trac tors were engaged by the field units at a time when its own tractors in working order were idle

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

"Since the Land Levelling Activity was of seasonal nature the developmental agencies such as CADA DRDA & Soil Conservation wing of the Dpett of Agri asked for more and more tractors to attain maximum targets during the periods lands were available Hence the private tractors are engaged to meet the peak demand of these agencies

In view of this there was no delibrate act on the part of any Officer/Official to engage private tractors at the cost of the Corporation tractors as per policy of the Corporation Hence no Officer/Official can be held responsible for this

The position of hiring private tractors vis-a vis utilising own tractors during the years 1992 93 and 1993 94 is indi cated below —

Sr No	Year	Utilisation through	
		Corpn Tractors	Private Tractors
		(Hours)	(Hours)
1	1992 93	59648 5	8098 2
2	1993 94	32710 90	—"

The Committee noticed that the private tractors were engaged when their own tractors were in working orders and standing idle **The Committee recommend that the action be taken against the concerned officer responsible for engaging private tractors when Company's own tractors though in working orders were not utilized**

2A 8 4 Extra expenditure

8 The Board of Directors approved (December 1987) the purchase of 30 high powered tractors by arranging loan/refinance of Rs 42 lakhs from NABARD through New Bank of India Accordingly a scheme was forwarded (February 1988) to New Bank of India Chandigarh for taking up the matter with NABARD for refinance The Company approached (February 1988) the State Government for furnishing guarantee

for the said loan which was a pre condition of the bank loan The matter was however not pursued Meanwhile New Bank of India pro posed to finance the purchase of tractors from its own funds without refinance from NABARD with same rate of interest This proposal of the bank was approved by the Board in May 1988 Accordingly New Bank of India sanctioned (July 1988) a term loan of Rs 35 70 lakhs to the Company but the loan could not be availed of in absence of State Government guarantee

The Company requested the State Government only in March 1989 for furnishing guarantee which was agreed to by the Government in July 1989 and a formal guarantee deed was executed in October 1989

Meanwhile the cost of tractor increased from Rs 1 46 lakhs in September 1988 to Rs 1 62 lakhs in September 1989 and as a result the loan of Rs 35 70 lakhs had to be enhanced to Rs 41 37 lakhs A supply order for 27 tractors was placed (September 1989) on Haryana Agro Industries Corporation Limited at Rs 1 62 lakhs per tractor

Thus the Company had to incur an extra expenditure of Rs 4 32 lakhs due to delay in pursuing the State Government for furnishing guarantee

The Management stated (March 1993) that although New Bank of India had offered for direct refinance of the purchase of 30 tractors this could not be considered as Company was awaiting response from the NABARD The reply is not tenable as the loan which was to be given by the New Bank of India was also on the same rate whch the Board had approved in May 1988

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

The Board of Directors of the Corporation in its 72nd meeting held on 3 12 1987 had approved the purchase of 30 additional highpower tractors by loan/re finance to be arranged from NABARD through New Bank of India The scheme for purchase of 30 additional tractors and matching implements was prepared and sent to New Bank of India on 9 2 1988 A copy of this scheme was also sent to the Finan cial Commissioner & Secretary to Government Haryana Agri-culture Department with the request that Government guarantee for the purchase of this additional machinery be kindly accor ded The sch me was persued with both the Bank & NABARD The scheme was sent to Director of Agriculture Haryana by the Financial Commissioner & Secretary to Government Haryana Agriculture Department for comments for the recommendations of this scheme to NABARD on 8 3 1988 After receipt of the comments the State Govern ment recommended the implementation of this scheme by HLRDC through New Bank of India to NABARD through their letter dated 7 6 1988 Although the New Bank of India had agreed to finance this scheme of their own the NABARD intimated their inability to provide refinance support for purchase of such type of machinery in January 1989 By this tme the Government was pressing the Corporation to reduce the Custom Hiring rates and the communication in this regard had been received from the Additional Director (AE) of the Department of Agrculture In view of this it had been decided in December 1988 to defer the purchase of additional tractors till this issue was decided Later with the decision to go in for the purchase of tractors on 28 2 1989 the Financial Commissioner & Secretary Agriculture was again requested for the Government guarantee for this purchase The matter was persued with the Government and approval in principal of the Government to stand guarantee was received through the Commissioner & Secretary to Government Haryana Agriculture Department letter dated 12 7 1989 In view of the facts mentioned above it is to mention that the matter for guarantee was persued with the State Government properly No Officer/Official was responsible for the delays which were procedural'

The Committee noticed that the Company had incurred extra expenditure of Rs 4 32 lakhs on purchase of 27 tractors and the same could have been avoided had the case for arranging guarantee and completion of formal guarantee deed from the State Government pursued without undue delay by the Company

The Committee, therefore, recommend that the responsibility of the officer/official for not pursuing the case expeditiously and properly be fixed and action be taken against them under intimation to the Committee

2A 10 Sale of Agricultural Inputs

2A 10 2

9 (i) The inputs are sold by the Company through its sales counters There is no provision to sell these inputs through private dealers However 428 and 348 tonnes of urea and D A P respectively, were sold through dealers at Kaithal Centre during 1991 92 resulting in a profit margin of Rs 1 35 lakhs being passed on to the dealers

(ii) Similarly during the period from October to December 1992, 452 tonnes of D A P valued at Rs 31 82 lakhs was sold through dealers who have not rendered the account and till February 1993 an amount of Rs 2 96 lakhs was outstanding for recovery The Company had, however not worked out the profit margin passed on to the dealers

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

Actually the sale of DAP was not through private dealers as pointed out by the Committee The stocks of the Corporation were in the premises of the Commission Agents in Mandies If the shops/godowns would have taken on rent in the prime location i e Anaj Mandies the cost of rent would have been much more in addition to making arrangement for watch and ward etc To avoid huge expenditure it was a concious decision by the Management that DAP may be sold at the premises of Commission Agents/dealers by deputing our own salesman This was done only where the Corporation could not get shops/godowns in the prime locations Moreover, it was the first year when the Corporation sold 5 000 MT of DAP costing Rs 6 50 crores

All the outstanding amount of DAP has been recovered and no amount of DAP is outstanding against the dealers"

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

"The recovery of Rs 2 95 970/ was outstanding as on 31-12 1992 This was pointed out by the Internal Audit Cell of the Corporation In February 1993 the recovery was outstanding against various fertilizer dealers at Charkhi Dadri Centre was to the extent of Rs 2 63 346 as per details given below —

Sr No	Name of Dealer	Amount	Outstanding date
1	2	3	4
	M/s		
1	Satish & Co , Rohtak	51,292 00	12/92
2	Anil Gupta, Bahadurgarh	1 19 141 00	Do
3	Bharat Krishi Bhandar Kalanaur	12 929 00	Do
4	Suraj Khad Bhandar Meham	41 950 00	Do
5	Juneja Beej Bhandar Meham	34 350 00	Do
6	Gupta Khad Bhandar Sampla	2 634 00	Do
7	Rathee Khad Bhandar Sampla	750 00	Do
		2 63 346 00	

The amount has been recovered from various dealers upto March 1993"

The Committee noticed that 428 and 348 tonnes of Urea and D A P respectively were sold through dealers at Kaithal centre during the year 1991 92 resulting in passing on a profit margin of Rs 1 35 lacs to the dealers inspite of the fact that there was no provision of sale through private dealers The Committee is of the view that the

decision for allowing the Urea and DAP to be sold through the private dealers at Kaithal was against the policy of the Company The Committee, therefore, recommend that responsibility of the officer, who permitted the sale of Urea and DAP through private dealers, be fixed for flouting the policy of the Company under intimation to the Committee

2A 10 3 Loss due to non receipt of cypermetherin

10 In October 1991 Agriculture Department allocated 2500 litres of cypermetherin to the Company for sale to the farmers The pesticide was to be procured by December 1991 so as to meet the timely requirement of farmers

Order for 1250 litres (250 ml packing) at Rs 368 per litre and 1250 litres (500 ml packing) at Rs 363 per litre was placed on 15th November 1991 on Omega Agro Private Limited New Delhi on rate contract with the Director Supplies and Disposals Haryana with the stipulation that

- the supply of material would be started immediately and would be completed within 10 days from the date of issue of order and
- in case of non/defective/short/delayed supplies the Company shall be entitled to impose penalty and effect risk purchase at the cost of the firm

The firm did not make the supply within the stipulated time and immediate steps were not taken to effect risk purchase with the result that the Company was deprived of the earning on the sale of the pesticide As the crop season of Rabi for which the order had been placed had come to an end in February 1992 it was decided to purchase the quantity from the same firm which was to be allocated by the Agriculture Department for Kharif 1992 The defaulting firm promise (May 92) to make suppiles at the old rates Accordingly order against allocation of 1750 litres for Kharif 1992 was placed on the firm in June 1992 with the stipulation that the supply was to be completed within 20 days The firm however supplied the pesticide only by the end of September 1992 when the requirement for Kharif crops had also come to an end

The pesticide was utilised to cater the requirement of Rabi 1992 93 (November 1992 February 1993) Thus, the Company could not effect sale of the pesticide during Rabi 1991 92 and Kharif 1992 Had the pesticide been supplied in time during the period from December 1991 and June 1992 the company would have earned Rs 3 88 lakhs as there was sufficient demand of the pesticide

The Management stated (March 1993) that as the firm was on rate contract with Director Supplies and Disposals Haryana the matter was taken up with them and due to their efforts the firm agreed to supply the pesticide at the rates of 1991

The reply is not tenable as even by taking benefit of old rates, the Company could not make up the losses suffered due to non supply of pesticides to the farmers during Rabi 1991 92 and Kharif 1992 It was also observed in audit that this firm again failed to supply the pesticides against the order placed in November 1992 The material was to be supplied within 15 days but it was not supplied till April 1993 This firm was also not penalised according to the penal clause of the contract although it had voilated the terms of the supply order repeatedly

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

Since the orders had been placed against the rate contract finalised by this firm by the Director Supplies and Disposals Haryana the Corporation could not directly penalise the firm The case for penalising the firm was referred to Director Supplies & Disposals Haryana

Although the Corporation had asked for the supply of material within 15 days the firm had replied to supply it within 45 days as contained in the rate contract finalised with them by the Director supplies & Disposals which had to be accepted by the Corporation it is this 45 days time given by the firm by Director Supplies & Disposals which caused slight delay However the Corporation immediately moved Director Supplies & Disposals Haryana for not releasing the security of this firm"

The Committee noticed that Pesticides were not supplied by the firm during the Rabi 1991-92 and the firm was also not penalised for this lapse inspite of the fact that there was clause in the contract to procure the material at the risk and cost of the firm **The Committee recommend that the officer, by whom the risk purchase clause was not invoked and who recommended the extension to the firm in the supply of Pesticide be held responsible for flouting the contract and the departmental action be taken against the erring officer under intimation to the Committee**

2A 10 4 Loss due to non-receipt of diathane

11 An order for supply of 90 quintals of diathane at the rate of Rs 82 per Kg was placed with Bharat Pulverising Mills Private Limited New Delhi in June 1990 The weedicide was required for application to sunflower crop during Kharif 1990 The supply was to be completed within 45 days from the placement of order In case of non supply the Company was entitled to impose penalty and effect risk purchase The firm did not supply the material and the Regional Manager Karnal and Manager Kaithal informed (July August 1990) the Company that to meet the immediate requirement the purchase may be effected from other sources The matter was discussed with Deputy Director of Agriculture who opined that the sale season of this weedicide for Kharif 1990 was over and now it would be required in January 1991

Thus due to non receipt of material in July 1990 the Company was deprived of an earning of Rs 0 74 lakh (at the rate of Rs 8 20 per Kg)

On 2nd January 1991 the Director of Agriculture Haryana inti mated the Company to arrange for 10 tonnes of diathane for sale to farmers on subsidy during January/February 1991 After assessing market demand order for procurement of 5 5 tonnes of diathane was placed (January 1991) on the same firm The material was to be supplied im mediately as the subsidy was available up to 28th February 1991 Supply was however not made by the firm and instead of penalising the firm for nonsupply the ordered quantity was reduced (March 1991) to 2 tonnes which was supplied by the firm As the sale season was already over only 0 5 tonne could be sold and life of the remaining 1 5 tonnes valued at Rs 1 23 lakhs expired in December 1991 The material was got replaced on 26th December 1991 Had the firm supplied the material in time the Company could have earned Rs 0 41 lakh by selling 5 tonnes in January/February 1991 Reasons for not enforcing penal clause of contract were not on record

Thus by not receiving the weedicide in time the Company apart from losing market was deprived of an earning of Rs 1 15 lakhs

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

"The Corporation could not imposed any penalty for late supply directly on the firm as the supply order was placed against the rate contract this Party has with Director Supplies & Disposals Haryana However matter regarding imposing the penelty and failure of their security was taken up with the Director Supplies & Disposals Haryana

For the subsequent years also the firm being on rate contract with Director Supplies & Disposals Haryana and since during coming year also some qty of this Pesticides had been allocated to this Corporation by Director Agriculture to be sold in Oil Seed area on 50% subsidy this firm was asked to supply material on rate contracted rates Since the sale of this Pestisides is only with the incidence of pest which was not there the quantum of supplied qty was reduced as this material would not find sale

No individual Officer/Official was responsible as the material was purchased through Director, Supplies & Disposals

As already mentioned since the material was to be received against the rate contract this firm had with Director, Supplies & Disposals, Haryana, the Director Supplies & Disposals Haryana as well as the Director Agriculture were informed about non supply of material by this firm and requested for forfeiture of their security and taking penal action against them"

The Committee recommend that suitable Departmental action be taken against the officer for not imposing penalty upon the firm for the late supply of Pesticides for Kharif 1990 The action taken against the officer be intimated to the Committee

GENERAL RECOMMENDATIONS

The Committee noticed from the informaton supplied by the Com pany that in the early seventees land measuring 1 80 lac hectares was suffering from alkalinity but now as per fresh survey it increased to 2 31 lac hectares **The Committee, thereore, recommend that concrete steps should be taken by the Company to stop the increase of land suffering from alkalinity**

The Commitee recommend that surprise checks by the officers of the Headquarters be conducted regularly at the various centres of the Company to physically verify the stocks of gypsum and also to verify the weight of gypsum bags

2B 6 1 Working results

12 The table below indicates the working results of the Company for the five years upto 1991 92

Income	1987-88	1988-89	1989-90	1990-91	1991-92
	(Rupees in lakhs)				
(i) Sale of minerals	509 68	624 98	1385 64	1427 12	1905 75
(ii) Other income	2 73	5 86	12 00	31 14	29 27
(iii) Increase(+) decrease(—) in closing stock	(—2 93	(+15 63	(+)47 17	(+)14 63	(—)19 60
Total	509 48	646 47	1444 81	1472 89	1915 42
Expenditure					
(i) Mining and manu facturng expenses	348 28	462 57	1107 16	1170 73	1582 66
(ii) Personnel expenses	51 04	83 14	111 89	124 27	164 12
(iii) Operational and ad ministrative expenses	26 59	49 06	91 30	88 14	93 54
iv) Selling and distri bution expenses	40 81	57 29	72 05	52 77	55 47
(v) Miscellaneous expenses	0 40	4 04	4 04	4 04	2 34
Total	467 12	656 10	1386 44	1439 95	1898 13
Profit(+)/ Loss(—)	(+)42 36	(—)9 63	(+)58 37	(+)32 94	(—)17 29

It is evident from the above table that the Company suffered loss of Rs 9 63 lakhs in 1988 89 and its profit registered a declining trend from Rs 58 37 lakhs in 1989 90 to Rs 32 94 lakhs in 1990 91 and further to Rs 17 29 lakhs in 1991 92

The management attributed the loss in 1988 89 and decrease in profit during the years 1990 91 and 1991 92 to the increase in royalty, engagement of raising contractors and industrial unrest

The reasons are not tenable as the royalty was increased from February 1992 and the industrial unrest occurred in January and February 1992 only It was however observed in audit that

— during 1988 89 the loss was mainly due to handing over of two profit earning silica sand mines to private parties as per orders of the Supreme Court,

— decline in profit during the years 1990 91 and 1991 92 was mainly due to payment of royalty in respect of non operative mines decrease in experts increse in mining and personnel expenses, and expenditure of Rs 14 25 lakhs on temporary construction in 1991 92

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

'A major loss incurred in the year 1988 89 as compared to reason able good profit in the year 1987 88 is mostly on account of reduction in the major lease hold areas of silica sand in Manger and Pali of District Faridabad The area of silica sand was the major source of profit but the profit making mining leases of plot No 4 9 and 10 of Manger and entire areas of Pali had been handed over to private lessees as per the order of Hon ble court as the case was decided in their favour On the other hand the Company had to retain the existing manpower and infrastructure as the Company was receiving continuous indications from the State Government for granting more leases to Haryana Minerals Limited in District Faridabad resulting in adverse effect on the profita bility of the Company

However in the year 1989 90 there was again good profit on account of addition of stone leases in District Faridabad which contributed a significant profit Again in the year 1990 91 there was great fall in the profit on account of heavy recruit- ment of the staff as the new mines had come in District Gurgaon Although the staff was recruited and the expenses on account of the same have been incurred but proportiona- tely the profit could not be generated as it was initial period to start and develop the mines and also to develop infras tructural facilities Moreover to increase the profitability of the Company manpower strength was reassessed in view of the shrinkage in business of the Company due to non renewal of certain mining leases and staff in excess to minimum re- quirement was retrenched in December 1992 In addition to above to economise the overhead expenses the Company had also taken administrative decisions to reduce the expenditures and non viable mines were also surrendered As a result of this the profit of the Company increased to Rs 194 27 lakhs in the year 1993 94'

The Committee is of the view that the Company had totally failed to assess the work load for which the manpower was required to be recruited The manpower should have been deployed only according to the actual needs of the company as due to unrealistic assessment in the recruitment of staff the company had to retrench the staff in excess to minimum requirement in December 1992

The Committee, therefore, recommend that action be taken against the officers who have recruited the staff in excess of the requirement without proper assessment of business of company due to which it had to suffer losses

2B 8 Slate Project

2 B 8-1 & 2

13 (a) The Company took over 11 mines on lease (2 in 1972-73, 1 in 1986 87, 1 in 1988 89, 1 in 1989 90 and 6 in 1990 91) Only two mines taken on lease in 1972-73 were under active production One mine taken over in February 1987 was surrendered in February 1992 and the production of one mine taken over in May 1988 was stopped in April 1992 due to no demand on account of poor quality of slate stone of these mines Seven mines taken over in 1989 90 and 1990 91 were in developing stage up to 1991 92

(b) Slate stones are extracted manually from the mines departmentally as well as through contractors The Company had neither maintained any records of slate stone extracted from mines and used for further processing nor fixed targets for extraction Also norms for wastage at cutting stage have not been fixed for the extracted material when cut into various sizes both manually as well as by machine In the absence of records of extraction and norms for wastage at cutting stage, the wastage in the shape of Kattal' obtained was neither ascertained nor accounted for

However, an analysis of 33 × 33 cm size slates produced during the years 1990 91 and 1991 92 was made in audit which revealed the wastages during process as detailed below —

Year/Mine	Raw Slates produced: Through departmental labour	Through contractors	Total	Production of finished slate	Wastage	Percentage of wastage
				(In pieces)		
1	2	3	4	5	6	7
Kund Mine						
1990 91	256675	67928	324603	127386	197217	61
1991 92	318348	187799	506147	169048	337099	67
Behalibas mine						
1990-91	84288	2894	87182	79749	7433	9
1991 92	83781	397	84178	82054	2124	3

It would be seen from the above table that the wastage in Kund mire was considerably high as compared to the wastage in Behalibas mine

In the absence of records it was not possible in audit to work out separately the wastages in processing through departmental labour and through contractors It would however, be evident from the above table that in Behalibas mine where the processing through contractors was less, the percentage of wastage was low, whereas in Kund mine where the quantity processed through contractors was more, the percentage of wastage was also more

(i) The following table gives the targets for production of slates, actual production and sales for the five years up to 1991 92

Year	Production Target (Square metre in lakhs)	Production Actual (Square metre in lakhs)	Percentage of production to targets
1	2	3	4
1987-88	3 00	1 21	40
1988-89	3 60	2 69	75
1989-90	4 20	3 64	87
1990 91	4 10	2 21	54
1991-92	3 80	1 65	43

It would be observed from the above table that the Company could not achieve the production targets in any of the five years, in spite of the fact that the targets were reduced during the years 1990 91 and 1991 92

(ii) The slates are exported and also sold locally The exports are mainly to Australia, Europe, U S A , Japan and New Zealand

The table below indicates the targets of export and local sales of slates and achievement of targets for the five years upto 1991-92

Year	Targets Export	Targets Local	Achievement Export	Achievement Local	Percentage of achievement Export	Percentage of achievement Local
	(Rupees in lakhs)					
1	2	3	4	5	6	7
1987 88	80 00	13 5	92 67	10 91	116	81
1988 89	110 00	12 0	165 53	10 43	150	87
1989 90	250 00	15 0	196 61	19 13	79	128
1990 91	200 00	30 0	123 32	22 55	62	75
1991 92	150 00	30 0	136 19	19 22	91	64

It would be seen from the above table that the Company could not achieve targets for export in any of the years except in 1987 88 and 1988 89 and for local sales in any of the years except in 1989 90 This was inspite of the fact that the export targets were brought down considerably during the years 1990 91 and 1991 92 in comparison to those of the year 1989 90

The Management attributed (February 1991/April 1992) the decline in production and exports to low output by departmental labour and to depression in Australian markets due to high interest rates on construction loans

It was however observed that decline in exports was due to not taking timely action for exporting the material due to lack of coordination between production and export wings

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

'Two mines of Slate viz Bazar and Ganiyar have been surrendered in February, 1992 and the production from these mines was as follows —

Particulars	1988 89	1989 90
Hand cut	7086 784 M^2	3038 488 M^2
Machine cut	2304 52 M^2	10409 43 M^2

Slate stone is a metamorphic rock and hence it is brittle and fractureous in nature due to temperature and pressure variations during formation of such rocks, resulting in variations in its strength from band to band and face to face Due to its above peculiar character the exact percentage of wastage during various stages of production and processing cannot be fixed During edge cutting process 3 cm margin on every slate piece to be cut e g 33×33 sieze to cut in 30×30 size and the wastage resulted from this vary from size to size, i e bigger pieces will contribute less wastage as compared to smaller pieces During mining of slate uncertain sizes of raw material i e Kattals are obtained at initial stage which contribute unpredictable/uncertain wastage due to its peculiar charact as mentioned above

As indicated above norms for wastage at the cutting stage was not practicably feasible Kattal being the first stage of production was not being accounted for Moreover due to uncertain sizes of Kattal it is difficult to quantify the rejection at the stage of edge cutting During mining operations Kattals of smaller sizes contribute more wastage as compared to bigger sizes

As explained above the smaller sizes contribute heavy wastage due to uneven thickness of the slate corner breaking during shifting and processing which leaves no choice rather than to reject the whole Kattal as wastage as the smaller size than that for which it is meant cannot be made and moreover further smaller sizes to the above bear no market acceptability The other factors which contributes to high wastage are—shifting of the material from pit to the edge cutting machine and then to packing site, loading and unloading, packing and transportation

The targets in the year 1991 92 were reduced on account of non availability of the international market which caused us to reduce our production In fact if we study the trend of the international market of state, it is revealed that if in any particular year there is a great boom, the succeeding years meet with slump This is because of the huge slate accumulated by the importers in one year and in the succeeding one or two years they do not purchase same quantity Haryana Minerals Ltd exported slate stone worth Rs 196 61 lacs in the year 1989 90 but the same gradually declined in the next 2 years on account of the international maket character as detailed above

Due to slump in the international market of slate, the production was maintained as per the demand in the international market to avoid accumulation of stocks which could have effected the liquidity of funds adversely Since the production of slate is almost depends on demand in the international maket, as such demand of the Slate in the domestic maket is negligible

The production of particular size of slate depends on the availability of kattal of the required sizes As explained above, the production of Kattal of smaller sizes is more than the bigger sizes Therefore to execute the orders of bigger sizes naturally takes more time Further the demand of bigger sizes slate is received more from the Foreign buyers than the smaller sizes Therefore, the decline in exports was not due to any lack of co ordination in between production and Export wing "

The Committee noticed during the oral examination that the company had neither maintained any record of slates stone extracted from mines and used for further processing nor fixed targets for extraction

The Committee also shocked to know that no norms have been fixed for wastage at cutting stage Therefore the wastage in the shape of Kattal's could not be ascertained nor accounted for in the absence of the fixed norms

The Committee, therefore recommend that the norms for wastage at cutting stage be fixed immediately for extracted meterial when cut into various sizes both manualy as well as by machines

The Committee also recommend that the reasons for excess wastage in KUND mine, where the work was also got done from contractors be thoroughly investigated and report be submitted to the Committee

The Committee also observed that the Company totally failed to achieve the production targets in the years 1987 88 to 1991-92, though the targets were reduced during the year 1990-91 and 1991-92 The company also miserably failed to achieve the target for the export in the year 1991 92 inspite of the fact that the export targets were also brought down during the year 1990 91 and 1991-92

The Committee, therefore, recommend that responsibility of the officers those were heading the production and export wing of the Company at that time be fixed for not taking the timely action for achieving the production and export targets The report be sent to the Committee within three months after the presentation of this report

The Committee also recommend that the special efforts be made by the Company to boost its products in the foreign market and to compete with the private parties in the export market

2B 8 3 Working results

14 The working results of the slate project for the five years up to 1991-92 are summarised below

		1987 88	1988-89	1989-90	1990-91	1991 92
			(Rupees in lakhs)			
1	Income (Incuding increase/decrease in stock)	98 31	179 65	269 13	150 58	144 54
2	Expenditure	87 86	152 40	202 73	144 54	151 36
	Profit (+)/Loss(—)	(+) 10 45	(+) 27 25	(+)66 40	(+)6 04	(—)6 82

The steep decline in profit during 1990 91 and loss during 1991 92 was mainly due to increase in cost of production as compared to sale rate The company had not maintained record of cost of production The selling rate of Rs 3 69 per square meter fixed in april 1989 was not revised upto April 1992 for reasons not on record though the average cost of production as worked out in audit amounted to Rs 55 70 Rs 65 38 and Rs 91 79 per square meter during 1989 90 1990 91 and 1991-92, respectively

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

> "One of the important principles of commercial approach with regard to fixing of the prices is to atleast maintain the rates at par with the other competitors for existance in the market Therefore revision of prices is not reasonable merely on account of increase in cost of production as this could have thrown Company out of the market
>
> As stated above the demand of the slate in the domestic market is negligible Therefore to popularies the slate in the domestic market also the Company maintained the old prices from April 1988 onwards On the other hand prices for international market are being revised from time to time "

The Committee noticed that there was a loss amounting to Rs 6 82 lacs in the year 1991 92 and there was also steep decline in the profit during 1990 91 inspite of the fact that the private parties were earning the profit during these years The Committee also noticed that the rate fixed in April, 1989 were not revised untill April 1992 although there was persistent increase in cost of production every year The Committee observed that the main reasons for the decrease in the profit was due to higher overhead expenses and non revision of the rates from April, 1989 to April, 1992

The Committee could not understand as to why the efforts were not made by the company to export their products on the similar pattern as adopted by the private parties in respect of exporting of the slates in the International market and why the rates of slates were not revised from time to time to earn more profit

The Committee recommend that systematic efforts should be made to bring the company at par with the private parties by suitably amending the marketing policy, if necessary

The Committee, further, recommend that concrete steps be taken by the company to reduce the cost of production to compete with the private parties in the local and International market

2B 8 4 Closing stock

15 The table below indicates the Position of stock held at the end of each of the five years up to 1991-92

Year	Closing stock	Value	Sales	Closing stock in terms of months sale
	(Square metre in lakhs)	(Rupees in lakhs)		
1987-88	0 24	7 94	103 58	0 92
1988 89	0 28	11 63	175 96	0 79
1989 90	1 37	65 02	215 74	3 62
1990-91	1 59	69 73	145 87	5 73
1991 92	1 35	58 86	155 41	4 55

It would be seen from the above table that closing stock of slates increased from 0 92 month's sales in 1987 88 to 4 55 months' sales in 1991 92 The accumulation of stock was due to production of roofing slates of various sizes for which these was hardly any demand This indicates that the Company produced slates without assessing the market demand This resulted in blocking up of funds in the inventory holding Besides, during the prolonged storage the finished stocks being stored in the open, are likely to deteriorate in quality which has not been assessed by the Company

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

"The production of states consists of roofing material and flooring material The demand of flooring material is more in the international market and in the local market which is in fact is the fast moving product while the roofing material is very slow moving Further, the Company cannot control the production of roofing material because it is produced side by side with the flooring material As such the stocks of roofing material went on increasing There is no alternative to reduce the production of roofing material With the passage of time the Company is sucessfully popularising slate in the Indian market and roofing material could be sold in the Indian market We hope so in the near future, that the Indian market will fully response to slate products and all stocks will be liquidated As such during the year 1994 95 Haryana Minerals Ltd have almost disposed off the multi colour roofing slate in the international market "

The Committee found that the Company was at fault to continue the production of roofing slates for continously five years when the Company was well aware of the fact that there was hardly any demand for the roofing slates in the market and **recommend that responsibility for not assessing the demand properly before the production of roofing slates be fixed and report be sent to the Committee within three months The latest position of disposal of roofing slates may also be apprised to the Committee**

2B 8 5 Surplus stores

16 A Committee consisting of General Manager (Technical), Sales Manager and Senior Manager (Accounts) was constituted (September 1992) by the Board to suggest ways and means to dispose of the surplus stocks The Committee found (November 1992) that 1 12 lakh square metres out of 1 24 lakh square metres of slates were surplus and suggested disposal by inviting tenders at a price not less than the cost price Tenders were invited in February 1993 but no offer was received The matter was brought to the notice of Board in March 1993 and the Board desired to sell the material at the rate ranging between Rs 25 52 and Rs 30 52 per square metre against the cost price ranging between Rs 38 and Rs 78 per square metre Even then the material could not be disposed of Incidentally, it was also observed that the surplus stock includes 6910 square metre of sub standard (B' grade) material of the value of Rs 1 12 lakhs, purchased (February—April 1990) from private contractors inspite of the fact that the terms of contract required that only saleable material was to be accepted from the contractors

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

"The Company has started the virgin mines i e Manethi, and the initial production was made from the weathered rocks of the top layer of slate This material was not worth exporting and the Company has invested substantial amount on the development of the mines Therefore to compensate for the investment made, the Company decided to dispose off the said material by

> keeping a margin of Rs 6 00 per sq metre (Selling price-contractor expenses) Moreover, the payment of such material was released to the contractors to the extent of 75% and 25% was withheld Therefore, the Company had not suffered any loss on the purchase of the above material Further the Company has withheld Rs 1 10 lakhs approximately of the contractors for the cost of unsold material which was received from the contractors In view of the facts explained above it was not felt necessary to hold anybody responsible "

The Committee was surprised to know that 6910 square meters of sub standard (B-Grade) material valuing Rs 1 12 lacs was purchased from private contractors contrary to the terms of contract which required only saleable material to be accepted

The Committee, therefore, recommend that officer under whose orders the above said sub standard material was accepted be held responsible and efforts be made to effect the recovery from the officer responsible for this lapse under intimation to the Committee

2B 8 6 Unauthorised reduction of stock

17 As per practice the broken bigger sizes of slates are cut into smaller sizes During test check of records of Kund mines it was noticed that 2822 square metre slates of various sizes valued at Rs 1 29 lakhs had been reduced from stock register during the years 1990 91 and 1991 92 as broken which had not been recut and brought on record Similarly at Behalibas mines 27548 square metre slates of various sizes valued at Rs 16 03 lakhs had been reduced during the periad from 1987 88 to 1991 92 from the stock register as broken, which had also not been recut and brought on record Neither the reasons for breakage were ascertained nor responsibility for loss fixed

Besides 7832 square metre slates of various sizes valued at Rs 4 63 lakhs at Kund mines during the years 1990 91 and 1991 92 had been deducted from stock on account of 'issued to edge cutting machines" for recut but the same was not received back after recutting The matter was not investigated by the Management

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

> 'The bigger pieces have been cut into smaller sizes for the following reasons —
>
> 1 Minor breaking on the margin of the pieces
>
> 2 To fulfil the immediate demand of the next lower size (e g 60×40 to 60×30) as per Letter of credit conditions (which might expire within a month or so)

If we compare the production figures with the breakages it is nominal wastage as detailed below —

	Production (Lacs sq mtr)	Breakages (Sq mtr)
Kund		
1990-91	2 96	
1991 92	1 96	2822 Sq. mtr
	4 92	

The breakages percentage comes to 0 57%

1987-88	1 14	
1988-89	1 05	
1989 90	1 18	
1990-91	0 66	
1991-92	0 63	275 00 Sq mtr
	4 66 lac sq mtr	

The breakages percentage comes to 5% The above figures reveal that there is no huge breakages

(iii) The material issued for re cutting from machine was indeed received back at Kund as per details given below —

Size	1990-91	1991-92
	(No of pieces received after re-cutting)	
60×30 cm	297	—
50×30 cm	284	—
40×20 cm	2600	—
30×30 cm	1500	5050
12"×3'	1000	—
20×20 cm	2500	—
30×15 cm	1400	2000
30×20 cm	—	11700"

The Committee constrained to note that neither reasons for breakages were ascertained nor responsibility was fixed by the Company for huge breakages The Committee also noticed that material issued for Edge cuttings was not received back after recutting at Kund

The Committee, therefore, recommend that the matter for not receiving back the material at Kund issued for Edge cuttings be investigated thoroughly and responsibility be fixed under intimation to the Committee

2B 8 7 Underutilisation of edge cutting machines

18 The Company had installed three edge cutting machines at Kund mines with the production capacity of 85500 square metre per year The table below indicates the installed capacity actual production and unutilised capacity of edge cutting machines for the five years up to 1991-92

Year	Capacity	Production	Unutilised capacity	Percentage of unutilised capacity
		(In square metres)		
1987-88	85500	61629	23871	28
1988 89	85500	81498	4002	5
1989-90	85500	73707	11793	14
1990 91	85500	21148	64352	75
1991-92	85500	36646	48854	57

It would be evident from the above table that shortfall in utilisation of capacity of edge cutting machines which was 5 per cent in 1988 89 increased to 75 per cent in 1990 91 It was noticed in audit that though these machines were in working order and there was no operational constraint due to break down power failure etc the Company did not utilise the machines fully and got 32656 square metre and 28185 square metre of state cut from private contractors during the years 1989 90 and 1990-91 by paying Rs 10 19 lakhs Had 11793 square metre in 1989-90 and 28185 square metre in 1990 91 been cut on Company s machines for which capacity was available it would have cost the Company Rs 5 39 lakhs instead of Rs 6 70 lakhs being the proportionate cost for the above items of work and would have resulted in a saving of Rs 1 31 lakhs

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

"Utilisation of the capacity of the machine depends on various factors such as condition of machine, availability of power, availability of appropriate kind of raw material man power availability etc

Further the Company s edge cutting machines are very old and have almost completed their work ing life owning to this machine cannot be run with the original efficiency Hence the figures taken in for assessing the capacity of the machine at the later stage without considering all the factors responsible for the efficiency of the machine are not justified and reason able Moreover the material worth exportable quality which requires high precision and accuracy cannot be produced on such old machines on high rate of production as it leads to degradation of quality which may vitiate the export market of the Company Further it is pertinent to point out that in the year 1989 90 the production at edge cutting machine was done at high rate of production which led to deterioration of the quality of export material resulting in poor respons - of Foreign buyers in the subsequent years as evident from the table given below —

Year	Capacity in sq mtr	Production in sq mtr	Export sale in lacs
1989 90	85 500	73 707	196 61
1990 91	85 500	21 148	123 32
1991 92	85 500	36 646	136 19

In order to supply quality material as desired in the export market it becomes ineviatable to get the export material cut from the private parties to execute the export orders timely

Besides above the export orders are received in a particular month in excess to the capacity to cut export worthy material

All these compelling factors had to get the material edge cut from the private parties

The Committee noticed that the work for cutting of 32656 square metres and 28185 square metres of slates got from the private contractors during the year 1989 90 and 1990 91 respcetively inspite of the fact that the machines of the Company were in working order **The Committee recommend that circumstances under which the work was got done from the private contractors be thoroughly investigated and the report in this respect be sent to the Committee within three months**

2B 9 3 Marble blocks

19 (i) The Company has two sources of receipt of marble blocks at plant, one from its own mines and another purchases from private parties

The table below indicates the targetted and actual production of marble blocks despatches from mines and closing stock for the five years up to 1991-92

Year	Production target	Actual	Despatches to factory (including from mines)	Closing stock	Closing stock in months' despatch
			(in cubic feet)		
1987 88	6000	4124	4421	8662	24
1988 89	6000	4505	2154	11013	61
1989 90	6000	3665	1182	13596	137
1990 91	6000	2468	1596	14368	108
1991 92	3900	282	1756	12894	88

The Company could not achieve the target of production in any of the five years which ranged from 7 per cent in 1991-92 to 75 per cent in 1988 89 The closing stock had been increasing from year to year and increased from 24 months despatches in 1987 88 to 137 months' despatches in 1989-90 It was observed in audit that fall in production was mainly due to accumulation of stocks extraction of iron-ore in Antri-Beharipur mines being more profitable and low labour productivity

Further it was observed that

— 7407 7 cubic feet of marble valued at Rs 8 76 lakhs and extracted before April 1986 was lying at Antri-Beharipur mines but not despatched to factory for processing (March 1993) The reasons for this were not on records and

— 1200 05 cubic feet of marble valued at Rs 0 42 lakhs and extracted during 1981-82 was lying unsold due to poor quality at Bayal mines as per stock register The Company had not taken any steps to dispose of the accumulated stocks

(ii) Labour productivity

Marble blocks produced by the departmental labour against the norms (as agreed between management and workers) during five years up to 1991 92 in respect of both the mines is given below —

Year	Antri Beharipur mine production				Bayal mine production			
	As per norms	Actual	Short-fall	Percen-tage of shortfall	As per norms	Act-ual	Short fall	Percen-tage of short fall
	(In cubic feet)				(In cubic feet)			
1987 88	4800	4124	676	14	—	—	—	—
1988 89	4800	4505	295	6	—	—	—	—
1989 90	4800	3665	1135	24	—	—	—	—
1990-91	4800	1804	2996	62	1200	664	536	45
1991-92	4800	Nil	4800	100	1200	282	918	77

It would be observed from the above table that the production as per norms had not been achieved in any of the years and shortfall had increased from 6 per cent in 1988 89 to 100 per cent in 1991 92 As per agreement with the workers in case of failure to achieve the production as per norms their wages were to be reduced proportionately which was not done due to non maintenance of worker wise record of production Reasons for low productivity had not been analysed by the management

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

"Before 1986 the Company was processing marble blocks by conventional type of Frame saw machine which gave very low production Silcing of blocks in a month or so whereas the production of blocks at the mines was more, the production of blocks was a necessity of the Company on two counts Firstly production of marble blocks from the top weathered band was compulsory to get the better crackfree blocks from the lower layers Secondly to make optimum use of existing labour force which of course led to accumulation of stocks of marble blocks not so good for processing and marketing

To meet the increase of demand for coloured marble at that time, the Company decided to replace the conventional Frame Saw Machine by a sophisticated block slicing machine Accordingly, the production of marble blocks from the deeper layers was planned However in 1989 the choice of the customers for coloured marble suddenly shifted to white marble There fore to exist in the market the Company also started processing of white marble along with coloured marble Since the demand of white was more the consumption of coloured marble blocks at Marble factory subsequently reduced resulting in accumulation of marble stocks The minimum production was compulsive for the company to make proper use of the existing labour Even this much of minimum production led to further swelling of stocks as the demand for coloured marble continued in discending trend Naturally to avoid further accumulation of stocks the Company decided to curtail the production which no doubt was a good managerial and administrative decision of the Company

As stated in the foregoing paragraphs the quality of marble blocks extracted from the upper strata were not good and marketable due to having contents of other minerals such as iron ore quartz They also had inherent haircracks which made their processing difficult and unviable Therefore there was no sense of shifting these blocks to Marble factory By taking this decision the Company had saved substantial amount on account of freight from Antri beh ripur mines to Narnaul on loading and unloading charges octroi and royalty etc The Company is making efforts to dispose off the same through Press tenders and advertising

Since the marble blocks lying at Bayal mines contained nodules pockets of quartz in profuse quantity the same could not be disposed off as yet despite the best possible efforts put in by the Company However the Company is exploring the viability for making marble chips from the said marble blocks

As explained earlier the demand for the coloured marble was substantially reduced from the year 1989 onwards Therefore to avoid further unnecessary pilling of stocks mandays of production workers were utilised for the development of the mines In 1991-92 existing labour was shifted for the production of iron ore which was available in the same mines and demand was heavy since the Company had taken useful work from the labour Hence there was no justification for the deduction of wages"

The Committee noticed that the marble valued at Rs 8 76 lacs which was extracted before April, 1986 was lying at Antri Beharipur mines **The Committee, therefore, recommend that the marble lying at Beharipur mines be sent immediately to the factory for processing and immediate efforts be made by the Company to dispose off the marble lying at Bayal mines and the report be sent to the Committee**

(ii) Labour Productivity

The Committee noticed that the wages of workers were not reduced proportionately inspite of the fact that there was an agreement that the wages of the workers would be reduced proportionately if they failed to achieve the production as per norms

The Committee, therefore, recommend that the action be initiated against the officer/officials who failed to maintain the worker wise record of the production due to which the agreement with workers could not be enforced under intimatio to the Committee

2B 9 5 Crazy

20 Crazy a by-product is obtained from the wastage of marble slabs Norms have not been fixed for production of crazy from the waste slabs

The table below indicates the production sale and closing stock of crazy during the five years up to 1991-92

Year	Production	Sale	Wastage of marble slab in process of finishing	Crazy per square feet of waste slab
	(In quintals)		(Square feet)	(Quintals)
1987 88	1363 60	1754 42	13951	0 10
1988 89	3790 18	1661 10	55612	0 07
1989 90	5142 91	2319 40	25510	0 20
1990-91	2166 58	2757 60	28219	0 08
1991-92	699 45	2209 30	4268	0 16

It would be seen from the above table that crazy produced per square feet of waste slab ranged between 7 Kg and 20 Kg during the five years up to 1991 92 The reasons for wide variation in production of crazy were not analysed by the management

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

> "As explained in the foregoing paragraphs marble crazy is a bye product of marble blocks and slab slicing Therefore quantity of crazy production depends on percentage of existence of inherent cracks deformity of the blocks quality of the marble and size of the finished marble tiles Therefore, the formation of crazy it having wide variations and is beyond the control"

The Committee noticed that the crazy produced per square feet of waste slabs ranged between 7 Kg and 20 Kg during the five years from 1987 88 to 1991 92 and the reasons for wide variation in production of crazy were not analysed by the Company

The Committee, therefore, recommend that the norms be fixed for production of crazy from the waste slabs immediately and results of investigations be intimated to the Committee

2B 10 Iron ore

2B 10 1&2

21 (i) In November 1988 the reserves of iron ore were incidentally found in Antri Beharipur mines being operated for marble extraction since April 1973 The mining of the iron ore was considered necessary for providing proper benches The Company requested (December 1988) the Director of Industries Haryana for permission to mine the iron ore and the same was granted in January 1989

The table below indicates the target actual production despatches to factory including direct sales and closing stock of iron ore for the three years up to 1991-92

Year	Target	Production Actual	Percentage	Despatches to factory (including direct sales)	Closing stock
		(In tonnes)			
1989 90	Nil	8164	—	7637	527
1990-91	8000	2739	34	2618	648
1991-92	12000	7957	66	8046	559

From the above table it would be seen that the production targets could not be achieved and the percentage of achievement was 34 and 66 during the years 1990-91 and 1991-92 respectively Further production during 1990-91 was very low in comparison to the two other years The management had not analysed the reasons for low production in the mines

(ii) The iron ore lumps are transported from the mines to marble factory at Narnaul for conversion in rori for sale However rori obtained in the course of extraction of lumps is also sold directly from mines It was observed in audit that

(i) Log book of crusher plant was not maintained by the company and as such the utilisation of plant and deployment of labour could not be examined in audit In the absence of records it was also not clear as to how the Company had been exercising an effective control over this activity

(ii) The Company did not maintain any stock ledger showing iron ore lumps received from mines and issued to the crusher fori produced and despatched

(iii) As stock ledger was not maintained it was not possible in the physical verification conducted by a committee of officials at the close of the year to point out excesses/shortages

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

'In the initial stage the production was low which gradually picked up in the year 1992 93 but later on it was again declined in 1993 94 because of the resistances by the local villagers to work in the mining area near temple located within our lease hold area However the Company made all possible efforts to satisfy the villagers for shifting of the temple but due to religious sentiments villagers did not agree for the same

In the year 1995 the Cement Industry which was the main consumer of our iron ore (which is magnetic in nature) shifted to non magnetic iron ore Therefore orders for our magnetic iron ore were no more available in large orders thus production was maintained low Further the labours were deployed in the development work of iron ore and marble lumps mine In the later years the production was as follows —

Year	Targets (tonnes)	Achieved (tonnes)	Percentage of achievement
1992 93	18 000	15 365	85%
1993 94	18,000	12 589	70%
1994 95	18 000	8 264	45%

Now the log book is being maintained

Complete record of iron ore lumps is maintained which can be verified on the basis of such records Physical verification are being conducted at the end of each year'

The Committee constrained to note that even the log book of crusher plant stock ledger for Iron ore lumps were not maintained by the Company The Committee took it very seriously and recommend that the proper record be maintained by the Company at the Headquarter and its various centres

2B 10 3 Avoidable expenditure

22 The Company had the crushing plant at Narnaul since 1975 The Board approved (March 1989) a proposal for installation of a new crushing plant at Antri Beharipur mines to effect saving on transportation of marble/iron ore lumps from mines to the crushing plant at Narnaul

Tenders invited in January 1990 received poor response So tenders were invited again from selective manufacturers and opened in June 1990 order for supply and erection of crushing plant was placed (March 1991) on Arihant Industries Baroda for Rs 9 50 lakhs The terms of supply order inter alia provided as under

(a) Advance payment to the supplier at 15 per cent of the value of the order alongwith the supply order

(b) Inspection of the plant at the factory of the supplier before despatch, and

(c) Supply to be completed latest by July 1991

The Company placed order in March 1991 but advance was paid only in June 1991 The firm requested for inspection of the plant in November 1991 which was done only in June 1992 when some defects were pointed out After final inspection in August 1992 the plant was received in October 1992 The plant was yet to be installed (March 1993)

It would thus be observed that the supply of the plant was delayed by 14 months and the firm could not be penalised for the delay apparently because the Company had not fulfilled its obligations under the supply order regarding Advance payment' and Inspection Failure of the Company in timely implementing the Board s decision resulted in an avoidable expenditure of Rs 3 75 lakhs on transportation of marble (1957 tonnes) and iron ore lumps (8834 tonnes) from mines to the crushing plant at Narnaul during 1990-91 and 1991 92

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

'In fact the order for the supply of machinery was placed on the basis of the market of iron ore at that time and also with the expectation of grant of mining lease very shortly the proposal of crushing plant was finalised But due to delay in grant of lease we did not press the party for early delivery of the machinery and its installation Moreover the crushing of iron ore was kept continued by the existing crusher meant for making of marble chips and powder However the crusher has been installed in June 1993

In view of above management did not consider necessary to fix up the responsibility as no officer/official was at fault for delay in installation of Iron ore crushing plant at Antri Beharipur mines

The Committee observed that supply of plant was delayed for 14 months due to non payment of advance and non inspection of plant in time Due to this delay the Company had incurred an expenditure amounting to Rs 3 75 lacs on the transportation of marble and iron ore lumps from mines to the crushing plant at Narnaul during the year 1990 91 and 1991 92

The Committee recommend that the responsibility be fixed for the delay in supply and installation of crushing plant at the mines The action taken be intimated to the Committee within three months.

2B 11 Limestone

2B 11 1 Production performance

23 (i) The table below indicates the targets actual production and shortfall in production of lime stone during the four years upto 1991-92

Year	Target	Actual	Shortfall	Percentage of shortfall
	(In tonnes)			
1988 89	10000	9552	448	4
1989 90	24 000	10046	13954	58
1990 91	21000	14994	6006	29
1991 92	18000	9335	8665	48

It would be seen from the above table that the targets had not been achieved in any of the years even when these were gradually reduced from 24000 tonnes in 1989 90 to 18000 tonnes in 1991 92

Reasons for the shortfall in production had not been analysed by the management However the main reason for the shortfall as analysed by audit was low labour productivity as stated in subsequent paragraph

(ii) Labour productivity

The Company fixed (November 1988) norms of production of lime stone at 960 tonnes per month per crew consisting of 28 workers

The table below indicates the working days available production, total mandays required labour productivity and excess wages paid during the five years up to 1991 92

		1987 88	1988 89	1989 90	1990 91	1991 92
1	Production (in tonnes)	9519	9552	10046	14997	9335
2	Mandays required as per norms	8596	8652	854 0	11433	8512
3	Total mandays utilised	11970	11761	9220	12823	11809
4	Excess mandays utilised (3—2)	3374	3109	680	1390	3297
5	Average wage per manday (Rupees)	23 20	21 31	28 32	28 36	25 26
6	Excess wages paid (Rupees in lakhs)	0 78	0 66	0 19	0 39	0 83

It would be seen from the above table that due to low labour productivity the Company had to bear an extra expenditure of Rs 2 85 lakhs as wages during 1987 88 to 1991 92

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

'Due to presence of huge overburden which was necessary to remove to get the production of limestone caused the non-achievement of the targets in the year 1989 90 which were 240% of the targets of previous year Due to extraction of limestone from much deeper area i e around 50-60 feet resulting in substantial increase in lead and lift also hindered in a big way in achieving the targets

Since the working was going at substantial depth resulting in considerable increase in lead and lift which adversely affected the productivity As a consequence more mandays were utilised for the production The norms of production were fixed after taking into consideration a certain lead and lift Naturally more manpower was required beyond that lead and lift

Due to the reasons as explained above no labour was employed in excess of norms "

The Committee observed that low labour productivity was the main reason for shortfall in the production The Committee also observed that norms fixed for the producton of limestone had not been strictly adhered to

The Committee recommend that the action be initiated against the erring officer/officials who had not taken action for low labour productivity and in future norms fixed for production be strictly adhered to The action taken by the Company be intimated to the Committee

2B 11 2 Working results

24 The working results of the mine for the five years up to 1991 92 are tabulated below

	1987 88	1988 89	1989 90	1990 91	1991 92
		(Rupees in lakhs)			
1 Income	8 70	9 19	10 68	18 24	11 68
2 Expenditure	11 53	9 96	10 12	16 21	12 40
3 Profit (+)/ Loss(—)	(—)2 83	(—)0 77	(+)0 56	(+)2 03	(—)0 72

It would be seen that the Company had suffered losses during the years 1987 88 1988 89 and 1991 92 The reasons for losses were not analysed by the management However as observed in audit the losses were mainly due to low productivity and employment of labour in excess of norms

The Committee noticed that employment of labour in excess was one of the main reason for the loss suffered to the Company The **Committee, therefore, recommend that the labour in future be deployed for various projects of the Company strictly according to fixed norms**

2B 12 Quartz mine

2B 12 2 Labour productivity

25 The output of quartz chips and silica sand obtained from departmental labour per man per day in the mine during the four years upto 1991-92 is tabulated below

Particulars	1988 89	1989 90	1990-91	1991 92 (upto August 1991)
1 Production of lumps, chips and silica sand (tonnes)	2335	2086	1360	15
2 Total number of workers employed in full year (man months)	149	158	116	33
3 Total mandays (man months×26 days)	3874	4108	3016	858
4 Labour productivity (Kgs per manday)	603	508	451	17

As per settlement (November 1988) between the management and the staff the production norm per manday was fixed at 3000 Kg and in case of failure to achieve the norms the wages were to be reduced proportionately It was however noticed in audit that record of workerwise production had not been maintained as such the wages could not be reduced for shortfall in production

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

"Maintenance of work wise record is not practicable as certain work in the mining cannot be quantified due to their unassessable nature like formation of benches roads and mines development Moreover the job of labour is also inter changeable as per requirement/working conditions "

The Committee recommend that action be taken immediately against the officer/officials who had not maintained the worker wise production record due to which the wages of workers could not be reduced proportionately for shortfall in production The Committee be intimated about the action taken within three months

2B 14 Silica sand

26 Six silica sand mines were taken on lease (2 each in 1985 86 1986 87 and 1988 89) in Gurgaon and Faridabad area One mine "Lohinga Kalan" taken on lease in February 1986 was not giving good results because the area was barren/unmineralised The Board decided (December 1989) to surrender the mine The mine was, however surrendered only in March, 1992

The delay in surrender of the mine resulted in an avoidable payment of Rs 2 73 lakhs in the shape of dead rent and Rs 1 68 lakhs on wages The expenditure could have been avoided had the mine been surrendered immediately after the decision of the Board in December 1989

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

' In the year 1989, it was decided to surrender the unmineralised part of Lohinga Kalan area on the basis of the Geological report Therefore the unmineralised area was surrendered in the stages as detailed below

First of all the district and visible unminerlised area (3521 Kanal 17 marla) was outrightly surrendered to the State Government and it was acknowledged by the State Government w e f 11 7 1990 and the dead rent/royalty was deposited accordingly In the remaining area further prospecting was done as there was some indications of the mineralisation but when it was found that even this deposit was not economical on account of heavy overburden of quartzite, the Compay surrendered the further area of 8301 Kanal 15 marla w e f 1-2 1992 Since the confirmation of occurence of mineral beneath the surface needs detailed exploration before finally rejecting the area it was therefore decided that unless we are absolutely sure that the area it completely unmineralised and the project is not viable same should not be surrendered In view of above the Company did not find it necessary to fix up the responsibility on any officer/official as nobody was at fault '

The Committee noticed from the reply that the Company took decision to surrender the Lohinga Kalan mines in the month of December, 1989 as the mine was not giving the good results because the area was unmineralised but the decision of the Board was delayed and the mine was surrendered only in March 1992 Thus the Compony had to incure unfruitful expenditure of Rs 4 41 lacs in shape of dead rent and wages The Committee is of the view that the matter was delayed unnecessarily The loss to company could have been avoided if the decision of the Board been implemented immediately **The Committee recommend that the responsibility be fixed for delay in implementation of the decision of the Board to surrender the mine The Committee desired to be informed about the action taken within six months**

2B 15 Road metal and masonry stone

2B 15 1

27 The State Government granted lease to the Company in respect of 34 minnes in Gurgaon and Faridabad districts (one in 1987 88, seven in 1988 89, two in 1989 90 14 in 1990 91 and 10 in 1991-92) for extraction of road metal and stone

Out of 34 mines lease of ten mines (five in 1990 91 and five in 1991 92) were surrendered in March 1992

These mines were not operated due to the following reasons

—two mines were situated at far away places and the area did not have potential even for a long time to come,

—two mines were not suitable as lease of silica sand area adjoining these mines was not granted , and

—six mines were not viable as the major portion of stone mining was confined to the periphery of Sohana hills

On these ten surrendered mines, the Company paid dead rent of Rs 4 78 lakhs which could have been avoided had the lease been applied after proper survey

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

"At the time of applying for the lease the Company was not having its own Geological and Research and Development wing who could assess the exact deposit of the mineral Since private parties were working in the area in a very haphazard manner, the Company presumed that good extraction of silica sand can be made if resorted to scientific and systamatic mining by opening new and wide faces Only at the later stage it was established that there were scant deposit of silica sand spread over a large area having very uneconomical deposit "

The Committee shocked to know that the viability of the mine was not analysed before taking the mine on lease due to which the Company compelled to pay Rs 4 78 lacs as dead rent The loss could have been avoided had the lease been applied after proper survey **The Committee, therefore recommend that the proper and thorough survey be conducted by the Company before taking each and every mine on lease in futur so that such type of loss may not occur in future The Committee be intimated about the steps taken by the Company to avoid such type of losses in future within three months**

2B 15 2

28 The mining is carried out through labour contractors to whom labour charges are paid The Company exercised supervisory control including on sale of material through check posts fixed at various places of the mines

In November 1989 the Company awarded raising contract to two firms of Faridabad who were allowed 25 per cent of the earning of the Company from the sale of road metal and masonry stone This was in addition to the labour charges paid to the labour contractors The firms were required to deploy heavy earth moving machinery for scientific and safe mining However due to some serious irregularities such as non payment of wages lack of welfare facilities for workers, unsafe working conditions etc , and non compliance of the terms the contract was terminated on 30th December 1989

On an appeal by the firms that they were not given sufficient time to prove their worth for deployment of heavy machinery the work was reawarded to them in January 1991 Subsequently during the period between January and September 1991 ten more firms were given raising contracts on the same terms, The Mining Engineer however reported (September 1991) that the firms were not operating machinery and were also committing other irregularities The raising contracts were, therfore, terminated in January, 1992

It was observed in audit that

(i) payment of Rs 119 80 lakhs made to the firms as 25 per cent of the earning, could have been saved by continuing raising operations through labour contractors as the firm failed to deploy heavy earth moving machinery for scientific and safe mining as per terms of the contracts,

(ii) the firms were reawarded work in spite of their proved failure earlier,

(iii) the firms were require to make daily cash payment to the company on each truck basis (revised to weekly basis in January 1991) As on 31st March 1993 a sum of Rs 19 58 lakhs after adjusting securities etc amounting to Rs 15 33 lakhs was outstanding for recovery against these firms The Board of Directors decided (March 1992) to fix responsibility in the matter but no action had been taken (March 1993)

(iv) during the period from November to December 1989 and from January 1991 to January 1992 the Company incurred an expenditure of Rs 7 83 lakhs for providing drinking water facilities to labour employed by the firms This amount was recoverable from the firms as per terms of the work orders The management stated (March 1993) that the recoveries would be affected from the firms

Further, the Company paid salary amounting to Rs 2 97 lakhs to 14 blastors for the period from January 1991 to January 1992 As per the terms and conditions of work orders, blasting cost was to be borne by the firms Recovery of the amount had not been made from the firms

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

'The raising contractors in fact were well equipped but unfortunatly they did not deploy the heavy machinery in these areas which were alloted to them by Haryana Minerals Limited rather they engaged their machineries in other private mines and due to their failure in complying with the condition of work order their contracts were terminated

The officer responsible for the outsanding recovery was terminated and legal suits have been filed against the contractors for the recovery

The Company was charging Rs 2 per truck from the contractors for providing drinking water and other welfare facility to the labours

Being the lease holder of the area it was Haryana Minerals Ltd responsibility to ensure the safe blasting in the area There fore raising contractors were allowed to carry on the blasting operations under the supervision and guidelines of Company s qualified and experienced blasters to safeguard the interest of the Company

The Committee noticed that an expenditure amounting to Rs 7 83 lacs was incurred by the Company during from November to December 1989 and from January 1991 to January 1992 for providing drinking water facilities to labour employed by the firms The Committee is of the view that the Company had not informed the Committee as to whether the total expenditure incurred amounting to Rs 7 83 lacs has been recovered from the contractors or not **The Committee, therefore, recommend that the reponsibility be fixed for not recovering the amount if the above said amount has not been recovered so far from the contractors A report be submitted to the Committee within three months**

2B 16 Sales to private parties

29 Credit sales are not permissible to the private parties as per sale policy but the Company had been making credit sales to them As on 31st March 1992 Rs 9 74 lakhs were outstanding against private parties, out of which Rs 1 34 lakhs were due for more than 3 years The Company had written off during the period from 1987 88 to 1991-92, Rs 2 05 lakhs as bad debts which were due from private

parties Responsibility for effecting credit sales and for not taking timely action for recovery from the private parties was not fixed

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

Credit sales is not allowed except to Government departments The outstanding dues of Rs 9 74 lacs are on account of non adjustment of parties account because of non availability of correct identification of parties against the credit balance of Rs 10 00 lacs approximate)'

The Committee recommend that the responsibility be fixed for extending credits to private parties and for not taking timely action for recovery thereof Efforts be made to recover the amount and position of recovery be intimated to the Committee

2B 17 2 Physical verification

30 Physical verification is conducted at the close of the financial year The table below indicates the shortage/excess noticed during physical verification

Items	Year	Shortage	Excess
		(Rupees in lakhs)	
Slates	1991-92	1 08	0 67
Crazy	1989-90	1 24	—
Do	1990-91	—	0 68
Marble lumps	1990 91	0 68	—
Marble slabs	1990-91	—	4 04
Black chips No 2	1990-91	0 08	—
Do No 2B	1990-91	0 11	—
Iron ore lumps	1990-91	0 88	—
Lime stone	1991 92	0 54	—
Quartz lumps	1991 92	0 72	—
Silica sand	1991 92	0 09	—
		5 42	5 39

Neither excess had been taken on stock account nor investigation had been conducted to find out the reasons for shortages with a view to fix responsibility

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

'The shortages were investigated which were basically due to accounting system of daily production being maintained on the approximate volumetric measurement as no specific equipment was available for the measurement of the material at the units At the end of each year when the material was physical verified on the basis of volumetric measurement excess/shortages were observed which is due to under/over estimation of daily production report However these items such as slate and marble tiles which are countable and the excess material found is always accounted for in store ledgers

The above process is being followed consistantly in the succeeding years'

The Committee noticed that some shortages/excesses of various products were found at the time of conducting of physical verification of the stores during the years 1989 90 to 1991 92 The Committee shocked to note that neither the excesses had been taken in stock nor the investigation had been conducted to know the reasons for shortages **The Committee recommend that pyhical verification of stores at various centres of the Company be conducted at least twice in a year and responsibility be immediately fixed for the shortage if found at any of the centres**

3 4 3 Incorrect assessment of requirement

31 The Board invited tenders for supply of 7646 poles of 8 metre length in May 1990 The SPC submitted a memorandum for the purchase of poles from 3 Haryana based firms (50%) and balance (50%) from one firm based outside Haryana, to the WTMs in September 1990 for approval The WTMs instead of approving the proposal observed that the quantity would fall short of requirement and asked the SPC to re assess the requirement of these poles The SPC re assessed the quantity of poles at 24109 in September 1990 The WTMs however keeping in view the financial constraints decided (October 1990) that only 12000 poles be procured against the enquiry Under the order preference policy of the Board orders for 50 per cent quantity were placed on Haryana Concrete Products Hansi Espee Spun Pipe Chandigarh and K B Concrete Fabrication Panchkula for 2000 poles each at an equivalent rate of Rs 414 12 per pole and for balance 6000 pole order was placed on North Indian Pre tressed Mohali at an equivalent rate of Rs 426 01 per pole

The Haryana based firms showed their inability to supply the quantity ordered on them The Board accepted their plea and reduced the quantity ordered on them to 1400 poles each in January 1991 The balance 1800 poles were procured (February 1991) from Hindustan Prefab Limited New Delhi at an enhanced rate of Rs 626 47 per pole resulting in an extra expenditure of Rs 3 82 lakhs

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

"The requirement of PCC Poles for the year 1990 91 was in the first instance correctly assessed in view of the target of 10200 tube well connections to be released during the year 1990 91 and accordingly the NIT was floated for 7646 Nos 8 mtr long PCC Poles in 5/90 - Subsequently an additional requirement of 4372 No poles for additional works was approved and another requirement of 10000 Nos poles was also approved by the WTMs in their meeting held on 16 9 90 However, keeping in view the financial constants the WTMs decided in Oct 1990 that only 12000 pole be procured against the enquiry

The Mohali firm did not supply even single Pole against ordered quantity of 6000 poles Whereas the Haryana based firms also showed their inability to supply the ordered quantity of 2000 poles each on them and the board reduced the ordered quantity on them to 1400 poles each in Jan 91 as per detail belw —

Tendered quantity	=	7646 Nos
Normal permissible increase i e 10%	=	764 ,,
	Total	8410 ,,
50% of the above being for order preference	=	4205
Ordered quantity devided in 3 Haryana based firms	=	1400 Nos (approx)

To avoid resentment among the public against the Govt /Board for not fulfilling the promise of releasing the tubewell connections, the target of which was increased to 25000 tubewell connections in Jan 91, the board decided to procure PCC Poles from M/s Hindustan Pre stressed to Concrete Structure Pvt Ltd New Delhi (A Govl Undertaking which was the need of hour) As the Mohali firm had not supplied even a single pole against the ordered quantity of 6000 poles it was not adviseable to place another order of 1800 poles on this firm "

The Committee recommend that the suitable action be initiated against the three Haryana based firms for short supply of poles which compelled the company to purchase 1800 poles from a Delhi based firm at higher rates due to which the Board had to incur an extra expenditure of Rs 3 87 lakhs A report in this respect be sent to the Committee within three month

The Committee also recommend that suitable action be also initiated against the Mohali based firm for not supplying even single pole against the ordered quantity of 6000 poles in accordance with the terms and condition The Committee also be intimated where from 6000 poles were purchased to meet the requirement and at what cost A detailed report be submitted to the Committee within three months

3 4 5 Defective pre order inspection

32 An order for supply of 4000 poles of 8 metre length and 1000 poles of 9 metre length was placed in May 1990 on Shabnam Pipe Mills Private Limited, Hisar at negotiated ex works rates of Rs 377 and Rs 427 per pole, respectively As per terms of purchase order, the rates were firm and the supply was to be completed by September 1990 Since the firm was a new entrant in the field of manufacturing poles, a pre order inspection of its premises was carried out in August 1989 by the Board to ensure the technical and commercial viability of the firm The Board also got stage inspection of the works of the firm conducted in July 1990 The inspecting officer reported (August 1990) that manufacturing of poles had not been started by the firm for want of requisite equipments and that only 92 poles of 8 metre length were cast between 17th July and 6th August 1990

As the firm failed to supply the poles, the Board served (November 1990) a risk purchase notice on the firm The firm intimated (November 1990) that disturbances and agitations caused undue delay in supply of raw material and that it was ready to supply the poles at the same rates and requested the Board to extend the delivery period up to 15th May, 1991

The Board extended (May 1991) the delivery period up to 15th May 1991 but the firm failed to supply the poles even during the extended period The Board issued (July 1991) a final risk purchased notice to the firm and purchased (May 1992 to May 1993) the poles at the risk and cost of the defaulting firm entailing an extra expenditure of Rs 10.14 lakhs The Board could not recover the extra expenditure from the firm as the assets of the firm had already been sold

Thus due to defective pre order inspection the Board had to incur an extra expenditure of Rs 10 14 lakhs

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

> The pre order inspection was based on the facts as were available at the time of inspection i e during Sept 1989 which was duly supported by the documents relied upon by the officer The Inspecting Officer had enclosed with his report the photo copies of papers which shows that the firm was having sufficient property at that time and the firm was commercially sound Further the Inspecting Officer had also contacted the Bank to assess its financial suitability which was in order as per report of the Bank Regarding technically suitability the Inspection Report is correct as the firm made 92 Nos poles after receipt of the order The firm not technically suitable cannot cast even a single pole No responsibility in the matter needs to be fixed for defective pre order inspection as the Inspecting Officer has to depend upon the documents produced before him by the firm to ascertain the financial suitability

The Committee was of the firm view that pre order inspections conducted in August, 1989 and July 1990 were faulty and were not carried out correctly **The Committee recommend that the responsibility be fixed for conducting of defective pre-order inspection in premises of the firm for ensuring technical and commercial viability The action taken against the erring officers/officials be intimated immediately to the Committee**

The Committee further recommend that the strenuous efforts be made to recover extra expenditure of Rs 10 14 lakhs incurred by the Board either from the firm or from its promoters The Committee be informed about the steps taken by the Board to effect the recovery

3 4 6 Order placed on terms at variance with offer

33 (i) Tenders for supply of 200 Km each of 7/2 5 mm and 7/3 15 mm size earthwire were invited (November 1990) and opened in December 1990 The offers of Steque Equipment Private Limited, Panchkula (firm 'A') at Rs 6454 99 per Km and Rs 10058 per Km for 7/2 5 mm and 7/3 15 mm wire, respectively and of Himachal Tubes and Wires Limited, Parwanoo (firm 'B') at Rs 6860 per Km and Rs 10655 per Km for 7/2 5 mm

and 7/3 5 mm wire, respectively, valid upto 20th April 1991, were the first and the second lowest While the offer of firm A' was not considered on the ground that it had failed to supply performance cerficates of past supplies, a telegraphic order was placed in April 1991 with firm 'B' at the rates quoted by firm 'A for supply of 180 Km of 7/2 5 mm wire and 40 Km of 7/3 15 mm wire without taking its consent The firm refu ed (April 1991) to accept the order The firm insisted (May 1991) to supply the material only at its December 1990 rates The validity was extended up to 15th June 1991 The Board kept on insisting (July/August 1991) for supply of material at the rates of firm A', to which the firm 'B did not agree

The Board subsequently procured the earthwire of 7/2 5 mm (100 Km) and 7/3 15 mm (75 Km) sizes from Industrial Cables (India) Limited, Julana against purchase order issued in March 1992 entailing an extra expenditure of Rs 1 99 lakhs

(ii) To meet the requirement of Chief Engineer (P&C) Hisar for the year 1987 88, the Board invited (May 1987) tenders for the supply of 280 Km Wolf' conductor Ten firms quoted their rates, of which offers of Swastik Industrial Corporation Bhiwani (firm A') at Rs 20185 30 per Km with price variation upto 2 per cent for supply of 100 Km conductor and of Jodhpur Cables and Conductors Jodhpur (firm 'B') at Rs 20850 per Km for full quantity were the first and second lowest Equipment Cables and Conductor, Faridabad (firm C') offered the rate of Rs 21454 per Km The offers were valid up to 29th September 1987 On the recommendations of SPC the WTMs of the Board, decided (28th September 1987) to procure 100 Km conductor from firm 'A 90 Km conductor from firm 'C' under order preference policy of the Board, at Rs 20185 30 per Km and the remaining 90 Km conductor from firm B' at the lowest rate of Rs 20185 30 per Km

Telegraphic orders were placed on these firms on 29th September 1987 for supply of conductor at firm rate of Rs 20185 per Km Firm A' did not accept the firm rate but on persuasion agreed (17th December 1987) to supply the material at Rs 20586 per Km with 2 per cent price variation in case the order was placed on it by 1st January 1988 The Board did not amend the order and asked the firm to extend the validity of its offer up to 31st January 1988 The firm did not extend the validity beyond 1st January 1988

Firm 'B' also did not accept (November 1987) the counter offer of the Board as the order was not placed at its offered rates and other terms and conditions The Board placed (January 1988) a telegraphic order on firm B' for supply of 90 Km conductor at its quoted rates followed by a detailed purchase order in April 1988 The firm still did not accept the order as the terms and conditions still differed Firm 'C' too, did not accept the order on similar grounds

Subsequently, the Board against two purchase orders placed in February 1991, procured 245 287 Km Wolf' Conductor for Rs 84 95 lakhs from firm A' (147 132 Km) at Rs 35149 23 per Km and Rishi Electrical (P) Limited, Kangra (98 155 Km) at Rs 33857 21 per Km

Had the Board placed orders within the validity period of offer on firm A and firm B' at their quoted rates of Rs 20586 and Rs 20850 per Km respectively and on firm C at Rs 20850 per Km as per order preference policy the Board would have procured 245 287 Km conductor at a cost of Rs 50 88 lakhs and the extra expenditure of Rs 34 07 lakhs in the procurement of conductor at higher rates would have been avoided

In their written reply Government/Board stated as under —

'Tenders were invited for the procurement of 7/2 5 mm and 7/3 15 mm GSS wire against enquiry No QDH 20A & 20B Three numbers bids namely of M/s Himachal Tubes and Wires Ltd Parwanoo M/s Steque Equipment Pvt Ltd Panchkula and M/s Industrial Cables, Julana were received against this enquiry The offer of M/s Steque Equipment Pvt Ltd was the first lowest, M/s Himachal Tubes also offered that they may also supply the material from their business Associate i e M/s Steque Equipment Pvt Ltd Parwanoo who otherwise also quoted separately against the same enquiry and were first lowest

The first lowest bidder M/s Steque Equipment Pvt Ltd had clarified in the bid that they will supply the earthwire duly ISI mark But this firm had never supplied earthwire to any electricity Board in past, & their past performance was not known However this firm was a business associate of M/s Himachal Tubes & Wire (2nd lowest bidder) who were reputed manufacturer and supplier of ISI mark earthwire The SPC in order to save Board's money decided to give a counter offer to M/s Himachal Tubes & Wire at the rate of M/s Steque Equipment as both the firm were associated concerns This step was taken purely in the best interest of the Board as in most of the cases the bidders accept the counter offer and lacs of rupees are saved every year on this basis

It is correct that the Board had to purchase the Material at a slightly higher rate after floating a fresh tender enquiry but the increase in price was mainly due to increase in rate of surcharge of ED by the Central Govt from 5% to 15% in union budget and due to increase in prices of steel by the Govt of India This increase in ED was payable to even M/s Himachal Tube & Wire also as there was statutory variation clauses in theire tender The decision of SPC to give counter offer to the firm was taken in the best interest of Board and there is no negligencs on the part of any of the officer/official in dealing the above case

The tender enquiry No OD—1327 was finalised and decided within validity period of the offer and the telegraphic purchase orders were also sent to the firms within validity period There was no delay in deciding the tender Enquiry

However, as per standard practice to get the material at the cheapest rates and to ensure that the material is available timely the order was split up in different firms in part quantities In this case the counter offer was given to firm 'B M/s Jodhpur Cables and order was given to firm C M/s Equipment Conductor Faridabad under order preference Clause at the rates offered by first lowest firm A

It is observed that in most of the cases the firms accept counter offers at the lowest rates received against a tender enquiry and the Board has a saving equal to difference in quoted rates and offered rates each time However due to sudden increase in prices of Aluminium and Steel (The basic Raw Material for manufacturing of ACSR Conductor) the firms re fused to accept the counter offers in this case

M/s Swastik Indl Corp Bhiwani (Firm A) vide their letter dated 17 2 87 (Submitted in the office on 21 12 87) had submitted a revised offer @ Rs 20586/ per Km but the firm kept their offer valid for 15 days only from the date on the letter i e upto 31 12 87 only since the revised offer of the firm required consideration and approval of Store Purchase Com mittee then submission of Memorandum for consideration and approval by the WTMs and issue of amendment in the Telegraphic Purchase Order after pre-audit This whole exercise was not possible in a short period of 10 days

The offer of the firm was put up in SPC meeting for consideration on 30 12 87 and it was decided by the SPC that the firm be asked to extend the validity of their revised offer upto 30 1 88 as the memorandum was required to be sent to WTMs for their consideration and decision The firm was accordingly asked by telegram dated 31 12 87 to extend the validity Since M/s Swastik Industrial Corp Bhiwani had demanded higher rates than the original offer of M/s Jodhpur Cables so to safeguard the Board s interest the SPC also held the discussions with the representative of M/s Jodhpur Cables on 30 12 87 to know if they could supply the con ductor at their original quoted rates The representative of the firm agreed to reply after confirmation from their Principals When no reply was received from M/s Jodhpur Cables upto 11 1 88 the SPC again considered the case in the meeting held on 13 1 88 and decided to accept the revised offer of M/s Swastik Indl Corp , Bhiwani The detailed memorandum on the basis of SPC Decision was sent to the Secretary Board on 19 1 88 for consideration and approval of WTMs The case was discussed by the WTMs in the meeting held on 21 1 88 and the decision of the WTMs was conveyed by Secy (Meeting Section) on 26 1 88 The revised telegraphic orders were prepared got pre audited and sent to the firm on 27 1 88 However the firm did not accept the revised offer and informed vide their letter dated 29 1 88 that their revised offer was valid upto 31 12 87 only There was no delay in consideration and approval of the revised offer of the firm at any stage

M/s Jodhpur Cables Jodhpur was the second lowest in order of merit and they were given the counter offer for 90 Kms conductor vide TPO dated 29 9 87 The firm did not give the acceptance of counter offer despite a regd letter sent to them on 29 10-87 and then calling the firms representative for discussions vide telegram dated 4-11 87 A meeting was held with firm's representative by SPC on 10 11-87 and the firm vide their letter dated 17 11 87 intimated that they were ready to accept the PO provided the same is given at their quoted rates The revised offer of the firm was to accept the offer of the firm The recommendations were approved by the WTMs in its meeting held on 21 1 88 and decision was conveyed by the Secy Board to CE/MM on 25 1 88 The revised telegraphic Purchase Order was sent to the firm on 27 1 88 after pre audit but the firm vide their letter 27-1 88 itself refused to accept the offer Since the revised offer was given to the firm on their rates terms and conditions, so the Board decided to carry out the risk purchase at the risk and cost of the firm Accordingly risk purchase was carried out and the case filed in the court at Ambala against the firm under arbitration clause The court has authorised the Chairman of the Board to appoint an arbitrator in the case - Director Energy Audit, HSEB, Panchkula has been appointed as Sole Arbitrator by the Chairman, HSEB and the Arbitration proceedings are likely to start shortly

Conclusively the order was placed to the firm 'B' on their rates terms and conditions and the Board did not impose any such clause which disfavours the Board The firm did not honour their commitment despite their undertaking that they will accept if order was placed at their rates terms and conditions

The purchase proposal was processed and got decided from the WTMs in time The telegraphic purchase orders were placed on all the three firms within the validity of the offers However the firms did not accept the counter offers To settle the dispute discussions were held with the representatives of the firms and immediately on receipt of their revised offers the cases were processed expeditiously and got approved from WTMs The revised telegraphic orders were placed on the firms without any delay

The firms did not accept the orders placed by the Board as the prices of Aluminium and Steel had increased sharply after opening of the bids and the firms backed out of their offers Due to this reason the Earnest money deposits of M/s Equipment Conductors Faridabad and M/S Jodhpur Cables have been forfeited by the Board Risk Purchase has been carried out against M/S Jodhpur Cables

It is denied that the Board has suffered a loss of Rs 34 07 lacs on account of non receipt of conductor against the purchase orders placed against above tender enquiry Immediately when it became clear that the Wolf Conductor against these purchase orders is not likely to be received, another tender enquiry No OD—1368 dated 26 5 88 was floated for the purchase of 420 Kms ACSR Wolf Conductor and tenders were opened on 28 6 88 The average prices received against this tender enquiry were Rs 24000/ per KM against average rate of Rs 20500/ per Km against earlier enquiry The Board was at liberty to purchase full quantity of 420 Kms Wolf Conductor at a rate of Rs 24000/ per Km However, it is mentioned that the tender enquiry No. QD—1327 and after that QD—1368 were floated for the requirement of Wolf Conductor mainly for 66 KV lines to be errected from WYC Hydel Project, Yamunanagar Stage—III &

IV to various, grid S/Stns However, commissioning of the Hydel Project was delayed and it was intimated by Chief Engineer (Design) to the Board that only 100 Kms Wolf Conductor was required now on urgent basis Accordingly, the WTMs approved the placement of 2 Nos Purchase Orders for 50 Kms Wolf Conductor each on M/S Selecha Cables Mehatpur (HP) and M/S Swastik Industrial Corp Bhiwani PO No HD—2822 dated 13 10-88 and PO No HD—2836 dated 10 11 88 were placed on these firms at the average rate of Rs 24000/- per Km The supplies against both the purchase orders were received and this quantity remained sufficient for the works executed during the year 1988 89 1989 90 and 1990 91 The total excess payment made by the Board in this 100 Kms is Rs 3 50 lacs only and out of this Rs 60000/ as EMD of M/S Equipment Conductor and M/S Jodhpur Cables stand forfeited and thus remaining loss works out to be Rs 2 90 lacs The audit has calculated the loss on the basis of the purchase orders placed by the Board for Wolf Conductor in Feb 1991 after 4 years of the earliar POs placed in 1987 and the calculations so made by the Audit are not justified

As earliar stated the decision of giving counter offers to the firms at the lower rate, was taken by the SPC and WTMs in the best interest of the Board to get the material at the cheapest and most economical rates This is a standard practice and the Board is saving several lacs of rupees every year due to this practice as the firms generally accept counter offers In this case the counter offers were not accepted by the firms due to increase in prices of Aluminium and Steel after submission of tenders and the material had to be purchased at a slightly higher rate after calling fresh tender enquiry No OD—1368 It is clear that all out efforts were made by the authorities at that time to persuade the firms to accept the orders and there is no negligence/lapse on part of any of the official/Officer of the Board in this purchaee case

The Committee noticed that the Board placed order on firm 'B' to supply the material at the rate quoted by firm A' in the month of April 1991 without taking the consent of the firm B on the contention that the firm B was associated to firm A which was contrary to the terms of contract and with the result the Board could not insist the firm B to supply the material

The Committee recommend that the responsibility be fixed for not taking the consent of firm 'B' before placing the purchase order The Committee be intimated about the action taken within three months

The Committee is surprised to note that no action against firm was initiated for not supplying the material although the telegraphic order was placed on 29th September 1987 i e within the validity of the offer and **recommend that the responsibility of the erring officers be fixed for such lapse under intimation to the Committee**

The Committee also recommend that arbitration case against the firm 'B' for not supplying of the material be expeditiously finalised and the outcome of the arbitration proceedings and action taken thereon may be reported to the Committee within a period of six months after the presentation of the report The reasons as to why the action taken on firm 'B'

was not initiated on firm 'C' who also did not accept the order on similar grounds be apprised to the Committee

The Committee is dismayed to note that the counter offer were sent to other responding firms by the Board without taking their consent for changed rates and terms and conditions as offered by them which were bad in law being unenforceable

3 4 7 Orders on defaulting firms

34 As per its standing practice the suppliers are required to complete the supply on earlier orders before executing the orders subsequently placed In the event of default the Board does not consider the defaulting firms for subsequent tenders Similarly sister concerns of such defaulting firms are also not considered on the ground that these are also not dependable

It was noticed in audit that due to non compliance with this practice the Board had to incur an extra expenditure of Rs 123 06 lakhs as detailed below

(i) Tenders for supply of 3200 distribution transformers of 63 KVA capacity were invited (November 1990) and opened in January 1991 The quantity was distributed among 13 firms from whom valid offers were received and orders were placed on them in April/May 1991 on the lowest equivalent rate of Rs 25956 28 per transformer to be supplied by 15th September 1991

The above included order for 1000 tranformers placed on P M Electronics New Delhi (firm A) The firm supplied 500 transformers upto June 1991 leaving a balanc of 500 transformers

Meanwhile the Board assessed the supply position and decided (July 1991) to purchase another 800 transformers by placing an order for 300 transformers on Electra India Limited Meerut (firm 'B') at negotiated rate of Rs 30727 44 per transformer by inviting limited tenders for balance 500 transformers In view of the ensuing pady season the Board increased the requirement to 700 transformers It was mentioned in the Notice Inviting Tenders (NIT) that the supplies against the orders already placed with them would be completed before commencement of supplies against the present notice

Orders were placed (August 1991) on 3 firms at variable rate of Rs 31471 per transformer including an order for 200 transformers on firm 'A who had a pending supply of 500 transformers against May 1991 order Firm A supplied the 200 transformers in August-September 1991 at a total cost of Rs 66 71 lakhs

The Board in October 1991 assessed an additional requirement of 1831 transformers The Board decided (November 1991) to place repeat orders for 1800 transformers on the firms including firm A' on whom order was placed in August 1991

The firm supplied 600 transformers during January September 1992 at a total cost of Rs 207 10 lakhs against the order placed in December 1991

Thus instead of persuading firm 'A as per terms of NIT to first supply the balance quantity of 500 transformers against the order placed in May 1991 the Board placed subsequent orders with the same firm at higher rates which resulted in an extra expenditure of Rs 40 48 lakhs on purchase of 500 transformres thereby extending undue favour to the firm

(ii) After inviting tenders purchase order for suppy of 800 distribution transformers of 25 KVA capacity was placed (April 1991) on P M Electronics New Delhi (firm A) at a firm rate of Rs 15074 38 per transformer The supply was to commence in June 1991 and was to be completed by November 1991 at the rate of 150 transformers per month After supplying 100 transformers up to 6th August 1991 the firm demanded (July 1991) price increase due to devaluation of rupee and change in import policy of Government of India The WTMs of the Board decided (November 1991) to consider the firm as a defaulter

In the meanwhile tenders were invited September 1991 for supply of 6000 transformers of 25 KVA capacity As the supply was not forthcoming and to meet additional requirement for tubewell connections orders were placed on 6 firms in December 1991 for supply of 6000 transformers at variable rates ranging between Rs 18766 47 and Rs 20550 80 per transformer This included an order for supply of 2500 transformers at variable rate of Rs 19870 per transformer placed on P M Electronics Private Limited Surajpur (firm 'B) a sister concern of firm 'A who had defaulted in supply against purchase order placed in April 1991 Firm B' supplied the transformers by April 1993 at a total cost of Rs 539 12 lakhs

By not insisting on firm 'A to complete the supply and by placing order on the sister concern of a defaulter firm in disregard of its policy, the Board had to incur an extra expenditure of Rs 45 43 lakhs on purchase of 700 transformers

(iii) The Board decided (July 1991) to purchase 1300 transformers of 100 KVA capacity on negotiated rates ranging between Rs. 36247 50 and Rs 40139 60 per transformer Orders were placed (July 1991) on three firms including an order for 500 transformers on P M Electronics, New Delhi (firm A) at the fixed rate of Rs 36247 50 per transformer, to be supplied by the end of September 1991 But firm A did not supply any transformer

The Board decided (July 1991) to issue a short tender enquiry for another 500 transformers of 100 KVA capacity with the stipulation that the tenderers would complete supplies against earlier orders before commencement of supplies against the subsequent order However while placing the orders (August 1991) for supply of 500 transformers on two firms including an order for 300 transformers on firm A at variable rate of Rs 40621 16 per transformer this stipulation was overlooked The firm supplied the transformers in September/October 1991 at a total cost of Rs 128 81 lakhs

The Board decided (November 1991) to place repeat orders for 600 transformers on the firms including for 300 transformers on firm 'A' on whom order for 500 transformers was placed in August 1991 without insisting on supply of balance quantity of first order of July 1991

The firm completed the supply of 300 transformers in August 1992 at an aggregate cost of Rs 134 37 lakhs against the December 1991 order

Thus the Board incurred an extra expenditure of Rs 37 15 lakhs on supply of 500 transformers thereby extending undue favour to the firm

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

'M/s P M Electronics Noida was placed following orders in 4/91 to 7/91 —

Sr No	P O No & dt	Rating in KVA	Qty ordered	Qty supplied
1	HH 1/3148 16-4-91	25 KVA	800	100
2	HH 1/3157 18 4-91	63 KVA	1000	500
3	HH 1/3182 5 7 91	100 KVA	500	—

According to the provision of the purchase order any Statutory Variation in Excise Duty CST/HST on finished products (not on the cost of the raw material) was to the Board s account Further according to Force Major Clause of Schedule D of the Board may act of Central/State Govt entitles the suppliers to ask for extension in delivery period only and not the price increase The core laminations of the distribution transformers constitutes 40% to 45% cost of the transformer which is a major component and imported item in the distribution transformers The devaluation of Indian Rupees occured in the first week of July twice and there was a change in the Import Policy of the Govt of India which resulted a substantial increase in the cost of the core laminations and the firms represented that this is a act of the Central Govt which is beyond their control and they should be given a corresponding increase in the prices of the transformer The matter was considered by the Board and the same was not allowed as per the provisions of the contract and prices being FIRM and hence stalemate occured with various suppliers and supplies became uncertain during crucial period of the Paddy Season (7/91 to 9/91) when the rate of damage of distribution transformers is maximum and even in the subsequent months of the year if the damaged transformers are not replaced in time not only there is a loss of revenue to the Board/ loss of Agricultural production to the State/Nation but also there is a great hue and cry from the consumers bringing bad name to the Board/State Govt which we could ill afford Chief Minister/Haryana and I P M/Haryana expressed concern over the non availability of distribution transformers for replacement of damaged transformers as indicated on NP 105 of File No QH 1/1931 and therefore it became necessary to arrange the transformers from the potential suppliers at the rates prevalent at that time

In view of the above directions of the Haryana Govt the Board had no option but to arrange the material from whatsoever sourc possible by tapping the potential suppliers on whom the orders had also been placed earlier on the FIRM prices prior to devaluation irrespective of the fact that they had backed out to supply the material on the FIRM prices and by offering/inviting the rates on the Variable basis This was essential to meet with the emergent situation because at that point, every supplier to whom the order was placed was reluctant to supply the material on FIRM prices so it was not possible to ignore M/s P M Electronics Noida If this strategy had not been adopted the Board would have been in soup and there would have been great resentment from the Public Farmers affecting the reputation of the Board in addition to revenue/agricultural production loss Timely and right action taken by the Board saved the situation It may be observed from the above that there was no question of rewarding any firm Rather by taking the supplies from the potential suppliers the Board saved the grave situation which could have arisen due to non replacement of damaged transformers

As regards earlier orders on FIRM prices basis it was decided to deal the cases as per the provisions of the purchase order and simultaneously to persue with the firms to supply the material so that the Board could get maximum supplies at those rates by persuation or even by extending the delivery period as the affecting of risk purchase was a long drawn process and we were not sure of the recoveries This strategy also worked as will be evident from the following position though the transformers were supplied much later than the scheduled delivery period

	Quantity for which the orders were placed on FIRM prices from 4/91 to 7/91	Quantity already received	Balance
100 KVA	3700	2650	1050
63 KVA	3500	2850	650
25 KVA	37 50	2750	1000

It is however added that after giving sufficient opportunities for supplying the material risk purchase action against the firms who did not supply the material was initiated

The Board has taken conscious decision keeping in view the prevailing situation and thereby Board saved the grave situation which could have arisen due to non replacement of damaged transformers There is no lapse on the part of anybody

Against tender enquiry No QH 1/1963 for 6000 Nos 25 KVA transformers the order was issued on M/s P M Electronics (P) Ltd Surajpur which is a Sister Concern of M/s P M Electronics Noida It is further added that the following orders were issued against the above tender enquiry

Sr No	Name of the Firm	Quantity (in Nos)	Equivalent rate (Rs)
1	M/s Divya Shakti Power Devices Gurgaon	200	18766 47
2	M/s Jainson's Equivalent Pvt Ltd Beawar	100	18921 00
3	M/s Pacific Instruments (P) Ltd Ghaziabad	600	20075 00
4	M/s P M Electronics (P) Ltd Surajpur	2500	19870 00
5	M/s Electra (I) Ltd , Meerut	2000	20254 14
6	M/s Indian Aluminium Cables Ltd Gwalior	600	20550 80

It will be observed from the above that had the Board not placed the order on M/s P M Electronics Pvt Ltd Surajpur the Board would have to get supply on the higher rate and Board would have incurred a sizeable loss and as such the action of the Board for placing the order on M/s P M Electronics Pvt Ltd , Surajpur is fully justified

Since M/s P M Electronics Noida was not coming forward for supplying the material and as such risk purchase notices were issued in respect of P Os for 25 KVA & 100 KVA transformers pending against the firm The firm had gone to the Court against offecting of risk purchase and has taken stay from the Court

It may, be observed from the above that the firm was persued constantly for supplying the material and when the firm did not come forward a legal course available with the Board had been adopted and the action will be taken as per the decision of the Court

(ii) In view of the position explained in (para-i) above nobody is responsible

(i) The circumstances under which the Board had to place order in August 1991 on M/S P M Electronics Noida has been explained in reply to the observations on para No 3 4 7 (i) above Similarly orders on the above as firm were placed in 12/91 keeping in view the requirement assessed at that time Further the firm was constantly pursuaded for supply of material against the orders placed in 7/91 and when the firm did not come forward for supply of material despite constant pursuation risk purchase notices were issued However the firm had gone to the court against effecting of risk purchase and has taken stay from the court It is amply clear from the above that when the firm did not come forward a legal course available with the Board was adopted and further action will be taken as per the decision of the Court

In view of the position explained above the action taken by the Board is fully justified and nobody is responsible

It is added that the plea taken by the Audit that the Board has to incur an extra expenditure based on difference worked out for the amount of the orders placed in 4/91 to 7/91 and the amount of the orders placed subsequently is not correct The Board has procured the material on the prevailing market rate for meeting its various commitments Further in case the court allows for affecting the risk purchase the same will be affected against M/S P M Electronics Noida for the material not supplied by the firm and for the recovery of the same legal course will be adopted

It may be observed from the above that no loss has been incurred to the Board and further action will be taken by the court/legal course available with the Board"

The Committee is not satisfied with the reply for all the three points in sub-para and recommend that the matter for placing the orders on defaulting firms be re-investigated by the Financial Commissioner and Secretary to Government, Haryana, Irrigation and Power Department as the Board had incurred an extra expenditure of Rs 123 06 lacs The responsibility of the officer/officials held responsible be fixed for the loss suffered by the Board Report in this respect be sent to the Committee within three months.

3 4 8 Non availing of economical rates

35 Board s Purchase Regulations provide that items available on Director General of Supplies and Disposals (DGS&D) rate contract could

be procured under the said rate contract. These could also be purchased outside the rate contract provided the price was not more than the rate contract price

Garware Wallropes Limited New Delhi offered (February 1991) to supply polypropylene ropes of different sizes at DGS&D rates valid upto 18th January 1992 Action was not taken by the Board for placing the order on the firm.

A tender enquiry was floated and opened on 11th September 1991 for 62 tonnes polypropylene ropes of different sizes Only Garware Wallropes Limited New Delhi offered to supply the material at equivalent rate of Rs 1 07 lakhs per tonne which was higher than the rate contract

Firm s representative who were called for negotiations on 8th November 1991 stated that the rates offered in February 1991 were not availed of by the Board within a reasonable time and that the Board was not a direct demanding officer Accordingly order for supply of 62 tonne polypropylene ropes at Rs 0 98 lakh per tonne plus 4 per cent sales tax was placed on the firm on 27th January 1992 The firm supplied 62 05 tonne ropes at an aggregated cost of Rs 63 22 lakhs in April 1992 entailing an extra expenditure of Rs 16 20 lakhs as compared to DGS&D rates offered by the firm in February 1991

Thus failure on the part of the officials of the Board to avail DGS&D rates offered by the firm in the first instance had resulted in extra expenditure of Rs. 16 20 lakhs

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

'At that time the CE/MM office was not procuring the ropes on contralised basis and the field offices were procuring these items as per their requirements After the reciept of the offer from M/S Garware Wall ropes Ltd during February 1991 all the field offices were requested to intimate their requirement After ascertain in the requirement of 62 MT from field offices for various sizes it was decided by the competent authority to float the NIT The specification of this item was also finalised by the office of CE/D&P Hisar during the month of September 1991 Without finalising the requirement/specifications and calling the NIT it was not possible to place order on this firm on the rates quoted by them

As per purchase regulation of the Board the order on the DGS&D rate offered by the firm can only be placed by the competent authority after satisfying itself about the reasonability and competitiveness of rates which was ascertained by floating the NIT in the press

The Committee is of the view that the decision of the Board not to avail the offer of a New Delhi based firm for the purchase of polypropylene Ropes on the rate contract of Director General of Supplies and Disposal (DGS & D) was not justified The Committee recommend that responsibility in this respect be fixed as the Board had to incur extra expenditure of Rs 16 20 lacs

The Committee further recommend that the aspect of becoming the Direct Demanding Officer of D GS & D be taken up with the concerned State/Central authorities for items listed at the rate contracts of DGS & D without calling for tenders for such items be considered by the Board on priority basis so that the benefit of cheaper rates could be availed by the Board without loss of time in inviting tenders etc

3 5 1 Implementation of Board's decision

36 The Board decided (August 1989) to set up five dedicated stores one each for four transmission construction circles and one for carrier communication circle All construction materials lying in central divisional stores were to be transferred to the nearest dedicated stores Further the Board decided (February 1990) to abolish 44 sub stores attached to the operation divisions The following points were noticed

(a) Even though dedicated stores for transmission construction circles at Hisar Panipat, Yamunanagar and Ballabgarh were set up during the period between May 1990 and November 1990 construction material lying in the various central/divisional stores valued at Rs 742 19 lakhs was not transferred to the nearest dedicated stores (December 1992)

(b) The dedicated store for carrier communication circle at Panipat opened in April 1990 did not function for want of space The Board however deployed staff consisting of one Assistant Executive Engineer one Junior Engineer and one Peon for the store during the period from April 1990 to January 1993 resulting in on infructuous expenditure of Rs 2 53 lakhs on their pay and allowances

(c) In order to implement the decision regarding sub stores, the Controller of Stores asked (16th February 1990) the operation divisions/circles that the material lying at sub stores in their jurisdiction either be drawn for utilisation on works against store requisitions or the same be returned to nearest central/divisional stores before 28th February 1990

It was observed in audit that stores valued at Rs 6 63 lakhs were drawn from 3 sub stores up to December 1990 but material valued at Rs 179 lakhs was still lying at two sub stores (February 1993)

It was further noticed that stores lying at various sub stores were transferred on the basis of book balances instead of ground balance The subsequent reconciliation of store accounts carried out by Controller of Stores (March 1990 to November 1992) disclosed shortages of material to the tune of Rs 6 90 lakhs at eight sub stores These shortages included Rs 0 75 lakh outstanding against five junior engineers who were no longer in service of the Board The Board had not taken any action to investigate the shortages and recover the amount of shortages from the defaulting officials

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

"As an austerity measure it was decided during discussion between CE/MM and CE/Const that the construction material which was either of heavy weight or fragile in nature and its transportation to Dedicated stores could lead to unnecessary transportation charges or breakage etc during transportation be allowed to remain in the Central/Divisional store Further due to shortage of space in dedicated stores CE (D&P)/CE (Const) on the basis of details supplied by COS, allocated the material against specific requirement with the result the value of construction material in Central/Divisional Store has now come down to Rs 202 03 lacs (30-9 96) from Rs 742 19 lacs and is likely to be further reduced considerably in the near future

Staff was employed for securing suitable space in Central Store, Panipat, Divisional Store Karnal near 132 KV Sub Station Panipat and private accommodation, but sufficient space could not be procured Consequently the AEE who was posted during April 1990 was transferred during 3/91 The peon was also relieved from this store during 9/91 During their postings the AE & JE-I kept helping Central Store Panipat for the physical verification of PLCC equipments which was being received in the store As the JE I, remained posted for helping Central Store Panipat for physical verification of PLCC equipment, the expenditure was not infructuous As every thing was done in the best interest of the Board and no one was responsible for the same

As per the accounting principles and practices actual balances were transferred from the substores to the nearest Central/Divisional Stores However the book balances as per value cards maintained in COS do not tally with the physical balance at the time of transfer of material because some of the receipt/issue documents were not accounted for in the books of sub stores or COS resulting into the differences (called as shortages) which required reconciliation of A/Cs However after reconciliation out of Rs 6 90 lacs a sum of Rs 591237/- has since been accounted for adjusted and the present position of balance Rs 98763/- as shortage of material as on 31 10 96 is as under

Sr No	Name of Sub Store	Amount	Remarks
1	2	3	4
1	Shahzadpur	67432 65	Sh Mehnga Singh JE I/C of the sub store Shahzadpur at that time has since expired. This amount has been intimated by COS to be deducted from this pensionary dues to the XEN OP Divn Naraingarh for necessary action

1	2		3	4
2	Kundli		30713 00	This amount has been placed in Misc advances of Sh R S Malik JE Action is being taken to recover the amount by XEN OP' City Divn Sonipat
		/F	98145 65 618 00 98763 65	These pertains to Sub Stores Israna for 6 Nos empty bags, 6 Nos special loose binder and 6 Kg of MS Nuts & Bolts

(iv) As stated in reply to question No (iii) above necessary action is being taken to recover the outstanding amount (instead of Rs 75000/ referred to in the para) from the pensionary dues of the concerned JE

The Committee recommend that action be taken against the officer under whose orders the staff was posted at the dedicated store for carrier communication circle at Panipat without any work for them The Committee be intimated about the action taken in the matter within three months

The Committee also recommend that the action be initiated against the concerned officer/officials by whom the stores were transferred on the basis of book balance instead of physical balance and responsibility be fixed for the loss of Rs 6 90 lacs suffered by the Board due to shortage of stores

The Committee further recommend that the store transactions should be reconciled at the year end and non reconciliation would be viewed seriously in future and efforts made for timely recovery for store shortage from the concerned officers during their service time be intimated to the Committee

3 5.3 Non moving stores

37 Although the Board had been assessing at the end of each year, the value of non moving store items held at various stores of the Board, yet no followup action for their use/disposal was taken The agewise break up of dead store items held at the end of June 1992 was as under

	Particulars	Number of items	Value (Rupees in lakhs)
1	More than 10 years old	574	57 53
2	More than 3 years old but less than 10 years old	870	276 59
3	More than 2 years old but less than 3 years old	450	160 63
4	More than 1 year old but less than 2 years old	516	267 60
	Total	2410	762 35

Out of 2410 items, 46 items valued at Rs 3 50 lakhs were declared surplus/obsolete in October 1991 and were awaiting disposal (February 1993) Action for identification of surplus/obsolete of the remaining 2364 items valued at Rs 758 85 lakhs had not been taken (March 1993)

A test check of non moving items held at the end of December 1992 revealed locking up of heavy amounts in stores material pertaining to both construction as well as operation and maintenance works A few instances of such cases are tabulated below

Name of store	Name of material	Quantity	Value	Year of receipt	Present position
			(Rupees in lakhs)		
Rewari/Charkhi Dadri	5 MVA power transformers	6	32 25	April 1986	These transformers were lying unused
Panipat	220 KVS F breeker	1 set	6 35	April 1987	This breaker set was lying unused
Ballabgarh/ Panipat/Jind/ Hisar	HTP equipment	116	3 61	August 1989 to October 1991	Out of 260 each of HTP equipments and magneto telephone sets purchased between August 1989 to October 1991 116 and 157 numbers are lying unused
	Magneto telephone sets	157	1 08		
Panipat/ Rohtak/ Hisar	LT OCB panels of 1600 amps	9	2 86	August 1986 March 1987	9 OCB panels were lying unused
Karnal	Reflux valves	500	0 63	August 1985	Were lying unused and not found suitable due to low efficiency

The Board did not take any decision either for their use or disposal (March 1993)

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

> The action for disposal of non moving stores could not be taken as the detailed analysis of these items reveals that it mainly consists of construction material and spares/accessories which are not surplus/obsolete but required to be kept for emergent maintenance of equipments in the Board In fact these are required to be kept for emergent need
>
> The present position of 2410 Nos items value Rs 762 35 lacs (as on 30 6 92) given in the para is as under

	Nos of items	Value (in lacs)
(1) More than 3 years old	1113	130 66
(2) More than 2yrs old but less than 3yrs old	227	89 90
(3) More than one yr old but less than 2yrs old	215	68 98
Total	1555	289 54

The necessary action for disposal of 46 items valuing Rs 3 5 lacs is however being taken by the Director, Disposal, HSEB Panchkula

The position is mentioned against each —

The material was procured for JLN Canal against deposit works hence cannot be disposed off The material p rtain to Irrigation Deptt and shall be utilised upon their specific requisition when the JLN canal is completed

Issued in 9/93 for use on works by Dedicated store Panipat 6 Nos telephone switching equipment N 5x100 valuing Rs 4 65 422/ has been issued to works during 7/92, 5/94 7/94 & 8/95 and there is nil balance as on 31 5 96

As regards magneto telephone sets 97 sets valuing Rs 67 359 are lying in stock as on 31 5 96 These sets will be used for repair and replacement of old sets in future and cannot be considered for disposal

At present only 8 Nos OCB panels valuing Rs 2,46 744/ are lying in the stores The material has been kept as stock reserved for utilisation in emergency against replacement of existing panels as this material is difficult to buy open market because it is an old equipment and the new one may not be compatible with the existing one

The said material was purchased on the recommendation of REC for use in pumps on trial basis but it was found that these reflex valves were not suitable on the existing system and thus can not be utilised for rectification of any pump in the State of Haryana The matter was taken up with REC and other 8 Elecy Board for use of material in their area but none of the State Electy Board came forward to make use of the same '

The Committee noticed that some of the items of the stores were lying idle for the period more than ten years and these had never been utilized and was of the view that why the store were purchased if these could not be used

The Committee recommend that action be taken to dispose off the declared surplus/obsolete items immediately

The Committee further recommend that the stores of the Board through out the State be verified to identify the unserviceable, surplus and obsolete items and immediate action be taken for their disposal under intimation to the Committee

3 5 4 Physical verification of stores

38 Discrepancies pointed out by the stock verifiers are required to be settled immediately after the issue of physical verification report Shortages to the extent of Rs 3 19 lakhs pertaining to the period from 1987 88 to 1990 91 had not yet been investigated (March 1993)

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

' The total shortages of material were to the extent of Rs 3 61 lacs as on 31 3 91 as against 3 19 lacs referred to in the para Out of this adjustment of Rs 103511 has since been made The position of remaining shortages is as under —

Particulars	Nos		Amount
Theft cases	2		43112/
Theft cases	2		152855/-
Others	35		61750/
		Rs	257717/

As seen from above the outstanding amount Rs 257717/ against the total amount of Rs 361228/ and the major portion of the balance amount pertains to theft cases as well as court cases in respect of which the action can be taken after the final decision by the court In respect of remaining items the matter stands taken up and likely to be finalised very shortly

The Committee recommend that physical verification of each and every store of the Board be got conducted at least twice in a year and immediate action be taken by the Board to settle the discrepencies pointed out at the time of store verification in the future

The Committee further recommend that action be taken for recovery of shortages amounting to Rs. 2 58 lakhs under intimation to the Committee

3 5 5 Delay in inspection of stores

39 The stores accounting procedure envisages that the stores received should be inspected and taken on books by the store officials within 5 days of receipt and in case of any delay in inspection the reasons should be briefly explained in the remarks column of Stock Measurement Book

During test check of records of two central stores at Panipat and Hisar and one dedicated store at Hisar, it was noticed that in respect of stores received during the period from 1988 89 to 1992 93 against 90/100 per cent advance payments, in 4 cases stores valued at Rs 89 35 lakhs were accounted for after delays ranging from 49 to 90 days without assigning any reason and in 26 cases stores valued at Rs 122 24 lakhs were accounted for after delays ranging from 21 to 239 days This was attributed to delay in receipt of copies of inspection reports, despatch authorisations and purchase orders, etc , by the consignee stores

The Board had not investigated the reasons for inordinate delays in accounting for the material in the books of the stores

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

"The matter has been looked into and it has been ascertained that delay in taking the material on books is due to the following reasons —

1 Non receipt of despatch authorisation with the result it can not be ascertained whether the firm has been authorised to send the material or not

2 Non receipt of inspection report to ensure that the material is as per the specification of the P O

3 Non receipt of accessories or spares of main equipment without which the material can not be taken on books

4 Receipt of material beyond the stipulated date not accompanied by the extension in delivery period from the competent authority

Non receipt of invoice alongwith material from supplier to verify the material as per the invoice

Regarding remedial steps it is stated that all out efforts are being made to take the material on books as early as possible but for certain constraints explained above '

The Committee recommend that inordinate delay taking place in accounting for material in the books of Stores at Central/dedicated stores at Panipat and Hisar be got investigated and responsibility be fixed for the delay caused in the matter under intimation to the Committee

The Committee also recommend that a communication for strict compliance of instructions for proper accounting for the stores as per prescribed procedure of the Board be circulated to all the officials posted in the stores of the Board

3 5 7 Damage to material in store

40 In April/May 1988, 14 panels (11KV) valued at Rs 11 95 lakhs were received at Central Store, Hisar Out of 14 panels, 7 panels were issued to works, of which one panel was found in damaged condition for which

another panel was issued from the stores The Controller of Stores found (December 1992) that six panels lying in store were also in damaged condition and held one head store keeper and a junior engineer responsible for the demage to the 7 panels valued at Rs 5 98 lakhs Further action in the matter was awaited (March 1993)

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

'Regarding fixing of responsibility the Board has issued show cause notice to Sh M L Batra the then XEN/Central Store Hisar and Sh H C Khera, HSK for 6 Nos damaged panels and to Sh C B Gupta the then AEE/Grid Const Narwana regarding balance 1 No damaged panal and final decision for recovery of Rs 5 98 lakhs is under process as follows —

2,44,665 74	Based on the reply of SCN of Sh M L Batra, XEN, Secaetary/Services III HSEB Panchkula has b en requested to decide to effect recovery of Rs 244665 74 being 50% cost of 6 Nos panals
2,44,665 74	Orders dt 15 3-96 has been issued by CE/MM to effect recovery of this amount from Sh H C Khera HSK. The recovery is under process
81,555 25	This is being recovered from Sh C B Gupta AEE, on a/c of cost of spares/repair charges of one number panel

The Committee recommend that expeditious action be taken against the officers/officials found responsible for damage to the seven panels valuing Rs 5 98 lacs The action taken be intimated to the Committee

3 5 8 Theft of material

41 (a) Despite deployment of security staff there were 4 cases of theft of material from stores valued at Rs 1 38 lakhs during the period from 1988 89 to 1991-92 Store wise position of theft cases and the position of action taken against defaulting officials is tabulated below

Year	Name of store	Value of materials	Action taken
		(Rupees in lakhs)	
1988 89	Sonepat	0 27	Security staff was held responsible for loss and one increment of the official was stopped with cumulative effect. Action has not been taken for recovery of the loss

1989 90	Rohtak	0 17	Security staff was held responsible for the loss action was not taken to recover the amount
1990 91	Fatehabad	0 52	First information report had been lodged with the police for Rs 0 01 lakh final action for getting the FIR amended and for making depart mental enquiry was awaited
1991 92	Rohtak	0 42	First information report had been lodged with the police who found that it was not a case of theft Departmental in vestigation had not been made
		Total 1 38	

Final action on departmental enquiries was awaited (March 1993)

(b) Out of 76 311 tonne tower material despatched through private carriers by tower fabrication division, Nangal to Central Store, Panipat against various stores challans during the period from March to June 1978 21 094 tonne tower material valued at Rs 1 05 lakhs was found short

Though a period of 15 years had already elapsed no action had been taken to fix responsibility for misappropriation/shortage of the material and to recover the cost thereof

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

The latest position of each case is as under please

Director/V&S has intimated that it is not adviseable to recover the amount from the security guard Hence the matter regarding recovery of amount from the official is under consideration

Director/V&S has intimated that the show cause notice has been issued and hence the matter regarding recovery of amount from the official is under consideration

Sh Om Parkash Security guard was held responsible for this loss due to dereliction of duties Accordingly a show cause notice was issued to the official and his services have been Censured' Efforts are also being made to get the amount shown in the FIR amended from Rs. 1000/- to Rs 52169/-

Shri B S Yadav HSK has been charge sheeted in this case and Deptt1 enquiry is going on against the official

On the basis of findings of preliminary investigations Sh K C Gambhir XEN was charge sheeted for shortage of 21 094 MT of tower material while he remained posted as XEN TFD Nangal When Sh Gambhir failed to make point wise reply to the charges the competent authority ordered a departmental enquiry on 22 4 95 The enquiry officer on the basis of record placed before him pointed out that the matter requires further examination by a Committee comprising of XEN TFD Nangal XEN Central Store Panipat and Controller of Stores HSEB, Hisar The matter was investigated by the Committee and found all the material utilised on HSEB works except of Rs 14398/- out of total of Rs 1 051 lacs Sh K C Gambhir XEN and Sh Y C Gupta JE were held equally responsible for the shortage of material worth Rs 14,398 The recovery from Sh K C Gambhir is being ascertained from CAO/(Pension)

Recovery in respect of Sh Y C Gupta JE has been started in COS Office, as given below —

From/Pay 1996	Rs 197/-
From June to Oct 1996	Rs 1000/-
	@ Rs 200/-per month

The balance amount is being recovered from Sh Y C Gupta JE"

The Committee was shocked to note that the Board ordered departmental inquiry for short material despatched valuing Rs 1 05 lakhs after a period of more than 16 years **The Committee, therefore wants to know the reasons for not initiating the inquiry in time and recommend that such delays should not occur in future The Committee also want to know the latest position of recoveries effected in this case**

3 5 9 Shortages

42 There is no system for proper monitoring and effective control to ensure the recovery of shortages of material noticed by the divisional offices during checking of works accounts of concerned officials. During test-check of 16 out of 62 operation/constructions divisions it was noticed that at the end of November 1992, shortages of material amounting to Rs 14 49 lakhs were outstanding as per details given below

Period	Number of officials involved	Amount involved (Rupees in lakhs)
More than 10 years old	95	3 52
More than 3 years old but less than 10 years old	56	7 83
More than one year old but less than 3 years old	47	3 14
	198	14 49

It was observed in audit that only in two cases recoveries were being effected from the salaries of officials In 130 cases involving Rs 5 90 lakhs, action was not initiated in 64 cases involving Rs 3 79 lakhs, explanations were called for by the Board authorities but no reply was received from the officials, in two cases involving Rs 1 54 lakhs the officials were no more in service and their whereabouts were not known

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

' Latest position of recovery is as under —

	Amount recovered		Balance	
	No of officials	Amount (Rs in lacs)	No of officials	Amount (Rs in lacs)
1) Zone I Panchkula	—	0 11	21	2 69
2) Zone-II Delhi				
3) Zone III Hisar				
4) CE/Const Hisar				
5) CE/Const Panchkula	7	1 29	7	2 01"

The Committee was surprised to note that the Board has not recovered the shortages from the defaulting officials even after the lapse of more than 10 years in certain cases and therefore, recommend that recovery be made now without loss of further time after investigations under intimation to the Committee

3 5 11 Material at site account

43 (a) Material at site account is required to be checked within two months of the completion of the work A test check of records of 4 divisions however, revealed that an amount of Rs 5 90 lakhs on account of shortages in respect of five works executed during the period between March 1978 and March 1990 was outstanding against 4 officials who had since expired but the material-at-site accounts in these cases were checked after delay of 22 to 168 months as detailed below

	Name of division	Name of junior engineer	Month of completion of work	Month when checked	Amount of shortage (Rupees in lakhs)	Month of death	Delay (Number of months)
1	Grid construction division, Karnal	S C Anand	March 1978	December 1992	0 16	July 1992	168
2	Operation division, Charkhi Dadri	H C Kumar	March 1982	March 1985	0 71	August 1983	36
3	Sub urban division, Panipat	O P Grover	March 1989	February 1992	0 25	December 1989	35
4	Operation division, Gohana	D C Arora	March 1989	December 1991	2 97	June 1990	33
			March 1990	January 1992	1 81	June 1990	22
					5 90		

(b) The table below indicates the number of works completed and amount involved pending checking

		Works completed upto March 1991		Works completed between April 1991 and March 1992	
		Number of works	Amount (Rupees in lakhs)	Number of works	Amount (Rupees in lakhs)
1	Chief Engineer (Operation) Hisar	28	53 11	109	354 67
2	Chief Engineer (Operation), Delhi	50	191 11	75	168 54
3	Chief Engineer (Construction), Hisar	103	515 59	35	492 94
4	Chief Engineer (Construction), Panchkula	25	143 70	29	758 67
		206	903 51	248	1774 82

The above includes material worth Rs 5 50 lakhs drawn during the period from 1985 86 to 1986 87 by a Junior Engineer who was absconding for which FIR was lodged (September 1991) with the police Further developments were awaited (March 1993)

These accounts had not yet been got checked by the Board (March 1993)

The above matters were reported to the Board and Government in June 1993, their replies had not been received (September 1993)

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

The detailed position is as under —

1 Sh S C Anand

It is stated that the accounts of the official were checked prior to 10/85 as observed from the facts that a sum of Rs 9311 79 were placed in the Misc advance of the deceased during 6/72 to 3/78 including sum of Rs 592 60 in 3/86 & 1448 96 in 9/87 which was pointed out in para 4 of RAO Inspection Report of Grid Divn Karnal during 1979 80 The balance amount of Rs 6678-58 was on account of mis appropriation/pilferage of store which was pointed out by the internal audit later on

Thus it is clear that the amount were placed in Misc advances as and when came to notice and no official can be held responsible for delay in checking of MAS account

Regarding recovery it is stated that the same will be effected from the arrears on account of pay etc. of the deceased

2 Sh H C Kumar

The account was to be checked by Sh S R Kapoor the then SDO OP S/Divn Kanina & he was responsible for the same Sh Kapoor has since been retired from the Board's services and therefore no action can be taken against him at this belated stage

Regarding recovery of the amount from the deceased it is stated that the Board has accorded its approval to write of the same vide Addl Secy HSEB Panchkula O/O No 59/NGE/P-1883 dated 29 4 92

3 Sh O P Grover

The deceased submitted MAS account late as he remained ill & expired in 12/89 The account was checked in 7/90 & shortages of Rs 4416/ were noticed whereas shortages worth Rs 25490 78 were pointed out by the COS Hisar during 1992 which were due to shortage of material against him in the Sub store Israna & not being a MAS account Thus there was no delay in checking the MAS account

Regarding recovery it is stated that his service book damaged in Kurukshetra Circle in 1989, Duplicate service book is being reconstructed & recovery of shortages will be made good from the arrears of pay etc due to him

4 Sh D C Arora

Sh S K Chawla the then Xen S/C Gohana has been held responsible for non submission of MAS account by the JE and shortage worth Rs 2 97 lacs & he has been served charge sheet by the Secretary HSEB vide memo No Ch 38/Conf 2851 dated 14 9 95 The MAS account having shortages for Rs 1 81 lacs relates to Bhiwani Divn & Dadri Divn & position is being ascertained from the Chief Engineer 'OP Zone III, Hisar

Material at site account in respect of all the completed works upto March 1992 have been checked except the following cases —

		No of works	Amount (Rs in lacs)
1	CE/Const Panchkula	7	65 88
2	CE/Const Hisar	28	102 01
3	CE/'OP' Zone-I Panchkula	4	17 75
4	CE/ OP' Zone II Delhi	38	153 11
5	CE/Zone III Hisar		

Information is being ascertained & will be intimated later on Efforts are being made to obtain/check up the pending MAS account

Regarding material worth Rs 5 50 lac drawn during the period from 1981 to 1987 by a CE it is stated that position is also being ascertained from the Chief Engineer OP' Zone-III, Hisar and will be intimated later on "

The Committee was surprised to note that the Board has not been checking its Material at site accounts immediately after completion of the works which has resulted into an unrecoverable amount of Rs 5 90 lakhs from the deceased officials only

The Committee, therefore, recommend that the M A S Accounts should be completed and checked in all respects within two months of the completion of works as prescribed

HARYANA STATE ELECTRICITY BOARD

4 5 1 Locking up of funds in winch machines

44 The Chief Engineer (O & M), Panipat Thermal Power Project (PTPP) placed an order (May 1980) on a firm of Delhi for supply of 12 electrically operated winch machines (4 each of 3, 5 and 30 tonnes capacity) at an aggregate cost of Rs 9 44 lakhs for departmental execution of maintenance work

The winch machines were received during the period from January 1981 to January 1983 Of these 6 winch machines (2 of 3 tonne capacity and 4 of 5 tonne capacity) were issued to various divisions of the Board during the period between November 1981 and June 1989 The balance 6 winch machines (4 of 30 tonne and 2 of 3 tonne capacity) valued at Rs 7 03 lakhs were not issued as the maintenance work were got carried out on contract basis

Thus the decision to purchase the winch machines without proper assessment of requirements had resulted in locking up of funds to the extent of Rs 7 03 lakhs besides consequential loss of interest of Rs 14 27 lakhs up to March 1993

The matter was reported to the Board and the Government in May 1993, their replies had not been received (September 1993)

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

"It will be appreciated that when a new Plant is put into operation, requirement of T & P is assessed on the basis of probable requirement Accordingly for the running and Mtc of the Units, requirement of T & P was assesed by various divisions of O & M wing on probable basis The winch machines were one of the item out of 143 items identified for purchase as T & P by boiler Mtc Divin in April, 1979

It was decided by the TSC during its 53rd meeting held at Panchkula on 8 2 95 under item No 13, that 4 No winch machines of 30 tonne may be disposed off It was further decided that the case for disposal of 2 No winch machines of 3 tonne capacity each will be considered later on The case for disposal of 3 No winch machines of 30 tonne capacity has been sent to Director Disposal Panchkula for further action at his end vide XEN/ Stores (O&M) letter No Ch—29 /5M—156 Vol II dated 13-3 95

As explained above that when a new plant is put up into operation the requirement of T & P is assessed on probable basis and accordingly requirement of winch machines was also assessed and ultimately procured Under these circumstances none of the officer/official can be held responsible for this so called excessive purchase

Xen Stores (O&M) PTPS Panipat has informed that the list regarding review of obsolete/surplus items in O&M stores was circulated to various offices at PTPS, C E Const Panipat Thermal CE Thermal Faridabad C E Hydel Yamuna Nagar vide his office memo No 6855/SM—15 dated 28 8 89 Efforts have been made to transfer these winch machines to other offices of the Board and even to Roper Thermal Power Station but none of the offices has come forward with its requirement Letter No Ch—18/POM—3350 dated 18 11 93 to the address of different Chief Engineers of HSEB was issued to send their demand for winch machines, but no requirement was received by the due date

The case was finally put up for disposal of these winch machines in April, 1994 which was considered by the TSC in its 53rd meeting held on 8-2 95 and approved the disposal of 4 No winch machines of 30 tonnes capacity '

The Committee noticed during the oral examination of the representatives of the Board that the Board had miserably failed to assess the correct requirement of Winch Machines purcha ed in the year 1981 by the Chief Engineer/O&M Panipat Thermal Power Project as 6 machines out of 12 (4 of 30 tonnes and 2 of 3 tonnes) valued at Rs, 7 03 lacs were never utilised

The Committee therefore recommend that the action be taken against the delinquent officer/officials under whose order the aforesaid machines were purchased as the officer had miserably failed to assess the requirement of Winch Machines and recovery of the loss occured be affected from the officer/officials held responsible for this negligence

The Committee also recommend that the Winch Machines lying idle be disposed of without further delay under intimation to the Committee

4 5 4 Avoidable expenditure on repair of transformers

45 A 10 MVA/66/11 KV power transformer commissioned (August 1987) at 66 KV Substation, Dhauj was damaged in November 1988 The Power Transformer Failure Investigation Committee (PTFIC) consisting of Superintending Engineer and two Executive Engineers observed (December 1988) that the damage was caused due to number of trippings/break downs on outgoing feeders emanating from the substation which were exceptionally large and were in close proximity of faults The Committee held (December, 1988), the operation staff responsible for demage to the transformer on account of their failure to maintain the feeders The transformer was got repaired (June 1991), at Power Transformer Repair Workshop (PTRW), Ballabgarh at a cost of Rs 2 99 lakhs

Another power transformer of the same capacity installed in January, 1989 at the substation also got damaged in February, 1990 The PTFIC reported (March, 1990) that the damage was caused due to the same reasons as in the case of first transformer and held the operation staff responsible for the damage The Board stopped two increments of a Junior Engineer withour future effect in April 1991 for damage of the second transformer The transformer was got repaired (July 1992) at PTRW, Ballabgarh at a cost of Rs 6 48 lakhs

Thus due to failure of the Board in maintaining its outgoing feeders, even after its first experience had resulted in subsequent damage to the transformer and consequential expenditure of Rs 6 48 lakhs on its repairs

The matter was reported to the Board and Government in May, 1993, their replies had not been received (September 1993)

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

'The lines are maintained to the best of sources available However continuous fiddling by the public imbalanced load over loading of system unauthorised load shortage of funds to replace the conductor etc are some of the constraints in keeping the lines O K

The first T/F S No 342/1 of 10 MVA/66/11 KV capacity damaged on 10 11 88 was a repaired one It got damaged due to natural factors beyond the control of unforeseen and unavoidable close quarter faults old & week coils etc Despite many adverse and odd points the T/F served for about 15 months which is a good spell for repaired transformer of such a condition In case of this transformer as per report of the Power Transformer Failure Investigation Committee the 66 KV controlling MOCB tripp d 28 times Out of these 26 trippings took place simultaneously with tripping of one of the other 11 KV out going feeders The trans formers of this capacity are supposed to feed 6 to 7 outgoing feeders, each normally having 15 20 tripping P M , on an average & thus about 150 trippings P M can be normally expected without undue danger to the health of transformer In the in stant case only 2 feeders were there i e the transformer was loaded less than 50% of its capacity and total number of trippings on these two feeders put together did not in any way exceed the normal number of trippings on the sub station Earlier this trans former was installed at 66 KV S/Stn Pataudi & was removed from there on its damage After repair, it was installed at Dhauj on 6 8-87 Only one coil out of 6 Nos was actually replaced All other coils were old and worn out due to vagaries of service in its earlier life span The transformer went under two major faults one due to short circuit in incoming OCB by lizard and the other due to damage of station transformer The 11 KV wind ings were found displaced and bulged out with packing pieces coming out of their places Besides the tripping of 11 KV I/C and 66 KV breakers on outgoing feeders faults indicated protec- tion co ordination problem in the transformer which was beyond the control of staff In view of above, the failure of transformer was due to reasons beyond the control of staff and as such none is considered responsible

The other power T/F of 10 MVA 66/11KVA capacity S No 1324/3 was installed on 10 1 89 This was also a repaired transformer It remained in service for about 13 months till 18 2 90 The cause of damage of this transformer was that a faulty feeder was again and again connected by the line staff to the system without clearing the fault Responsibility of the concerned J E (Sh S M Sharma J E (F) was fixed and he was punished by stopp ing his two increments without future effect

The Committee expressed its displeasure to the representatives of the Board during the oral examination for not taking any action against the operational staff held responsible by the Power Transformer Failure Investigation Committee (PTFIC) for damage of first transformer at Sub station, Dhauj Morover, the Committee was shocked to know that no steps were taken by the Board in respect of proper maintenance of Feeders on the same sub station after knowing well the reasons for the damage of first transformer which resulted into the damage of second transformer at the same sub-station due to which the Board had to incur avoidable exp nditure of Rs 6 40 lacs on the repair of second transformer The representatives of the Board assured the Committee to take action against all erring officers/officials

The Committee recommend that immediate action be taken against the erring officers/officials who are responsible for the damage of first and second transformer at the same sub station causing loss of Rs 2 99 lacs and Rs 6 48 lacs respectively to the Board The action taken be intimated to the Committee

4 5 5 Avoidable payment of compensation

46 Section 94 of the Motor Vehicles Act, 1939 requires all vehicles to be insured against third party risk unless exmption under sub section (3) of the Act, has been granted by Government

A new pick up van was allotted to Operation Sub division Ferozepur Jhirka on 8th August 1990 The vehicle was used by the Sub-division with out getting it registered and obtaining insurance cover against third party risk On 16th August, 1990, the vehicle met with an accident with a motor cycle resulting in the death of the motor cyclist and causing serious injury to the pillion rider

The Motor Accidents Claim Tribunal held (December 1991) that the accident was caused due to rash and negligent driving by the driver of the pick up van and awarded to the claimants compensation aggregating Rs 2 91 lakhs (heirs of deceased Rs 2 16 lakhs pillion rider Rs 0 75 lakh) besides cost of petitions and interest at the rate of 12 per cent from the date of institution of petitions till the actual payment An amount of Rs 2 91 lakhs was paid to the claiments in May 1992 Besides the amount of interest and cost of petitions which worked out to Rs 0 54 lakh was also paid in May, 1993

Thus, owing to non adherence of the mandatory provisions of the Motor Vehicles Act by its officials, the Board had to make an avoidable payment of compensation of Rs 3 45 lakhs

The matter was reported to the Board and Government in April 1993, their replies had not been received (September 1993)

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

(i) 'Although it is mandatory provision of the Motor Vehicles Act that no vehicle should be driven without an insurance cover yet the Additional Secretary HSEB, Panchkula issued necessary instructions to all the Chief Engineers/SEs/Xens/SDOs vide circular memo dated 24 2 89 9 8 89 12 4 91, 9 7 91 14 1 92 etc etc , in this regard to get all the vehicles properly insured and/or insurance renewed well in time But in the instance case there was violation of the mandatory provisions of the Motor Vehicles Act as well as Board's instructions issued from time to time by the concerned SDOs/Driver

(ii) Sh S V Yadav, the than SDO OP Nuh S D Rahlan the then SDO Ferozepur Jhirka and Sh Ramphool, Driver have been held responsible for violating the Board s instructions in this case The latest position of disciplinary action against them is as under

1 Sh S V Yadav, the then SDO OP, Nuh

The officer was charge sheeted by the Secretary HSEB Panchkula vide No Ch 12/Conf 3187 dated 7 9 95 He has submitted reply to the charge sheet and the same has been processed for comments by the Secretary HSEB

2 Sh S D Rahlan the then SDO Firozepur Jhirka

He was issued a Show Cause Notice He has now been charge sheeted by the competent authority viz Secretary Board, under rule 7 of Punishment and Appeal Rules on 13 8 96

3 Sh Ramphool, Driver

The official was charge sheeted by the SE OP Circle Gurgaon vide his memo No 4126 dated 25 5 96 and he has also submitted reply thereof

The above cases are being processed for an early decision "

The Committee noticed that the case was finalised by the Motor Accident Claim Tribunal in December 1991 awarding the compensation to the claimants The Committee also noticed that the case has unnecessarily been delayed as the action has not been finalised against the erring officers/officials so far who have already been held responsible by the Board

The Committee therefore recommend that the cases against the erring officers/officials pending with the Board be finalised within four months under intimation to the Committee The Committee also recommend that a circular may again be issued to subordinate offices to get their vehicles insured so that payment of such type of compensation to the third party could be avoided in future.

4 5 7 Extra expenditure on procurement of spares

47 The Chief Engineer (Construction), Panipat Thermal Power Project, invited offer (January 1990) for supply of spare parts from Bharat Heavy Electricals Limited (BHEL), New Delhi for Unit 5 of the project BHEL offered (July, 1990) rates of four items of spare parts (Rs 6 20 lakhs) which were valid up to 2nd October, 1990 As per terms of payment offered

by the BHEL 10 per cent advance was to be paid alongwith firm purchase order BHEL authorities were requested (November 1990) to extend the validity period of their offer upto 31st December, 1990 In January 1991 while extending the validity up to 31st March 1991 BHEL intimated revised rates of spare parts which were effective from 15th December, 1990 Letter of intent for the purchase of spares was issued in March 1991 (Rs 15 84 lakhs) followed by a detailed purchase order in July 1991 The 10 per-cent advance was paid in September, 1991

Owing to non placement of firm purchase order on BHEL within the validity period of offer the Board had to incur an extra expenditure of Rs 9 64 lakhs

In reply to an audit query the Chief Engineer (Construction) stated (February 1992) that single file system is in practice in the project and the file has to be routed from AE level to CE and FA & CAO which is long and time consuming process The reply is not tenable as the offer was to be finalised within the validity period to avoid extra expenditure

The matter was reported to the Board and Government in May 1993, their replies had not been received (Septmber 1993)

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

'It is submitted that the spares being procured were mendatory in nature which are required to be kept in stock to meet with any eventuality These were not critical spares required for any particular emergency at that time M/s BHEL sub mitted four different offers in view of their different works involved for the spares against Tender Enquiry from Panipat Thermal Project All these offers, were clubbed together and during the course of process of these offers it was felt by the Project authorities to get the validity extended upto 30 12 90 and accordingly a request was made to BHEL

M/s BHEL while submitting their different offers had stipulated that 10% advance will have to be paid alongwith the issue of Purchase Order The Project Authorities after considering the Purchase proposal placed a letter of Intent for Rs 33 29 lacs for 17 items on 21-12 90 i e well within the validity period But 10% advance could not be given due to paucity of funds

M/s BHEL vide their Telex Message dated 4 1 91 intimated the Project Authorities their inability to accept the L O I as their foreign suppliers had increased the rates of four items as included in the L O I M/s BHEL submitted their revised rates for imported items with a validity upto 31 3 91 and insisted for issuance of fresh order The Project Authorities pursued the matter with M/s BHEL for accepting the L O I dated 21 12 90 but they explained that since all these items are of imported origin they cannot accept the L O I as their foreign suppliers have not agreed to the extension of validity of the offer Project Authorities while considering the purchase proposal again took note of the situation and decided to drop the purchase of the foowing items which were not considered as absolutely necessary —

(1) The purchase of RC Feeder Variator (included in the fouritems whose rates were increased by BHEL)

(2) The Purchase of Cartridge Assembly complete for HFO Pump (not included in the four items)

As per the decision taken by the Project SPC fresh Letter of Intent for Rs 2952190 for 15 items was issued on BHEL on 29 3 91 i e well within the validity period on the revised rates followed by detailed PO in July 1991 after post facto approval of PTSC but this time also 10% advance payment could not be made to BHEL either alongwith Letter of Intent or with the detailed P O Ultimately 10% advance was paid to BHEL in September 1991 The price increase against 3 Nos imported items included in P O amounted to Rs 4 69 Lacs+CST

Once again even after issuing of confirmed Purchase Order and even after making 10% advance payment M/s BHEL vide their letter dated 3 12 1991 informed that they have revised the rates of the 3 Nos Imported Items included in the P O The BHEL also informed through their letter dated 3 12 91 that the incurease in price of 3 Nos imported items (Spares) amounts to Rs 457 lacs+ CST and this has been necessitated as the Indian Currency has been devalued against all hard currencies of the world and rates of imported goods have laso increased due to change in EXIM policy as BHEL had to incur extra expenditure towards purchase of EXIM scrip to get the licence for Import This issue was further discussed with BHEL at the level of Chief Engineer/Const vide MOM dated 25 2 92 wherein BHEL explained again the reasons for increase in prices of imported spares and also confirmed that their other customers have also accepted the increase in prices and have already issued the necessary amendments The Project authorities thus accepted the price rise and issued the amendment for increase of Rs 4 57880 against 3 No imported items vide letter dated 20 5 92 Thus, the total increase against 3 No imported items amounts to Rs 9 26 700 (4 69+ 4 57)+ CST i e Rs 9 64 lacs

Details given above clearly illustrates and establish without doubt that it is not true that owing to non-placement of firm Purchase order on the BHEL within validity period of offer extra expenditure of Rs 9 64 lacs had to be incurred

Further the increase of Rs 4 57 lacs had to be incurred in prices second time and this was effected by BHEL after 3 months of the payment of 10% advance and placing of con firmed PO It may be noted that the price increase in both the occasions was against imported items only and there was no increase in the prices of other indigenious items of the PO The increase in prices of imported items as explained above was due to the following reasons —

1 Increase in prices by the foreign supplier of spares of M/s BHEL

2 Price increase due to devaluation of Indian currency

3 Price increase due to change in EXIM Policy

In additon to the above factors it may also be noted that these spares are the proprietory items of BHEL and for imported items BHEL is the only channelising agency Due to adament and tough stand taken by BHEL Project authorities had to accept the demand for increase in prices as BHEL had also explained that they are charging increased rates uniformally from all the Electrcity Boards

In view of reasons explained above it may be appreciated that increase in prices which had to be borne by HSEB were not due to any delay in placing the confirmed order rather it was due to the reasons that project authorities had no other way to procure these spares which were urgently required for trouble free operation of 1x210 MW Unit 5 Thus no individual is responsible for the extra expenditure incurred by HSEB due to increase in prices

Regarding remedial steps taken it is submitted that for avoiding delay in processing such cases within validity period instructions have been issued by the Chief Engineer Construction PTPP to all concerned vide his Memo No Ch 188/PTPP/W-18 dated 25-7 96 "

The representatives of the Board assured the Committee in one of its meeting to conduct an inquiry to know the circumstances for not sparing 10% advance amount (Rs 3 33 lacs) for placing the letter of intent within the validity period due to which the Board had to incur an extra expenditure of Rs 9 64 lacs and also to intimate the outcome of the inquiry to be conducted to the Committee The Committee **therefore, recommend that the inquiry be conducted as assured by the Board within 4 months and the Committee be intimated about the outcome of the inquiry immediately**

4 59 Non-clubbing of connections

48 The Board in order to avoid loss of revenue on account of splitting up of load issued (January 1981) instructions to club the industrial connections existing in the same premises after giving three months notice These instructions were reiterated during the period between **July 1981 and July 1989**

Meanwhile in February 1988 the Board had classified industrial consumers into three categories on the basis of connected load viz small power for load up to 20 KW medium supply for load up to 70 KW and large supply for load above 70 KW

During audit of operation sub division Uklana in June 1990 it was observed that an industrial consumer was issued two medium supply connections in the same premises with connected loads of 29 84 KW and 45 19 KW in January 1974 and November 1978 The Board s officials did not club the connections and consumer was continued to be billed for two separate connections On being pointed out in audit the connections of the consumer were clubbed in January 1991 and he was charged Rs 0 85 lakh (November 1990) and Rs 0 20 lakh (February 1991) being difference in large supply and medium supply tariff from February 1988 to January 1991

The consumer went in arbitration against the demand raised by the sub divisional office

The arbitrator held (December 1991) that the consumer was not liable to pay the demand raised because notice as required under instructions of January 1981 and June 1983 was not issued to him

Thus, due to the failure on the part of Board s officials to issue the prescribed notice to the consumer the Board had to suffer a loss of revenue of Rs 1 05 lakhs

The matter was reported to the Board and Government in May 1993, their replies had not been received (September 1993)

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

"Both the connections under reference were released on 7 1 74 and 17 1 78 respectively to Sh Paramjit Singh At the time of releasing these connections there were no instructions of the Board which prohibited releasing more than one connections at the same premises to the single industry As such there was no violation of Board s instructions as these instructions were issued in 1981

(ii) The relevent record do not show reasons for not following proper procedure and not issuing prescribed notice to the consumer The responsible officer mentioned in para (iii) below are however being chargesheeted The offical Sh. M L Thind has since retired on 31-5-91 and therefore no action can be initiated against him at this stage

(iii) The following officers/officials were incharge of the sub division and the area at that time and are held responsible for not following the proper procedure and issue of notice as per instructions of the Board

1 Sh. S S Paul SDO 9-2 88 to 31 3 89

2 Sh R S Yadav SDO 31-3 89 to 3 4 91

3 Sh M.L Thind JE (F) (Now retired)

Disciplinary action against the delinquent officers is being taken as stated in para (ii) above

The Committee was informed that the action against the two SDOs and one J.E who have been held responsible for the lapse was being taken The Committee is of the view that the concerned XEN being the over all incharge of the division should have been held responsible because he had miserably failed to find out the lapse well in time as he was supposed to visit the premises after a period of six months **The Committee, therefore, recommend that the disciplinary action against delinquent officers/officials including the XEN concerned be taken immediately as the case has already been delayed sufficiently under intimation to the Committee**

HARYANA FINANCIAL CORPORATION

4 6 1 Irregular termination of services of employees

49 Under Regulation 19(2) of the Haryana Financial Corporation (Staff) Regulations, 1967 the Corporation can terminate the services of Class 'A employees by giving 3 months notice or pay in lieu of notice period and other employees by giving one month s notice Regulation 41 envisages the penalties such as reprimand stoppage of increment degradation to lower post recovery of loss removal and dismissal for negligence inefficiency misconduct or misbehaviour and procedure for imposing the penalties Regulation further provides that the employee should be given reasonable opportunity and enquiry got conducted before imposing the penalty

During audit it was observed that the Corporation terminated the services of permanent employees under Regulation 19(2) instead of following the procedure laid down in Regulation 41 which led to their reinstatement by courts resulting in nugatory expenditure of Rs 8 23 lakhs on back wages as discussed below

(i) One class 'A officer appointed in August 1974 was chargesheeted (April 1980) for committing irregularities in a loan case His reply of April 1980 was brought (June 1980) to the notice of the Board of Directors who decided to terminate his services under Regulation 19(2)(a) Services of the officer were accordingly terminated (June 1980) but he refused to accept 3 months pay on the ground that he was going to appeal against the orders Appeal made by him for not affording reasonabe opportunity was not accepted by the Corporation He filed a petition in Punjab and Haryana High Court challenging Regulation 19(2)(a) of the staff Regulations which was dismissed in February 1981 Special leave petition was field (May 1981) by him in the Supreme Court The Court struck down (May 1991) Regulation 19(2) (a) being violative of Article 14 of the Constitution on the ground that no opportunity of a hearing was to be afforded to the permanent employee whose service was being terminated in exercise of powers under this rule and quashed the termination order and ordered his reinstatement with full benefits Accordingly the officer was reinstated on 27th May 1991 and a sum of Rs 5 87 lakhs was paid to him as wages for the period from June 1980 to May 1991

(ii) The services of an employee appointed in January 1980 were terminated in July 1982 under Regulation 19(2)(b) by paying one month's pay in lieu of notice The employee filed a petition in Punjab and Haryana High Court and the Court struck down (August 1989) regulation 19(2)(b) being violative of the provisions of the Constitution as no opportunity of a hearing was afforded to the permanent employee under this rule and no details of his unsatisfactory conduct and work were given Consequently the court ordered the reinstatement of the employee with full benefits The employee was reinstated on 4th October 1989 and a sum of Rs 2 36 lakhs was paid to him as wages for the period from July 1982 to October 1989

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

Haryana Financial Corporation (Staff) Regulations 1967 may be read as Punjab Financial Corporation (Staff) Regulations 1961 adopted by Haryana Financial Corporation

HFCs Staff Regulation No 41(1) states that an employee who commits breach of Regulation of the Corporation or displays negligence inefficiency indolence or who knowingly does any thing deterimental to the interest or prestige of the Corporation inflicted with its instructions and commits breach of discipline or is guilty of any other act of misconduct or mis behaviour shall be liable to the following penalties

(a) Reprimand

(b) Delay or stoppage of increment or promotion,

(c) Degradation to a lower post or grade to a lower stage in his incremental scale

(d) Recovery from pay of the whole or part of any pecuniary loss caused to the Corporation by the employee

(e) Removal or dismissal

Case of Shri P K Jain, T M

In the case of Sh P K Jain chargesheet was issued by the management on 15 4 1980 framing certain charges against him pertaining to loan case of M/s Surjit Paper Mill Panchkula The reply was also received on 29 4 80 The case was put up to the Board alongwith reply of Sh P K Jain in its meeting held on 2 6 1980 The Board noted that the reply was un satisfactory Further the Board also observed that Sh P K Jain had been leaking major vital information of confidential nature to the outside persons In view of these facts the Board decided to terminate the services of Sh P K Jain TM under Staff Regulation No 19(2)(a) which states that the Corporation may terminate the services of an employee after giving three months notice or pay in lieu thereof From the above it would be observed that the punishment given to Sh P K Jain was one of the various punishments/penalties mentioned in Staff Regulation 41(1) In the vital interest of the Corporation and keeping in view the fact that Sh P K Jain had been leaking the information of confidential nature to the outside agencies the Board decided termination of services under Staff Regulation 19(2)(a) Therefore the Board was competent to terminate the services of Sh P K Jain under Staff Regulation 19(2)(a)

Keeping in view the magnitude of charges against Sh P K Jain that he was in the habit of leaking information of confidential nature to outside agencies the Board decided that if action under Regulation 41 is taken it will involve delay which may cause heavy loss to the Corporation

The Corporation is taking steps to amend or delete Regulation 19(2)(a)

Case of Sh S K Bishnoi

The services of Sh S K Bishnoi were terminated after conducting enquiry by senior officer of the Corporation namely Shri B J Khurana He concluded in his enquiry report that Sh Bishnoi displayed negligency and committed certain acts knowingly, which were found to be detrimental to the interest and prestige of the Corporation He was found not to be trustworthy and his further continuation in service may be detrimental to the interest and prestige of the Corporation Accordingly his services were terminated under Staff Regulation No 19(2)(a)

The Corporation is taking steps to amend or delete Regulation 19(2)(a)

The representatives of the Corporation admitted during the oral examination that the Regulation 19 (2) of the Haryana Financial Corporation (Staff) Regulations 1961 has not so far been amended by the Corporation even though the same has been struck down by the court The Corporation further admitted that there is a lapse on the part of the Corporation for not amending the same so far and this should have been amended at an early date in accordance with the order of the Court

The Committee is of the view that the loss caused to the Corporation amounting to Rs 8 23 lacs for the payment of back wages to both the officer/officials could be avoided if the action was taken against the officer/officials in accordance with the Provision 41

The Committee, therefore recommend that the disciplinary action be initiated immediately against Sh P K Jain in accordance with the observation made in the Judgement of the Supreme Court and stated in his reinstatement order dated 27th May, 1991

The Committee further recommend that the process for amending the Regulation 19 (2) (a) of Haryana Financial Corporation (Staff) Regulation, 1961 in accordance with the decision of the Supreme Court be completed within six months under intimation to the Committee

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