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**HARYANA VIDHAN SABHA
COMMITTEE
ON
PUBLIC UNDERTAKINGS
(1996-97)
(NINTH VIDHAN SABHA)
FORTY-SECOND REPORT
ON THE
REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR 1993-94 (COMMERCIAL)**



21 MAR 1997

Presented to the House on.....

**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

* 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 Second Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1993 94 (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 of 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 6th March 1997

SAT PAL SANGWAN
CHAIRMAN

REPORT
HARYANA ROADWAYS ENGINEERING CORPORATION LIMITED
(REVIEW)

2A

1 The working of Haryana Roadways Engineering Corporation Limited was reviewed by the Accountant General (Audit) Haryana and accordingly a chapter relating to Haryana Roadways Engineering Corporation Limited (Review) was included in the Report of the Comptroller and Auditor General of India for the year 1993 94 (Commercial). The Financial Commissioner and Secretary to Government Haryana Finance Department supplied a set containing two copies (one each in Hindi & English version) of the report for initiating action on the report within a period of three months to the Financial Commissioner & Secretary to Government Haryana Transport Department vide his letter No 34/1/95 2B&C dated the 24th March 1995. The Commissioner and Secretary to Government Haryana Transport Department was also requested by the Haryana Vidhan Sabha Secretariat vide letter No 32 CPU/1996 97/12245 dated the 15th July 1996 to send the required information with regard to the concerned audit paragraph in a new modified format as suggested by the Shakhder Committee. In addition to above subsequent reminders were also issued by the Haryana Vidhan Sabha Secretariat. The Commissioner and Secretary to Government Haryana Transport Department vide his letter No 3/5/95 4T(1) dated the 27th February 1997 supplied the replies. The Committee considered the replies and found that the same was not in proper form and observed that the department has supplied the replies at the belated stage when the Committee has already initiated its process of finalising its Forty Second Report. So the Committee could not consider the replies and desired that the replies received be sent back to the concerned department for sending back the same to the Haryana Vidhan Sabha Secretariat in a proper form. **The Committee, therefore, recommend that an enquiry for the callous attitude of the department/corporation for sending the replies too late may be ordered by the Chief Secretary and the officers/officials who are accountable for the job and responsible for expediting the replies may be proceeded against and intimation may be sent to the Committee within a period of three months besides expediting the required replies**

2B DELAY IN FINALISATION OF ACCOUNTS BY SELECTED GOVERNMENT COMPANIES

I HARYANA TELEVISION LIMITED

2B 2 Extent of arrears

2 As on 31st March 1994 out of the 24 Government companies in the State only 13 companies finalised their accounts for the year 1992 93 and 11 companies were in arrears for accounting periods ranging from one year to eight years Six of these companies were chronically in arrears and had not finalised their accounts for four years or more as detailed below

Sr No	Name of Company	Period of accounts in arrears
1	Haryana Television Limited	1985 86 to 1991 92
2	Haryana State Minor Irrigation and Tubewells Corporation Limited (HSMITC)	1989 90 to 1992 93
3	Haryana Harjan Kalyan Nigam Limited (HHKN)	1985 86 to 1992 93*
4	Haryana Backward Classes Kalyan Nigam Limited (HBCKN)	1989 90 to 1992 93
5	Haryana Women Development Corporation Limited (HWDC)	1989 90 to 1992 93
6	Haryana Roadways Engineering Corporation Limited (HREC)	1989 90 to 1992 93

One company viz Haryana Television Limited ceased to be a Government company from 1992 93 The remaining five companies were selected for review on delay in the finalisation of accounts

In their written reply the Government/Corporation stated as under

The High Level Committee constituted by the State Govt had decided to dispose of M/s Haryana Television Ltd by sale of share holdings The Company was closed on 28 7 88 and all the employees were retrenched on 30 9 88 except the skelton staff of seven employees The State Govt on 9 1 91 had decided to sell the shares of the Company to Sh S D Bhardwaj Chairman cum Managing Director of M/s Sunflag Textiles Ltd Fandabad On 28 11 92 the shares were transferred in the name of Sh

* Accounts for the year 1985-86 finalised in June 1994

S D Bhardwaj and possession of the land & building alongwith the books of accounts & record was given to Sh Bhardwaj At the time of transferring the shares the Annual Accounts of the Company were ready and internal Auditors had audited the said Annual Accounts But the same were not audited by Statutory Auditors in view of the fact that the Company Law Board had not appointed Statutory Auditors for auditing the Annual Accounts

The Company Law Board appointed M/s D Lal Chopra & Co Fandabad as Statutory Auditors of the Company for the years 1985 86 to 1987 88 on 28 5 1991 M/s D Lal Chopra & Co failed to complete the audit and accordingly the Company Law Board was approached for appointing an other Statutory Auditors in place of M/s D Lal Chopra & Co M/s L N Chaudhary & Co Chartered Accountants Fandabad were appointed as Statutory Auditors for auditing the Annual Accounts of the Company on 11 4 1991

The accounts for the year 1985 86 and 1986 87 have been audited by the Accountant General (Audit) Haryana and comments of Comptroller & Auditor General of India have been received M/s L N Chaudhary and Company have started the audit of the accounts for the year 1987 88 and it is expected that in another one month or so the audit will be completed and thereafter the balance sheet shall be sent to Accountant General Haryana for their comments

Since the shares of the Company had been transferred to a private party the Company Law Board was requested on 12 9 95 for exempting M/s Haryana Television Ltd from the provisions of 619(2) of the Companies Act 1956 and for obtaining the comments of Comptroller & Auditor General of India on the audited Annual Accounts w e f 1986 87 onwards But the decision of the Company Law Board is still awaited

The Committee noticed that the Company has since been sold out to some private party w e f 28 11 1992 and all its staff was already retransferred on 30 9 1988 except the skeleton staff working in the holding company The Committee is of the view that the Company is required to prepare its accounts upto the year the Company was sold out (i e upto 1991 92) under the provisions of the Companies Act 1956

The Committee therefore, recommend that all out efforts be made to clear the backlog by chalking out a time bound programme under intimation to the Committee

2 HARYANA STATE MINOR IRRIGATION AND TUBEWELLS CORPORATION LIMITED

2B 1 introduction

3 According to provisions of section 210(3) read Section 166 of the Companies Act 1956 audited accounts of a company should be approved and adopted in the Annual General Meeting (AGM) of the shareholders within six months of the close of its financial year Further as per provision of Section 619 A(3) of the Act *ibid* the State Government should place an annual report on the working and affairs of each State Government company before the Legislature together with a copy of the Audit Report and comments thereon made by the Comptroller and Auditor General of India (CAG) within three months of receipt of such report Some of the Government companies have not finalised their accounts within this stipulated period and are in arrears for long periods

In their written reply the Government/Corporation stated as under

The Accounts of the MITC are being finalised within a period of 6 months as per the provision of Companies Act 1955 and there is no delay on the part of the Corporation for the finalisation of final account

The Committee is of the view that the reply of the management was not tenable as under section 210 of the Companies Act the accounts of the Company are treated as finalised only after the seal of approval of the shareholders in AGM is obtained Since only the accounts upto the year 1990 91 has been finalised (duly adopted in AGM) the accounts for the years 1991 92 to 1995 96 are in arrears

The Committee, therefore, recommend that responsibility of the concerned officer/officials be fixed who has failed to interpret the provisions of the Companies Act despite having qualified Finance Manager and Company Secretary while replying the matter to the Committee under intimation to it The Committee further recommend that all out efforts be made to clear the arrears

2B 2 Extent of arrears

4 As on 31 March 1994 out of the 24 Government companies in the State only 13 companies finalised their accounts for the year 1992 93 and 11 companies were in arrears for accounting periods ranging from one year to eight years Six of these companies were chronically in arrears and had not finalised their accounts for four years or more as detailed below

Sr No	Name of Company	Period of accounts in arrears
1	Haryana Television Limited	1985 86 to 1991 92
2	Haryana State Minor Irrigation and Tubewells Corporation Limited (HSMITC)	1989 90 to 1992 93
3	Haryana Haryana Kalyan Nigam Limited (HHKN)	1985 86 to 1992-93*
4	Haryana Backward Classes Kalyan Nigam Limited (HBCKN)	1989 90 to 1992 93
5	Haryana Women Development Corporation Limited (HWDC)	1989 90 to 1992 93
6	Haryana Roadways Engineering Corporation Limited (HREC)	1989 90 to 1992 93

One company viz Haryana Television Limited ceased to be a Government company from 1992 93. The remaining five companies were selected for review on delay in the finalisation of accounts.

In their written reply the Government/Corporation stated as under

There is no arrear in the finalisation of account of HSMITC. The arrears is on account of Statutory Audit from the year 1991 92 onwards as the Statutory Auditors have not been allowed by the Company Law Board and C & A G of India to sign the annual accounts for two three years at a stretch to clear the arrear of Statutory audit. In this connection reference was made to the Member Secy o/o HBPE vide this office letter No 904/ACS/50/HBPE/NO Dated 20 7 94 in view of the meeting of the committee on Public Undertaking for taking up the matter with C & A G of India through Haryana Govt but the relaxation for getting the annual accounts signed at a stretch has not been granted by the C & A G of India/Company Law Board.

The Committee noticed that the reply to this sub-para is also vague in view of the provisions of the Companies Act. Section 210 (3) (b) and 210 (4) read with Section 166 of the Companies Act requires that it is not open to the Company to submit accounts in the AGM in respect of more than one year. Thus the accounts can be finalised one by one and these cannot be finalised at a stretch in one AGM. Accordingly the Company Law Board and Comptroller and Auditor General of India office has advised the Company in accordance with the provisions.

*Accounts for the year 1985 86 finalised in June 1994

However the Company can explore the possibility of holding more than one AGM in one day in order to adopt the accounts of one year in one AGM for clearance of arrears of accounts

The Committee recommend that such vague replies should not be furnished in future and officer/official responsible for such replies despite having qualification on the subject be punished under intimation to the Committee. The Committee further recommend that sincere efforts be made to clear the arrears instead of expecting relaxations beyond the provisions of the statute

2B 5 Delay in finalisation of accounts

5 The summarised details in connection with finalisation of accounts as on 31 March 1994 in respect of the five companies for the period of five years (up to the latest finalised accounts) are given in Annexure 1. A review of Annexure would reveal that delay in finalisation of accounts for adoption in AGM each year in respect of these five companies ranged between 11 and 114 months

In their written reply the Government/Corporation stated as under

The summarised details for holding the AGM are in order. However a perusal of date of receipt of the comments of C & A G of India and date of holding of AGM would reveal that the Corporation has not taken much time in the adoption of the audited accounts in AGM after the receipt of the comments of C & A G of India

The reply furnished by the Company is not relevant to the sub para. The Committee is of the view that the Company has failed to finalise its accounts within the required period of 6 months from the date of close of accounts

The Committee recommend that a time bound programme be chalked out and all out efforts be made to clear the arrears under intimation to the Committee. The Committee further recommend that responsibility of the erring officer be fixed for putting the accounts in arrears and report thereon be submitted to the Committee

2B 5 1 Delay in completion of statutory audit

6 In terms of Government of India's instructions (April 1987) Statutory Auditors are expected to complete their audit within two months of closure of the accounts by the companies so that supplementary audit under Section 619 (4) of the Companies Act, 1956 could be completed by the CAG and audited accounts together with Statutory Auditors' report be placed in the AGM within the prescribed time limit of six months. The table below summarises the time taken by Statutory Auditors for completion of audit each year (interval in certification of accounts between two successive years)

Year of accounts	Haryana Harjan Kalyan Nigam Limited	Haryana Women Development Corporation Limited	Haryana Backward Classes Kalyan Nigam Limited	Haryana State Minor Irrigation and Tube wells Corporation Limited	Haryana Roadways Engineering Corporation Limited
(Months)					
1981 82	24				
1982 83	17				
1983 84	17				
1984-85	6	7	26	16	
1985 86	6	20	13	20	
1986 87	-	11	17	10	
1987 88		16	27	2	
1988 89		24	6	16	5
Average	14 0	15 6	17 8	12 8	5

The statutory Auditors on an average took 12 8 months (HSMITC) 14 0 months (HHKN) 17 8 months (HBCKN) and 15 6 months (HWDC) for completion of one year's audit

The reasons for such delay were non furnishing of requisite information to the auditors be filed units (HBCKN) dispute regarding fixation of remuneration of auditors (HRCE) and heavy burden on accounts staff in connection with internal audit work (HWDC)

Such delays could have been avoided had the companies coordinated properly with Statutory Auditors after their appointment

In their written reply the Government/Corporation stated as under

The months of interval shown in the report for certification of accounts between two successive years by the Statutory Auditors are in order. The delay in the finalisation of audit is on the part of Statutory Auditors and not in the Corporation. The Corporation is making sincere efforts to get the audit completed at the earliest to clear the back log.

The Committee recommend that full cooperation be extended to the Statutory Auditors for completion of audit work and if it is found that he is not performing his duties in the required manner and delaying the audit work the matter may be taken up with the Company Law Board/Comptroller and Auditor General of India for his replacement and/or debarring him

for future appointments

2B 5 2 Delay in holding the AGM

7 Section 171 of the Companies Act, 1956 provided that an AGM of a company may be called by giving not less than 21 days' notice in writing or a shorter notice if so consented by all the members entitled to vote. Thus, a Government company could hold its AGM within a maximum period of 30 days of receipt of comments of the CAG.

The table below indicates the name of companies, date of issue of non review certificate/comments and date of holding AGM for the last five years finalised accounts.

Sr No	Name of company	Year	Date of issue of non review certificate/ comments	Date of holding AGM	Number of days took to hold AGM
1	Haryana State	1984-85	13 7 1990	10 10 1990	89
	Minor Irrigation	1985-86	10 10 1991	17 12 1991	68
	and Tubewells	1986 87	28 7 1992	17 3 1993	232
	Corporation	1987 88	25 8 1993	29 9 1993	35
	Limited	1988 89	7 3 1994	20 5 1994	74
2	Haryana Harjan	1980 81	6 1 1989	25 9 1989	262
	Kalyan Nigam	1981 82	14 9 1990	21-12 1990	98
	Limited	1982 83	23 1 1992	30 3 1993	432
		1983 84	12 7 1993	26 11 1993	137
		1984 85	25 1 1994	18 5 1994	113
3	Haryana Backward	1984 85	11 10 1988	16 1-1989	97
	Classes Kalyan	1985 86	21 11 1989	27 12 1989	36
	Nigam Limited	1986 87	25 2 1991	9 4 1991	43
		1987 88	11 6 1993	24 8 1993	74
		1988 89	7 3 1994	30 5 1994	84
4	Haryana Women	1984 85	28 5 1986	25 8 1986	89
	Development	1985 86	29 4 1988	17 6 1988	49
	Corporation	1986 87	10 2 1989	20 3 1989	38
	Limited	1987 88	15 5 1990	30 8 1990	107
		1988 89	3 9 1992	15 10 1992	42
5	Haryana Roadways	1987 88	16 3 1992	6 5 1992	51
	Engineering Corporation Limited	1988 89	9 9 1992	1 10 1992	22

The companies failed to hold their AGM within 30 days except in case of HREC for the year 1988 89. The companies took 35 to 432 days to hold their AGMs. This adversely affected the clearance of arrears of accounts.

In their written reply the Government/Corporation stated as under

The details of receipt of the comments from A & A G of India are given as under

Sr No	Year	Date of forwarding the authenticated B/Sheet to AG for audit U/s 619 (4)	Date of receipt of comments	Date of adoption AGM
1	1984 85	21 12 89	13 7 90	10 10 90
2	1985 86	12 7 91	14 10 91	17 12 91
3	1986 87	30 4 92	31 7 92	17 3 93
4	1987 88	10 7 92	30 8 93	29 9-93
5	1988 89	12 11 93	7 3 94	20 5 94
6	1989 90	5 9 94	15 12 94	23 12 94
7	1990 91	25 7 95	20 12 95	19 3 1996

The Committee recommend that the AGMs must be held within the minimum possible time from the date of receipt of comments etc

2B 7 Steps taken by Government

8 The Government exercises its control over the companies through the concerned Administrative Department and the Finance Department. The Bureau of Public Enterprises (BPE) is the nodal agency which reviews the working of the companies on behalf of the Finance Department.

In terms of Memorandum and Articles of Association of these companies the Government has the powers to issue directives in the interest of the company. To fulfil these obligations the Government was expected to take concrete steps to ensure that the accounts of the companies were finalised in due time.

On the basis of the lists of defaulting companies furnished by the Accountant General Haryana to the Chief Secretary and Bureau of Public Enterprises every six months from April 1984 onwards, directions were issued by the Government from May 1984 onwards for expediting the finalisation of accounts but the matter was not followed up. In December 1986 the Commissioner and Secretary to Haryana Government, Social Welfare Department informed the Accountant General that the accounts of (HHKN) for the year 1981 82 would be finalised during 1986 87 and targets were fixed so as to complete the finalisation

of accounts for the year from 1982 83 to 1984 85 during the year 1987 88 and for the years from 1985 86 to 1987 88 during 1988 89 Follow up action was not taken to adhere to these targets and till June 1994 accounts only up to year 1985 86 were finalised

The Managing Director of HWDC proposed to follow the following time schedule for finalisation of accounts for the four years up to 1992 93

Year of account	To be put up before the Board of Directors	To be placed before AGM
1989 90	March 1992	June 1992
1990 91	September 1992	December 1992
1991 92	March 1993	June 1993
1992 93	September 1993	December 1993

/ Till July 1994 none of the above accounts were finalised

It was observed that before fixing time bound programmes no study was made to ascertain the reasons for failure of these companies to finalise the overdue accounts The target dates were fixed presumably on the basis of assurance from the Management and not on the basis of realistic assessment of reasons of delay or the Management's ability to achieve the targets

In order to help companies in overtaking the arrears of accounts Statutory Auditors were appointed as a special case for two or more years in some of these companies on the advice of CAG of India This advance action had not made any impact on the arrear position and none of the Companies had been able to overtake the arrears

In their written reply the Government/Corporation stated as under

The Corporation is making efforts to clear the backlog in audit The Administrative Officer (CAV) o/o C & A G of India Delhi has already been requested vide this office letter No 257 58/ACS/18 II dated 2 5 1996 to allow this Corporation for getting the accounts signed at a stretch from the Statutory Auditors to clear the backlog but the permission for the same has not been granted which is the major cause of arrear in audit of this Corporation

The Committee is of the view that non granting of permission by the Comptroller and Auditor General of India to sign the accounts by the Statutory Auditor at a stretch was in order in view of the provisions of the Companies Act However as advised in para 2B 2 the Company can explore the possibility of holding more than one AGM in one day in order to adopt the accounts of one year in one AGM for clearance of backlog of accounts **The Committee recommend that the State Government should set up a time bound programme to clear the arrears of the Company under intimation to the Committee**

3 HARYANA HARIJAN KALYAN NIGAM LIMITED

2B 1 Introduction

9 According to provisions of Section 210 (3) read with Section 166 of the Companies Act 1956 audited accounts of a company should be approved and adopted in the Annual General Meeting (AGM) of the shareholders within six months of the close of its financial year Further as per provision of Section 619 A (3) of the Act ibid the State Government should place an annual report on the working and affairs of each State Government company before the Legislature together with a copy of the Audit Report and comments thereon made by the Comptroller and Auditor General of India (CAG) within three months of receipt of such report Some of the Government companies have not finalised their accounts within this stipulated period and are in arrears for long periods

In their written reply the Government/Corporation stated as under

In compliance to the provisions of Section 210 read with Section 166 of the Companies Act 1956 the Company is holding its Annual General Meeting of the Shareholders every year and placing the tentative accounts for the corresponding years for information of the Share holders and adjourning the meeting to be reconvened on a later date for adoption of the Audited accounts as and when they are audited by the Statutory Auditors appointed by the Company Law Board and also audited by the C & A G as required under Section 619(4) of the Companies Act 1956 relating to the Govt Companies

The Committee noted that section 210(3) read with section 166 of the Companies Act 1956 lay down time limit of six months from the close of the year for adoption and approval of audited accounts and not merely for holding of AGM placing the tentative accounts and adjourning the meeting to be held on a later date

The Committee, therefore, recommend that the accounts should be finalised and adopted in AGM within 6 months of the close of the year as per provisions of the Companies Act

2B 2 Extent of arrears

10 As on 31 March 1994 out of the 24 Government companies in the State only 13 companies finalised their accounts for the year 1992 93 and 11 companies were in arrears for accounting periods ranging from one year to eight years Six of these companies were chronically in arrears and had not finalised their accounts for four years or more as detailed below

Sr No	Name of Company	Period of accounts in arrears
1	Haryana Television Limited	1985 86 to 1991 92
2	Haryana State Minor Irrigation and Tubewells Corporation Limited (HSMITC)	1989 90 to 1992 93
3	Haryana Harijan Kalyan Nigam Limited (HHKN)	1985 86 to 1992 93*
4	Haryana Backward Classes Kalyan Nigam Limited (HBCKN)	1989 90 to 1992 93
5	Haryana Women Development Corporation Limited (HWDC)	1989 90 to 1992 93
6	Haryana Roadways Engineering Corporation Limited (HREC)	1989 90 to 1992-93

One company viz Haryana Television Limited ceased to be a Government company from 1992 93. The remaining five companies were selected for review on delay in the finalisation of accounts.

*Accounts for the year 1985 86 finalised in June 1994.

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

Accounts for the year 1986 87 have since been got audited by M/s S Bhasin & Co C A Statutory Auditors as well as CAG as required under Section 619(4) of the Companies Act 1956. These accounts are being placed before the Share holders for their adoption in the 14th reconvened Annual General Meeting to be held very shortly. It is hoped the Nigam will be in a position to get their accounts upto the year 1988 89 finalised in all respects by the end of March 1996 97.

The Committee was surprised to note that the accounts of the Company were in arrears for more than 6 7 years and no effective steps have been taken to clear the arrears. **The Committee, therefore, recommend that all efforts be made to clear the arrears within 2 years under intimation to the Committee. The Committee further recommend that the officers responsible for creation of arrears be identified and punishment proceedings be initiated under intimation to the Committee.**

2B 5 Delay in finalisation of accounts

11 The summarised details in connection with finalisation of accounts as on 31 March 1994 in respect of the five companies for the period of five years (up to the latest finalised accounts) are given in Annexure 1. A review of Annexure would reveal that delay in finalisation of accounts for adoption in AGM each year in respect of these five companies ranged between 11 and 114 months.

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

As pointed out by the Audit the record of the office has been thoroughly examined in view of Annexure A prepared by the Audit regarding details of AGM held for adoption of accounts. However it has been concluded that for the years 1980 81 to 1981 82 the financial year of the Nigam was closed on 30th June and hence the AGM of the share holders was required to be held on or before 31st December and for the year 1982 83 onwards the financial year of the Nigam was changed to 31st March every year. However in compliance to the Section 166 read with Section 210 of the Companies Act 1956 the AGM for the adoption of Annual Accounts for the year 1980 81 to 1984 85 was duly held in time but was adjourned due to non availability of audited accounts and decided to reconvene AGM for the corresponding year at a later stage when the Audited Accounts are available.

The below noted table A will show the clear picture of the compliance of the provisions of the Companies Act 1956

Sr No	Financial year	Closed on	Original date of AGM	Date of reconvened AGM in which A/Gs were adopted
1	1980 81	30 6 81	23 12 81 adjourned for want of quorum 30 12 81 adjourned for want of quorum finally held on 26 3 82 adjourned for want of audited accounts	25 9 89
2	1981 82	30 6 82	7 12 82	21 12 90
3	1982 83	31 3 83	30 12 82	19 8 82 postponed as some observations raised by the Share holders Finally adopted on 30 3 93 meeting
4	1983 84	31 3 84	17 12 84	26 11 93
5	1984 85	31 3 85	26 11 85	18-5 94
6	1985 86	31 3 86	29 9 86	20 1 95

From the above table it is evident that the Nigam has not made any delay in holding the AGM of the Share holders the tentative/un audited accounts were placed before the Share holders and the AGM were adjourned to be reconvened on a later date when the Audited accounts become available

The Committee noticed that the Company is very much at fault as it delayed the submission of accounts duly approved by Board of Directors to the Statutory Auditors required under section 215(3) of the Companies Act. It observed that most of the Companies submit their accounts to the Statutory Auditors without compliance of section 215(3) of the Companies Act with the result the Statutory Auditors cannot be held responsible for delay in certification as the responsibility of Statutory Auditors start only when the accounts duly approved by the Board are submitted to them for certification. **The Committee, therefore, recommend that the accounts must be prepared in time and duly approved accounts should be given to Statutory Auditors**

The Committee further recommend that a time bound programme should be chalked out for preparation of accounts within the stipulated period and the officer responsible for not adhering the time schedule should be punished accordingly

2B 5 1 Delay in completion of statutory audit

12 In terms of Government of India's instructions (April 1987) Statutory Auditors are expected to complete their audit within two months of closure of the accounts by the companies so that supplementary audit under Section 619 (4) of the Companies Act 1956 could be completed by the CAG and audited accounts together with Statutory Auditors' report be placed in the AGM within the prescribed time limit of six months. The table below summarises the time taken by Statutory Auditors for completion of audit each year (interval in certification of accounts between two successive years)

Year of accounts	Haryana Hanjan Kalyan Nigam Limited	Haryana Women Develop ment Cor poration Limited	Haryana Backward Classes Kalyan Nigam Limited	Haryana State Minor Irrigation and Tube wells Cor poration Limited	Haryana Roadways Engineering Corporation Limited
1	2	3	4	5	6
(Months)					
1981 82	24				
1982 83	17				
1983 84	17				
1984 85	6	7	26	16	

1	2	3	4	5	6
1985 86	6	20	13	20	
1986 87		11	17	10	
1987 88		16	27	2	
1988 89	-	24	6	16	5
Average	14 0	15 6	17 8	12 8	5

The statutory Auditors on an average took 12.8 months (HSMITC) 14.0 months (HHKN) 17.8 months (HBCKN) and 15.6 months (HWDC) for completion of one year's audit

The reasons for such delay were non furnishing of requisite information to the auditors by field units (HBCKN) dispute regarding fixation of remuneration of auditors (HREC) and heavy burden on accounts staff in connection with internal audit work (HWDC)

Such delays could have been avoided had the companies coordinated properly with Statutory Auditors after their appointment

In their written reply the Government/Corporation stated as under

As pointed out by the Audit regarding procedure for the appointment of Statutory Auditors procedure of their conducting audit and further placement of finalised accounts in the Annual General Meeting of the Shareholders for adoption is correct. On the other hand it is also worth mentioning here that the Statutory Auditors appointed by the Company Law Board are outside Agency and the Company had no hold on their working and their time schedule for conducting the Statutory Audit. Moreover it is the principle of Statutory Audit that if previous Statutory Auditors do not finalise his job the next appointed Statutory Auditors will not take up its assignment. The relevant records as required by the Statutory Auditors are readily available to them by the Company.

Hence the above facts cause the delay in finalisation of Audit by the Statutory Auditors.

During the course of oral examination the Managing Director of the Company stated that the Company has no hold on the Statutory Auditors and any complaint cannot be lodged against them with the Company Law Board/Comptroller and Auditor General of India. The Committee is of the view that the contention of the Managing Director was totally wrong and baseless as any type of complaint can be lodged against the Statutory Auditors who are not working in the required manner and those can be got replaced and/or debarred from future appointment on proper representation to the Company Law Board/Comptroller and Auditor General of India.

The Committee recommend that all the records/information should be provided to Statutory Auditors without delay so that the audit work can be completed as early as possible and full cooperation should be extended to them

The Committee further recommend that if a Statutory Auditors is unnecessarily delaying the audit work, a complaint should be lodged with the Company Law Board/Comptroller and Auditor General of India either for its replacement or debarring him from future appointment

2B 5 2 Delay in holding the AGM

13 Section 171 of the Companies Act 1956 provides that an AGM of a company may be called by giving not less than 21 days notice in writing or a shorter notice if so consented by all the members entitled to vote Thus a Government company could hold its AGM within a maximum period of 30 days of receipt of comments of the CAG

The table below indicates the name of companies date of issue of non review certificate/comments and date of holding AGM for the last five years finalised accounts

Sr No	Name of company	Year	Date of issue of non review certificate/ comments	Date of holding AGM	Number of days took to hold AGM
1	Haryana State	1984 85	13 7-1990	10 10 1990	89
	Minor Irrigation	1985 86	10 10 1991	17 12 1991	68
	and Tubewells	1986 87	28 7 1992	17 3 1993	232
	Corporation	1987 88	25 8 1993	29 9 1993	35
	Limited	1988 89	7 3 1994	20 5 1994	74
2	Haryana Harjan	1980 81	6 1 1989	25 9 1989	262
	Kalyan Nigam	1981 82	14 9 1990	21 12 1990	98
	Limited	1982 83	23 1 1992	30 3 1993	432
		1983 84	12 7 1993	26 11 1993	137
		1984 85	25 1 1994	18 5 1994	113
3	Haryana Backward	1984 85	11 10 1988	16 1 1989	97
	Classes Kalyan	1985 86	21 11 1989	27 12 1989	36
	Nigam Limited	1986 87	25 2 1991	9 4 1991	43
		1987 88	11 6 1993	24 8 1993	74
		1988 89	7 3 1994	30 5 1994	84
4	Haryana Women	1984 85	28 5 1986	25 8 1986	89
	Development	1985 86	29 4 1988	17 6 1988	49
	Corporation	1986 87	10 2 1989	20 3 1989	38
	Limited	1987 88	15 5 1990	30 8 1990	107
		1988 89	3 9 1992	15 10 1992	42
5	Haryana Roadways	1987 88	16 3 1992	6 5 1992	51
	Engineering Corporation Limited	1988 89	9 9 1992	1 10 1992	22

The companies failed to hold their AGM within 30 days except in case of HREC for the year 1988-89. The companies took 35 to 432 days to hold their AGMs. This adversely affected the clearance of arrears of accounts.

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

As regards delay in holding the Annual General Meeting of the Shareholders, it is stated that according to the provisions of Section 171 of the Companies Act, 1956, the Annual General Meeting of the Shareholders was convened by giving proper notice of clear 21 days and if shorter than that has been accepted by the Shareholders. However, attention is invited to the provisions of Section 216 & 217 of the Companies Act, 1956, which inter alia provides the placement of certified accounts in the meeting of the Board of Directors for approving the Board of Directors report and the comments of the Management on the Report of Statutory Auditors and on the Report of CAG before it is finally placed before the Shareholders in their meeting for adoption. In order to adopt proper procedure as required under the Companies Act, 1956, causes delay in convening the Annual General Meeting of the Shareholders. Moreover, Haryana Harjan Kalyan Nigam being a Govt. Company, its Shareholders are Govt. dignitaries as IAS Officers and the fixation of date of AGM depends upon their time and work schedule.

Regarding abnormal delay in holding the AGM for adoption of accounts for the year 1982-83, it is stated that originally the AGM of the Shareholders was reconvened for 19-8-92 but in the meeting one of the major Shareholder raised certain observations on the final accounts and after compliance the meeting was again reconvened and duly held on 30-3-93 and the accounts for the year 1982-83 were adopted.

The question regarding clearance of arrears of accounts, it is stated that M/s. S. Bhasin & Co. C.A. who have been appointed by the Company Law Board as Statutory Auditors of the Nigam for three consecutive years, i.e. from 1986-87 to 1988-89, have audited the accounts for the year 1986-87 and these accounts have also been got audited by C.A.G. These are being placed in the reconvened AGM to be held very shortly for adoption.

The Committee noticed that the reply of the management was not tenable as reply to the comments of Statutory Auditors and Comptroller and Auditor General of India do not take much time. There are many other Government Companies like Haryana State Industrial Development Corporation Ltd., Haryana Agro Industries Corporation Ltd. etc. which are holding their AGMs in time.

The Committee, therefore, recommends that the AGMs must be held within the minimum possible time from the date of receipt of comments etc. and no lame excuses will be tolerated in future.

2 B 7 Steps taken by Government

14 The Government exercises its control over the companies through the concerned Administrative Department and the Finance Department. The Bureau of Public Enterprises (BPE) is the nodal agency which reviews the working of the companies on behalf of the Finance Department.

In terms of Memorandum and Articles of Association of these companies the Government has the powers to issue directives in the interest of the company. To fulfil these obligations the Government was expected to take concrete steps to ensure that the accounts of the companies were finalised in due time.

On the basis of the lists of defaulting companies furnished by the Accountant General Haryana to the Chief Secretary and Bureau of Public Enterprises every six months from April 1984 onwards, directions were issued by the Government from May 1984 onwards for expediting the finalisation of accounts but the matter was not followed up. In December 1986 the Commissioner and Secretary to Haryana Government Social Welfare Department informed the Accountant General that the accounts of HHKN for the year 1981-82 would be finalised during 1986-87 and targets were fixed so as to complete the finalisation of accounts for the year from 1982-83 to 1984-85 during the year 1987-88 and for the years from 1985-86 to 1987-88 during 1988-89. Follow up action was not taken to adhere to these targets and till June 1994 accounts only up to year 1985-86 were finalised.

The Managing Director of HWDC proposed to follow the following time schedule for finalisation of accounts for the four years up to 1992-93.

Year of account	To be put up before the Board of Directors	To be placed before AGM
1989-90	March 1992	June 1992
1990-91	September 1992	December 1992
1991-92	March 1993	June 1993
1992-93	September 1993	December 1993

Till July 1994 none of the above accounts were finalised.

It was observed that before fixing time bound programmes no study was made to ascertain the reasons for failure of these companies to finalise the overdue accounts. The target dates were fixed presumably on the basis of assurance from the Management and not on the basis of realistic assessment of reasons of delay or the Management's ability to achieve the targets.

In order to help companies in overtaking the arrears of accounts Statutory Auditors were appointed as a special case for two or more years in some of these companies on the advice of CAG of India. This advance action had not

made any impact on the arrear position and none of the Companies had been able to overtake the arrears

In their written reply the Government/Corporation stated as under

As regards non completion of targets fixed for completion of accounts from 1981 82 to 1986 87 is concerned it is stated that for auditing the accounts for the year 1981 82 and 1982 83 M/s Jain & Associates C A were the Statutory Auditors and for auditing the accounts for the year 1993 84 to 1985 86 M/s Kumar Raj & Associates C A were the Statutory Auditors appointed by the Company Law Board Both the Statutory Auditors took ample time for completion of their assignments Moreover it is the principle of audit that when the Statutory Auditor is already on the job another one appointed by the Company Law Board will not take up his assignment unless and until the previous one complete his job Moreover the newly appointed Statutory Auditors will not certify its accounts which have been audited by him unless the certified accounts of the previous Statutory Auditors are not adopted by the Share holders in their Annual General Meeting Secondly convening of A G depends upon the time and work schedule of the Share holders who are generally I A S Officers

Thirdly Statutory Auditors appointed by the Company Law Board are outside agencies on which the Company has no hold on the time & work schedule of the Statutory Auditors

However all these facts compelled the Company to divert from their fixed schedule of finalising the accounts well in time

The Committee is of the view that the State Government has not taken the matter of arrear of accounts of some of the Government Companies seriously **The Committee, therefore, recommend that the State Government should work out a time bound programme to clear the arrears of accounts in the Company and the officer/officials responsible for keeping the accounts pending for a long time should be identified and penal actions be taken against them The report in this regard be furnished to the Committee within six months**

4 HARYANA BACKWARD CLASSES KALYAN NIGAM LIMITED

2B 2 Extent of arrears

15 As on 31 March 1994 out of the 24 Government companies in the State only 13 companies finalised their accounts for the year 1992 93 and 11 companies were in arrears for accounting periods ranging from one year to eight years Six of these companies were chronically in arrears and had not finalised their accounts for four years or more as detailed below

Sr No	Name of Company	Period of accounts in arrears
1	Haryana Television Limited	1985 86 to 1991 92
2	Haryana State Minor Irrigation and Tubewells Corporation Limited (HSMITC)	1989 90 to 1992 93
3	Haryana Harijan Kalyan Nigam Limited (HHKN)	1985 86 to 1992 93*
4	Haryana Backward Classes Kalyan Nigam Limited (HBCKN)	1989 90 to 1992 93
5	Haryana Women Development Corporation Limited (HWDC)	1989 90 to 1992 93
6	Haryana Roadways Engineering Corporation Limited (HREC)	1989 90 to 1992 93

One company viz Haryana Television Limited ceased to be a Government company from 1992 93 The remaining five companies were selected for review on delay in the finalisation of accounts

In their written reply the Government/Corporation stated as under

Accounts upto the year 1991 92 have since been finalised and adopted in the Annual General Meeting held on 18 9 96

M/s Tarsem & Associates were appointed by the Company Law Board to conduct audit for the years 1992 93 1993 94 & 1994 95 of this Nigam vide letter No H 065/24411123/90 IGC dated 31 12 92 20 1 94 & 4 1 95 They started audit work in the month of June 95 & left the work incomplete in the month of 7/95 without any intimation Nigam wrote letters to CAG and Company Law Board about the conduct of M/s Tarsem & Associates on 3 11 95 2 1 96 & 27 6 96 Comptroller Auditor General of India New

*Accounts for the year 1985-86 finalised in June 1994

Delhi also corresponded with M/s Tarsem & Associates Delhi about their conduct on 19 1 96 and ultimately Company Law Board cancelled their appointment on 9 9 96 on the advice of C A G of India vide letter No 7569 dated 3 9 96 Company Law Board appointed another firm M/s A K Chadha & Co for the year 1992 93 to 94 95 & has started audit w e f 19 9 96

The Committee noted the action of the Company for cancellation of appointment of Statutory Auditor who was delaying the audit work The Committee also noted that the Company has not prepared its accounts within the stipulated period as per provisions of the Companies Act which has resulted into arrears of accounts

The Committee, therefore recommend that responsibility be fixed of the officer responsible for non preparation of accounts and getting the same approved from Board required under section 215(3) of the Companies Act under intimation to the Committee The Committee further recommend that a time bound programme be made to clear the arrears within a period of two years under intimation to the Committee

2B 5 Delay in finalisation of accounts

16 The summarised details in connection with finalisation of accounts as on 31 March 1994 in respect of the five companies for the period of five years (up to the latest finalised accounts) are given in Annexure 1 A review of Annexure would reveal that delay in finalisation of accounts for adoption in AGM each year in respect of these five companies ranged between 11 and 114 months

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

The contents of this para require little modification The yearwise details for delay in finalisation of accounts are given as follows

Sr No	Year of account	Due date of AGM	Appointment of Auditors	Date of accounts submitted by S A	Time taken
1	1984 85	30 9 85	25 8 86	21 7 88	23 months
2	1985 86	30 9 86	9 12 86	26 8 89	32 months
3	1986 87	30 9 87	14 8 89	1 2 91	17 months
4	1987 88	30 9 88	8 3 91	10 5 93	26 months
5	1988 89	30 9 89	8 3 91	10 12 93	33 months

The Year wise details for revealing the delay in finalisation of accounts for adoption in the Annual General Meeting of this Nigam is given as follows

Accounts for the year 1984 85

The accounts for the year 1984 85 were to be finalised on the due date of Annual General Meeting i e 30 9 85 but the fact remains that Statutory Auditors were appointed by the Company Law Board/Comptroller Auditor General on 25 8 86 and the Statutory Auditors took twenty three months to complete the audit for the year 1984 85 The Statutory Auditors submitted their accounts on 21 7 88 but the accounts were adopted on 16 1 89 when the Annual General Meeting was held

Accounts for the Year 1985 86

The accounts for the year 1985 86 were to be finalised on the due date of Annual General Meeting i e 30 9 86 but it is a fact that Statutory Auditors were appointed by Company Law Board on 9 12 86 and the Statutory Auditors took 32 months to complete audit for the year 1985 86 The Statutory Auditors submitted their accounts on 26 8 89 but the accounts were adopted on 27 12 89 when the Annual General Meeting was held

Accounts for the Year 1986-87

Similarly accounts for the year 1986 87 were to be finalised on the due date of Annual General Meeting i e 30 9 87 but it is evident from the record that Statutory Auditors were appointed by the Company Law Board on 14 8 89 and the Statutory Auditors took Seventeen months to complete the audit for the year 1986 87 The Statutory Auditors submitted their accounts on 1 2 91 but the accounts were adopted on 9 4 91 when the Annual General Meeting was held

Accounts for the Year 1987 88

Accordingly accounts for the year 1987 88 were to be finalised on the due date of Annual General Meeting i e 30 9 88 but the fact is that Statutory Auditors were appointed by the Company Law Board on 8 3 91 and the Statutory Auditors took twenty six months to complete the audit for the year 1987 88 The Statutory Auditors submitted their accounts on 10 5 93 but the accounts were adopted on 24 8 93 when the Annual General Meeting was held

Accounts for the Year 1988 89

In the same way accounts for the year 1988 89 were to be finalised on the due date of Annual General Meeting i e 30 9 89 but as per the factual position the Statutory Auditors were appointed by the Company Law Board on 8 3 91 and the Statutory Auditors took thirty three months to complete the audit for the year 1988 89 The Statutory Auditors submitted their accounts on 10 12 93 but the accounts were adopted on 30 5 94 when the Annual General Meeting was held

On the average Statutory Auditors took about two years time for the completion of audit work of one year from their date of appointment by the Company Law Board

were appointed Statutory Auditors to conduct audit for the year 1986 87 on 14 8 89 & they started audit work on 13 10 89. They submitted audit report on 1 2 91. It took 18 months for the completion of audit work of one year i.e. 1986 87. Similarly the firm started the audit work for the year 1987 88 on 7 8 91 and submitted its report on 10 5 93 taking 21 months time. The audit work for the year 1988 89 was started on 30 11 92 and submitted its report on 10 12 93 taking one year time. The above three years accounts also could not be finalised in time due to non submission of information desired by the Statutory Auditors from our District Offices.

The accounts for the period from 1989 90 to 91 92 for three years were completed in time by the Statutory Auditors M/S Dhillon & Associates i.e. within almost two and half years.

During the period under reference i.e. from 1984 85 to 1996 the list of Officers who remained in the Nigam as Managing Directors is given below.

Sr No	Name of Officers	Tenure	
		From	To
1	Sh Jagat Ram I A S	5 12 1983	30 6 1985
2	Sh I D Swami I A S	4 7 1985	18 7 1985
3	Smt Komal Anand I A S	19 7 1985	19 8 1985
4	Sh H S Anand I A S	20 8-1985	17 9 1985
5	Smt Komal Anand I A S	18 9 1985	15 10 1985
6	Sh Sunil Ahuja I A S	16 10 1985	11 6 1986
7	Sh S K Maheshwari I A S	12 6 1986	19 7 1987
8	Sh S P Mittal I A S	21 7 1987	5 7 1988
9	Smt Sushil Dogra I A S	6 7 1988	31 1 1989
10	Sh S P Bhatia I A S	15 2 1989	30 6 1989
11	Smt Urvashi Gulati I A S	3 7 1989	27 8 1989
12	Sh S C Dhosiwal I A S	28 8 1989	30 6 1990
13	Sh S P Bhatia I A S	13 7 1990	30 6 1991
14	Sh R K Taneja I A S	1 7 1991	7 10 1991
15	Smt Anita Chaudhary I A S	9 10 1991	5 8 1992
16	Sh O P Taneja I A S	10 8 1992	28 2 1993
17	Sh R R Fuliya I A S	19 3 1993	19 5 1993
18	Sh M Kithan I A S	19 5 1993	12 7 1993
19	Sh R S Aggarwal I A S	12 7 1993	24 5 1995
20	Sh M Kithan I A S	25 5 1995	15 12 1995
21	Sh R R Jowel I A S	27 12 1995	3 7 1996
22	Sh R P Chander I A S	12 7 1996	

However following are the main reasons for the delayed completion of accounts

- 1 Statutory Auditors appointed by the Company Law Board is an outside agency and they undertake audit as per their own convenience
- 2 The basis accounting records of the Nigam are maintained in the District Offices and the staff posted at the District Headquarters is not the trained accounts staff and they are not well versed with the accounts work & accounting procedures

To curtail the period of finalisation of accounts Nigam has decided to train its staff in accounting procedures and training is being arranged through the Accounts Training Institute Chandigarh

The Committee noted the reasons for delay in finalisation of accounts and is of the view that the Company has failed to get the audit work Completed from the Statutory Auditors in a coordinated manner

The Committee therefore, recommend that the audit work should be got completed from the Statutory Auditor by providing full cooperation and coordination so that the audit work is not delayed in future

2B 5 1 Delay in completion of statutory audit

17 In terms of Government of India's instructions (April 1987) Statutory Auditors are expected to complete their audit within two months of closure of the accounts by the companies so that supplementary audit under Section 619 (4) of the Companies Act 1956 could be completed by the CAG and audited accounts together with Statutory Auditors report be placed in the AGM within the prescribed time limit of six months The table below summarises the time taken by Statutory Auditors for completion of audit each year (interval in certification of accounts between two successive years)

Year of accounts	Haryana Harijan Kalyan Nigam Limited	Haryana Women Development Corporation Limited	Haryana Backward Classes Kalyan Nigam Limited	Haryana State Minor Irrigation and Tube wells Corporation Limited	Haryana Roadways Engineering Corporation Limited

(Months)

1981 82	24
1982 83	17
1983 84	17

1984-85	6	7	26	16	
1985-86	6	20	13	20	
1986-87		11	17	10	-
1987-88		16	27	2	
1988-89		24	6	16	5
Average	14.0	15.6	17.8	12.8	5

The statutory Auditors on an average took 12.8 months (HSMITC) 14.0 months (HHKN) 17.8 months (HBCKN) and 15.6 months (HWDC) for completion of one year's audit

The reasons for such delay were non-furnishing of requisite information to the auditors by field units (HBCKN) dispute regarding fixation of remuneration of auditors (HREC) and heavy burden on accounts staff in connection with internal audit work (HWDC)

Such delays could have been avoided had the companies coordinated properly with Statutory Auditors after their appointment

In their written reply the Government/Corporation stated as under

This para does not need any comments. Rather it explain the delay in finalisation of accounts of the company. One of the most important reasons for delay in completion of Statutory audit is that the statutory Auditors appointed by the Company law Board is an outside agency. They chalk out their programme and observe their working schedule according to their own convenience. Moreover it is a set principle of Statutory Auditors that if previous Statutory Auditors do not finalise their job the next appointed statutory Auditors will not take up its assignment. However the accounts upto the year 1991-92 have been adopted in the AGM held on 18.9.96

The committee noted the reasons for delay in finalisation of accounts and is of the view that the Company has failed to get the audit work completed from the Statutory Auditors in a coordinated manner

The Committee therefore, recommend that the audit work should be got completed from the Statutory Auditor by providing full cooperation and coordination so that the audit work is not delayed in future

2B.5.2 Delay in holding the AGM

18. Section 171 of the Companies Act 1956 provides that an AGM of a company may be called by giving not less than 21 days notice in writing or a shorter notice if so consented by all the members entitled to vote. Thus a Government company could hold its AGM within a maximum period of 30 days of receipt of comments of the CAG

The table below indicates the name of companies date of issue of non review certificate/comments and date of holding AGM for the last five years finalised accounts

Sr No	Name of company	Year	Date of issue of non review certificate/ comments	Date of holding AGM	Number of days took to hold AGM
1	Haryana State Minor Irrigation and Tubewells Corporation Limited	1984 85	13-7 1990	10 10 1990	89
		1985 86	10 10 1991	17 12 1991	68
		1986 87	28 7 1992	17 3 1993	232
		1987 88	25 8 1993	29 9 1993	35
		1988 89	7 3 1994	20 5 1994	74
2	Haryana Hanjan Kalyan Nigam Limited	1980 81	6 1 1989	25 9 1989	262
		1981 82	14 9 1990	21 12 1990	98
		1982 83	23 1 1992	30 3 1993	432
		1983 84	12 7 1993	26 11 1993	137
		1984 85	25 1 1994	18 5 1994	113
3	Haryana Backward Classes Kalyan Nigam Limited	1984 85	11-10 1988	16 1 1989	97
		1985 86	21 11-1989	27 12 1989	36
		1986 87	25 2 1991	9 4 1991	43
		1987 88	11 6 1993	24 8 1993	74
		1988 89	7 3 1994	30 5 1994	84
4	Haryana Women Development Corporation Limited	1984 85	28 5 1986	25 8 1986	89
		1985 86	29 4 1988	17 6 1988	49
		1986 87	10 2 1989	20 3 1989	38
		1987 88	15 5 1990	30 8 1990	107
		1988 89	3 9-1992	15 10 1992	42
5	Haryana Roadways Engineering Corporation Limited	1987 88	16 3 1992	6 5 1992	51
		1988 89	9 9 1992	1 10 1992	22

The company failed to hold their AGM within 30 days except in case of HREC for the year 1988 89. The companies took 35 to 432 days to hold their AGMs. This adversely affected the clearance of arrears of accounts.

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

The holding of Annual General Meetings for adoption of audited accounts

got delayed Yearwise chronological statement showing details of time taken for fixing the meeting is as under

Year	Date of issue of non review certificate/ Comments	Date	Remarks
1984 85	11 10 88	27 10 88	File put up for Annual General Meeting by Accountant
		27 10 88	Managing Director cleared file for Chairman's view
		1 12 88	Chairman fixed 4 1 89 which was further postponed to 16 1 89
1985 86	21 11 89	29 11 89	File put up for Annual General Meeting by Accountant
		30 11 89	Managing Director cleared file for 27 12 89 (No Chairman)
1986 87	25 2-91	13 3 91	File put up for Annual General Meeting by Accountant
		18 3 91	Managing Director proposed 9 4 91
		18 3 91	Chairman okeyed dated 9 4 91
1987-88	11 6 93	15 6 93	File put up for Annual General Meeting by Accountant
		29 6 93	Managing Director Cleared file
		27 7 93	Chairman gave 24 8 93
1988 89	7 3 94	16 3 94	Accountant put up the file to get Statutory Auditors views on Comments of the controller & Auditor General of India

18 3 94	Letter issued to statutory Auditors for comments
22 4 94	Statutory Auditor contacted on phone for the report but he intimated that Annual General Meeting be called for according to comments submitted by Comptroller & Auditor General of India
2 5 94	To avoid delay it was proposed to held annual General Meeting by circulation by the legal Advisor of this Nigam & advised that call meeting of share holders by giving 21 days notice is must so date was fixed
4 5 94	Date was fixed for Annual General Meeting on 30 5 94 by Chairman

The committee recommend that the AGM should be held within the minimum possible time and no procedural delays should occur in future

2B 7 Steps taken by Government

19 The government exercised its control over the companies through the concerned Administrative Department and the finance Department the Bureau of Public Enterprises (BPE) is the nodal agency which reviews the working of the companies on behalf of the Finance Department

In terms of Memorandum and Articles of Association of these companies the Government has the powers to issue directives in the interest of the company to fulfil these obligations the Government was expected to take concrete steps to ensure that the accounts of the companies were finalised in due time

On the basis of the lists of defaulting companies furnished by the Accountant General Haryana to the Chief Secretary and Bureau of Public Enterprises every six months from April 1984 onwards directions were issued by the Government from May 1984 onwards for expediting the finalisation of accounts but the matter was not followed up In December 1986 the Commissioner and secretary to Haryana Government Social welfare Department informed the Accountant General that the accounts of HHKN for the year 1981 82 would be finalised during 1986 87 and targets were fixed so as to complete the finalisation of accounts for the years from 1982 83 to 1984 85 during the year 1987-88 and for the

years from 1985 86 to 1987 88 during 1988 89 Follow up action was not taken to adhere to these targets and till June 1994 accounts only up to year 1985 86 were finalised

The managing Director of HWDC proposed to follow the following time schedule for finalisation of accounts for the four years up to 1992 93

Year of account	To be put up before the Board of Directors	To be placed before AGM
1989 90	March 1992	June 1992
1990 91	September 1992	December 1992
1991 92	March 1993	June 1993
1992 93	September 1993	December 1993

Till July 1994 none of the above accounts were finalised

It was observed that before fixing time bound programmes no study was made to ascertain the reasons for failure of these companies to finalise the overdue accounts The target dates were fixed presumably on the basis of assurance from the Management and not on the basis of realistic assesment of reasons of delay or the Management's ability to achieve the targets

In order to help companies in overtaking the arrears of accounts statutory Auditors were appointed as a special case for two or more years in some of these companies on the advice of CAG of India This advance action had not made any impact on the arrear position and none of the Companies had been able to overtake the arrears

In their written reply the Government/Corporation stated as under

The Govt has been asking consistently to finalise the accounts at the earliest Regular correspondence has been taken place and frequent meetings have been held at Govt level However as the finalisation of accounts includes many process some of which not within the control of the Company it becomes difficult to adhere to any schedule However the Nigam has finalised accounts upto 31 3 92 and adopted in the Annual General Meeting held on 18 9 96 Nigam has also completed tentative accounts upto 31 3 95 which are ready for audit and statutory auditors have started the audit work for the year 1992 93 w e f 19 9 1996

The Committee recommend that the state Government should work out a time bound programme to clear the arrears of accounts in the Company

5 Haryana Women Development Corporation Limited

2B 2 Extent of arrears

20 As on 31 March 1994 out of the 24 Government companies in the state only 13 companies finalised their accounts for the year 1992 93 and 11 companies were in arrears for accounting periods ranging from one year to eight years Six of these companies were chronically in arrears and had not finalised their accounts for four years or more as detailed below

Sr No	Name of Company	Period of accounts in arrears
1	Haryana Television Limited	1985 86 to 1991 92
2	Haryana State Minor Irrigation and Tubewells Corporation Limited (HSMITC)	1989 90 to 1992 93
3	Haryana Harjan Kalyan Nigam Limited (HHKN)	1985 86 to 1992-93*
4	Haryana Backward Classes Kalyan Nigam Limited (HBCKN)	1989 90 to 1992 93
5	Haryana Women Development Corporation Limited (HWDC)	1989 90 to 1992 93
6	Haryana Roadways Engineering Corporation Limited (HREC)	1989 90 to 1992 93

One company viz Haryana Television Limited ceased to be a Government company from 1992 93 the remaining five companies were selected for review on delay in the finalisation of accounts

In their written reply the Government/Corporation stated as under

The delay in finalisation of accounts was due to shortage of staff in accounts Branch A proposal to create an internal Audit cell consisting of one section Officer One Auditor and one Clerk was got approved from the BOD in its meeting held on 10 12 1991 The case for creating internal audit cell was referred to the finance Department on 24 3 1992 and further reminded on 17 11 92 21 6 93 and 21 1 94 On personal persuasion it was desired by the Finance Department to submit the proposal through the Bureau of Public Enterprises thus the case was referred to the Bureau on 1 7 1994 and further information regarding staff position as desired by the Bureau in their letter dated 12 1 95 was sent on 4 4 1995

*Accounts for the year 1985 86 finalised in June 1994

The Bureau of Public Enterprises placed this matter in the meeting of standing Committee held on 12.6.1995. The committee considered the proposal and the Corporation was advised that instead of creating the posts for audit the services of some agencies like local fund audit Department should be availed and action is being taken accordingly.

It may be mentioned that in the year 1982-83 the Share Capital of the Corporation was Rs. 31.00 lac and the A.O.S.O. and three Accountants were in position. The activity of the Corporation was to provide financial assistance by way of Loans to Weaker Section of the Society. In the year 1989-90 the share capital of the Corporation was Rs. 174.72 lacs but the staff strength in accounts was the same whereas the activities of the Corporation were expended and implemented Training projects of Cutting & Tailoring, Knitwear, Block & Screen Printing at different places in Haryana under NORAD scheme of Govt. of India. It is thus clear that non sanction of additional staff for additional projects resulted accumulation of arrears of accounts.

The Corporation was very much concerned regarding the need to complete pending backlog of accounts & to overcome this arrear private Chartered Accountants were appointed on 14.2.95. The Corporation is seized off the problem of backlog of Accounts and is taking all possible measures to reduce the same. The latest position of accounts for the year 1989-90, 1990-91, 1991-92 and 1992-93 is given as under.

Sr No	Year	Date on which the request is made to appoint SAs	Date of appointment of SAs	Date of approval of A/Cs from BODs	Date on which balance sheet sent to SAs	Date of receipt of A/Cs from SAs	Date on which audit A/Cs sent to A G	Date on which A/Cs received back	Date of approval in A/C M	Remarks
1	1989 90	14 10 92	4 11 92	22 12 94	6 1 1995	7 12 95	31 1 96	19 8 96	18 9 96	
2	1990 91		31 12 92	24 7 95	17 4 96					The A/Cs for the year 1989 90
3	1991 92		31 12 92	24 7 95	17 4 96					Still awaited from M/s A K Sood & Associates SAs They have been reminded on 11 6 96 and demitted on 19 9-96 to do the needful at the earliest
4	1992 93		31 12 92	28 9 95	17 4 96					

were prepared by the HWDC staff itself on 28 10 94 and put up in the BODs on 22 12 94. The delay of two years is because of non appointment of additional accounts staff and starting of projects under NORAD and STEP. These accounts were further sent to Statutory Auditors on 6 1 95. They required some information vide their letter dated 16 1 95 which was sent to them on 13 3 95 and further reminded on 29 3 95. On 13 10 95 SAs requested to send five copies of Balance sheets duly signed by M D and Chairman which were sent to them on 6 12 95 through special messenger. The accounts after authentication were returned by them on 7 12 95. These accounts were further sent to A G Haryana for certification which have been received back on 19 8 96 and got approved in AGM on 18 9 96.

The delay in preparation of the accounts was due to starting of additional projects under NORAD and STEP without any additional accounts staff. It may be mentioned that there has been very frequent transfers of MDs of this Corporation in the relevant period i.e. 1989 1993 the average tenure of M D was about 3 1/2 months. It is for information that now the accounts of the Corporation for the year 1993 94 and 1994-95 have also been got approved from the Board of Directors in

its meeting held on 22 7 96 and further sent to M/s S C Diwan Statutory Auditors for authentication and report on 4 9 96 and they have been reminded demt officially on 24 9 96 to do the needful Both the Statutory Auditors are being persuaded at personal level In additional the CAG has also been informed immediately on 24 9 96 about the position and requested him to direct the Statutory Auditors to authenticate the balance sheets at the earliest

The Accounts of the Corporation for the year 1995 96 have also been got approved from BODs on 9 9 96 but the Statutory Auditors for the year 1995 96 have not yet been appointed by the company Law Board Govt of India for which requests have been made to the Company Law Board on 4 9 96 & further reminded on 3 10 96 This shows that now the Corporation is taking possible necessary action to settle the backlog It is hoped that the accounts for 3 years 1990 91 1991 & 1992 93 shall be finalised by the current financial year and for the remaining in the next six months These will be subject to authentication of Balance sheets by the Statutory Auditors for which all necessary cooperation from the corporation is being rendered

33

The committee noted that the Company could not prepare its accounts due to shortage of staff and frequent changes of the Managing Directors of the company The Committee recommend that the company may either appoint a qualified chartered Accountant for preparation of accounts or get the accounts prepared on contract basis from private Chartered Accountant so that the arrear can be cleared and no arrear could arise in future

The Committee further recommend that all out efforts be made to clear the arrears within two years under intimation to the Committee

2B 5 Delay in finalisation of accounts

21 The summarised details in connections with finaliazsation of accounts as on 31 March 1994 in respect of the five companies for the period of five years (up to the latest finalised accounts) are given in Annexure I A review of Annexure would reveal that delay in finalisation of accounts for adoption in AGM each year in respect of these five companies was between 11 and 114 months

In their written reply the Government/Corporation stated as under

The delay in finalisation of accounts of HWDc is ranging from 11 months to 37 months. However the accounts upto the year 1994-95 have been completed and got approved from BOD and sent to Statutory Auditors for authentication. On its receipt from SAs these will be sent to A G (Audit) Haryana for certification and after that these will be put up in AGM for approval. Yearwise details of delay of accounts is given as under

Sr No	Year	Date on which the request was made to appointment SAs	Date of appoint ment of SAs	Date of approval of A/Cs from BODs	Date on which balance sheet sent to SAs	Date of receipt of A/Cs from SAs	Date on which audited A/cs sent to A G (A)	Date on which A/cs approval received in AGM	Remarks	
1	2	3	4	5	6	7	8	9	10	11

1 1984-85 1 6 85 14 10 85 31 3 86 19 4 86 22 5 86 28 5 86 25-8 86 The delay

In preparation of accounts was due to shortage of Accounts staff

2 1985-86 12 5 86 4 7 86 25 6 87 22 9 87 10 12 87 27 1 88 29 4 88 17 6 88 In the first

instance the Balance Sheet for the year 1985-86 was got approved from BOD in its meeting held on 30 9 86 and sent to Statutory Auditors on 4 11 86. The Balance Sheet was authenticated by SAs and returned to the Corporation in Feb 1987 with some observations. On the basis of observations raised by Statutory Auditors necessary changes were made in the Balance Sheet and sent to A G (Audit) on 16 2-87 for certification.

The A G (Audit) Haryana pointed out that the changes made in the Balance Sheet on the basis of observations of Statutory Auditors requires approval of BOD. It was then again put up in the BODs meeting held on 25 6 87.

3 1986 87 12 11 86 22 5 87 4 10 88 13 10 88 24 11-88 10-2-89 20 3 89 The delay*
on this account is due to shortage of staff as reported by the Corporation

4 1987 88 17 2 89 8 3 89 4-10 89 26 10 89 4 4-90 18-4 90 15 5 90 30 8 90 Delay of*
*about one year in the preparation of accounts was also due to shortage of staff Statutory Auditors took about 5 months
period to authenticated the Balance Sheet The Balance Sheet was sent to them on 26 10 89 and received back from them
on 4 4 90 In the meantime they were remained on 4 12 89 22 12 89 23 3 90 and 30-3 90 to do the needful

5 1989 90 25 5 90 27 8 90 2 8 91 12 9 91 19 5 92 19 8-92 3 9 92 15 10 92 Two years
period*

has been taken by the Corporation for the preparation of Balance Sheet which was due to shortage of staff Statu
tory Auditors took about 8 months period in authenticating the Balance Sheets The Balance Sheet was sent to them on 3
12 9 91 and further reminded on 26 9 91 14 11 91 to do the needful Statutory Auditors demanded some details on 13 11
91 which were sent to them on 12 12 91 and they were further reminded on 3 1-92 They further asked for some clarifica
tions on 10 1 92 which were given to them on 29 1 92 Finally they returned the balance sheet duly authenticated on 19 8
92

The Committee noticed that the Company has delayed the preparation of accounts which has created a back log
The Committee therefore, recommend that sincere efforts be made to clear the backlog by working out a time
bound schedule under intimation to the Committee

2B 5 1 Delay in completion of statutory audit

22 In terms of Government of India's instructions (April 1987) Statutory Auditors are expected to complete their audit within two months of closure of the accounts by the companies so that supplementary audit under Section 619 (4) of the Companies Act 1956 could be completed by the CAG and audited accounts together with Statutory Auditors' report be placed in the AGM within the prescribed time limit of six months. The table below summarises the time taken by Statutory Auditors for completion of audit each year (interval in certification of accounts between two successive years)

Year of accounts	Haryana Hanjan Kalyan Nigam Limited	Haryana Women Development Corporation Limited	Haryana Backward Classes Kalyan Nigam Limited	Haryana State Minor Immigration and Tube wells Corporation Limited	Haryana Roadways Engineering Corporation Limited
(Months)					
1981-82	24				
1982-83	17				
1983-84	17				
1984-85	6	7	26	16	
1985-86	6	20	13	20	
1986-87		11	17	10	
1987-88		16	27	2	
1988-89		24	6	16	5
Average	14.0	15.6	17.8	12.8	5

The statutory Auditors on an average took 12.8 months (HSMITC) 14.0 months (HHKN) 17.8 months (HBCKN) and 15.6 months (HWDC) for completion of one year's audit.

The reasons for such delay were non-furnishing of requisite information to the auditors by filed units (HBCKN) dispute regarding fixation of remuneration of auditors (HREC) and heavy burden on accounts staff in connection with internal audit work (HWDC).

Such delays could have been avoided had the companies coordinated properly with Statutory Auditors after their appointment.

In their written reply the Government/Corporation stated as under

Para itself explains the delay in finalisation of accounts of the Company. The efforts made by this office in finalisation of Accounts of these years have been explained in Para 2 B 5 above. Full cooperation & coordination was given to the Statutory Auditors.

Now the accounts upto the year 1994-95 have been completed and sent to the Statutory Auditors for their authentication. Full cooperation and coordination is being rendered to them.

The Committee recommend that full cooperation be extended to the Statutory Auditors for completion of audit work and in case the Statutory Auditor is not doing his work in the required manner and delaying the audit work after the accounts are handed over to them in accordance with the provision of section 215 (3) of the Companies Act for audit and certification, the matter may be taken up with the Company law Board/Comptroller and Auditor General of India.

2B 5 2 Delay in holding the AGM

23 Section 171 of the Companies Act 1956 provided that an AGM of a company may be called by giving not less than 21 days' notice in writing or a shorter notice if so consented by all the members entitled to vote. Thus a Government company could hold its AGM within a maximum period of 30 days of receipt of comments of the CAG.

The table below indicates the name of companies, date of issue of non review certificate/comments and date of holding AGM for the last five years finalised accounts.

Sr No	Name of company	Year	Date of issue of non review certificate/ comments	Date of holding AGM	Number of days took to hold AGM
1	Haryana State Minor Irrigation and Tubewells Corporation Limited	1984-85	13-7-1990	10-10-1990	89
		1985-86	10-10-1991	17-12-1991	68
		1986-87	28-7-1992	17-3-1993	232
		1987-88	25-8-1993	29-9-1993	35
		1988-89	7-3-1994	20-5-1994	74
2	Haryana Harjan Kalyan Nigam Limited	1980-81	6-1-1989	25-9-1989	262
		1981-82	14-9-1990	21-12-1990	98
		1982-83	23-1-1992	30-3-1993	432
		1983-84	12-7-1993	26-11-1993	137

		1984 85	25 1 1994	18 5-1994	113
3	Haryana Backward	1984 85	11 10-1988	16 1 1989	97
	Classes Kalyan	1985-86	21 11-1989	27 12 1989	36
	Nigam Limited	1986 87	25 2 1991	9 4 1991	43
		1987 88	11 6 1993	24 8 1993	74
		1988 89	7 3 1994	30 5 1994	84
4	Haryana Women	1984 85	28-5 1986	25 8 1986	89
	Development	1985-86	29 4 1988	17 6 1988	49
	Corporation	1986 87	10 2-1989	20-3-1989	38
	Limited	1987 88	15 5 1990	30 8 1990	107
		1988 89	3 9 1992	15 10 1992	42
5	Haryana Roadways	1987 88	16 3 1992	6 5 1992	51
	Engineering	1988 89	9 9 1992	1 10 1992	22
	Corporation				
	Limited				

The companies failed to hold their AGM within 30 days except in case of HREC for the year 1988 89. The companies took 35 to 432 days to hold their AGMs. This adversely affected the clearance of arrears of accounts.

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

The reasons for delay in holding AGM is explained as under -

Year	Date on which the case was put up for fixing the date of meeting	Date on which chairman given the date of meeting	Meeting fixed on	Remarks
1984 85	6 6 86	25-7 86	18 8 86	Postponed and held on 25 8 86. It could not be held earlier as the chairman was on tour.
1985 86	3 5 88	20 5 88	17 6 88	Short delay
1986 87	14 2 89	17 2 89	20 3 89	Short delay
1987-88	29 5 90	30 5 90	10 7-90	Adjourned due to quorum and fixed on 17 7 90 M D proceeded on

leave and new
M D put up the
case to the
Chairman on
8 8 90 The
Chairman on
16 8 90 fixed the
meeting on
30 8 90

1988 89 17 9 92 22 9 92 15 10 92 Short delay

The Committee recommend that the AGMs must be held within the minimum possible period after receipt of comments etc from the Comptroller and Auditor General of India

2B 7 Steps taken by Government

24 The Government exercises its control over the companies through the concerned Administrative Department and the Finance Department. The Bureau of Public Enterprises (BPE) is the nodal agency which reviews the working of the companies on behalf of the Finance Department.

In terms of Memorandum and Articles of Association of these companies the Government has the powers to issue directives in the interest of the company. To fulfil these obligations the Government was expected to take concrete steps to ensure that the accounts of the companies were finalised in due time.

On the basis of the lists of defaulting companies furnished by the Accountant General Haryana to the Chief Secretary and Bureau of Public Enterprises every six months from April 1984 onwards directions were issued by the Government from May 1984 onwards for expediting the finalisation of accounts but the matter was not followed up. In December 1986 the Commissioner and Secretary to Haryana Government Social Welfare Department informed the Accountant General that the accounts of HHKN for the year 1981 82 would be finalised during 1986 87 and targets were fixed so as to complete the finalisation of accounts for the years from 1982 83 to 1984 85 during the year 1987 88 and for the years from 1985 86 to 1987 88 during 1988 89. Follow up action was not taken to adhere to these targets and till June 1994 accounts only up to year 1985 86 were finalised.

The Managing Director of HWDC proposed to follow the following time schedule for finalisation of accounts for the four years up to 1992 93

Year of account	To be put up before the Board of Directors	To be placed before AGM
1989 90	March 1992	June 1992
1990 91	September 1992	December 1992
1991-92	March 1993	June 1993
1992 93	September 1993	December 1993

Till July 1994 none of the above accounts were finalised

It was observed that before fixing time bound programmes no study was made to ascertain the reasons for failure of these companies to finalise the overdue accounts. The target dates were fixed presumably on the basis of assurance from the Management and not on the basis of realistic assessment of reasons of delay or the Management's ability to achieve the targets.

In order to help companies in overtaking the arrears of accounts Statutory Auditors were appointed as a special case for two or more years in some of these companies on the advice of CAG of India. This advance action had not made any impact on the arrear position and none of the Companies had been able to overtake the arrears.

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

This Corporation has been actively pursuing the finalization of accounts as per proposed time Schedule. The Schedule was proposed with an understanding that the staff demanded for Internal Audit Cell as approved by the BODs in its meeting held on 10.12.91 would be provided. But the same has not been sanctioned. Thus the Schedule given by M.D. turned out to be unrealistic. Additional projects under NORAD and STEP were also started without any additional Accounts Staff which resulted the accumulation of arrears of accounts otherwise the staff in position was preparing the accounts upto 1988-89 regularly with some delay. The short incumbency of Managing Director of this Corporation was also one of the reason for delay. The steps have been taken to overcome the delay in finalization of accounts by appointing Chartered Accountants on 14.2.1995 for preparing Balance Sheets and after their appointment the delay has been sufficiently reduced.

Now the accounts upto 1994-95 have been got approved from BOD and further sent to Statutory Auditors for authentication and report thereon. They are being persuaded to authenticate the same. The accounts for the years 1995-96 have also been prepared and got approved from the BOD in its meeting held on 9.9.96 which have been kept pending for want of appointment of Statutory Auditors for

which request has been made to company Law Board Govt of India All necessary assistance is being given by the Corporation in this regard

The Committee recommend that the Government should provide sufficient accounts staff to the Company for preparation of accounts and a time bound programme be prepared to clear the arrears of accounts under intimation to the Committee

HARYANA ROADWAYS ENGINEERING CORPORATION LIMITED

6

25 A chapter regarding delay in finalisation of accounts of Haryana Roadways Engineering Corporation was included in Report of the Comptroller and Auditor General of India for the year 1993 94 (Commercial) The Financial Commissioner and Secretary to Government Haryana Finance Department supplied a set containing two copies (one each in Hindi & English version) of the report for initiating action on the report within a period of three months to the Financial Commissioner & Secretary to Government Haryana Transport Department vide his letter No 34/1/95 2B & C dated the 24th March 1995 The Commissioner and Secretary to Government Haryana Transport Department was also requested by the Haryana Vidhan Sabha Secretariat vide letter No 31/CPU/1996 97/12187 dated the 12th July 1996 to send the required information with regard to the concerned audit paragraph in a new modified format as suggested by the Shakti Committee The Committee is sorry to observe that inspite of subsequent reminders by the Haryana Vidhan Sabha Secretariat what to speak of sending replies the said department/corporation did not even care to acknowledge the letter or send any interim reply for the information of the Committee Non observance of the instructions by the department/corporation speaks for itself **The Committee, therefore, recommend that an enquiry for the callous attitude of the department/corporation may be ordered by the Chief Secretary and the officers/officials who are accountable for the job and responsible for expediting the replies may be proceeded against and intimation may be sent to the Committee within a period of three months besides expediting the required replies**

**HARYANA STATE ELECTRICITY BOARD
(REVIEW)**

3

26 The working of Haryana State Electricity Board was reviewed by the Accountant General (Audit) Haryana and accordingly a chapter relating to Haryana State Electricity Board was included in the Report of the Comptroller and Auditor General of India for the year 1993 94 (Commercial) The Financial Commissioner and Secretary to Government Haryana Finance Department supplied a set containing two copies (one each in Hindi & English version) of the report for initiating action on the report within a period of three months to the Financial Commissioner and Secretary to Government Haryana Irrigation and Power Department and Haryana State Electricity Board vide his letter No 34/1/96 2B & C dated the 24th march 1995 The Financial Commissioner and Secretary to Government Haryana Irrigation and Power Department was also requested by the Haryana Vidhan Sabha Secretariat vide letter No 33 CPU/1996 97/12248 dated the 15th July 1996 to send the required information with regard to the concerned audit paragraph in a new modified format as suggested by the Shakhder Committee The Committee is sorry to observe that inspite of subsequent reminders by the Haryana Vidhan Sabha Secretariat what to speak of sending replies the said department/board did not even care to acknowledge the letter or send any interim reply for the information of the Committee Non observance of the instructions by the department/board speaks for itself **The Committee, therefore, recommend that an enquiry for the callous attitude of the department/board may be ordered by the Chief Secretary and the officers/officials who are accountable for the job and responsible for expediting the replies may be proceeded against and intimation may be sent to the Committee within a period of three months besides expediting the required replies**

HARYANA STATE MINOR IRRIGATION & TUBEWELLS CORPORATION

4 1 2 Unfruitful expenditure on lining of a watercourse

27 The Company under a World Bank sponsored project lined a watercourse at RD 7168 R Jahangirpur Minor in April 1986 for a length of 10490 feet at a cost of Rs 2 44 lakhs as against the total length of 11719 feet at an estimated cost of Rs 2 89 lakhs. The watercourse could not be completed up to full length because beneficiaries disputed its alignment. To avoid leakage of water from the watercourse a sum of Rs 0 02 lakh was spent in January 1988 on special repairs. Even then the beneficiaries continued to complain about the faulty construction of the watercourse. The Sub Divisional Officer Rohtak intimated (July 1991) that the watercourse required remodelling as there were differences between the constructed bed level and the designed bed level. The bed level was constructed 0 02 metre to 0 20 metre lower than the designed level.

In order to redress the grievances of the beneficiaries the Executive Engineer Rohtak submitted (March 1992) an estimate for Rs 1 65 lakhs for special repairs through Superintending Engineer Rohtak in July 1992 to the Chief Engineer (Lining) Chandigarh. The Chief Engineer desired (July 1992) to fix the responsibility for wrong construction and asked to submit a proposal for remodelling of the watercourse. While the matter regarding fixing of responsibility was under process the Executive Engineer submitted (October 1992) a revised estimate of Rs 2 13 lakhs for special repairs (including labour component) as beneficiaries were not coming forward to provide voluntary labour as was being done earlier.

The Chief Engineer accorded (February 1993) administrative approval for special repairs subject to the condition that expenditure would be recovered from the defaulters after disciplinary proceedings. Two Sub divisional officers responsible for faulty construction had already retired (July 1992) and two junior engineers were to be chargesheeted for their lapse (July 1994). The work of special repairs had not been taken up (April 1994).

Due to faulty construction the watercourse could not be put to use from the very beginning and resulted in unfruitful expenditure of Rs 2 46 lakhs incurred on its lining.

Neither the work of repairs/remodelling was taken up nor any action against the delinquent officials taken (June 1994).

The matter was reported to the Company and Government in June 1994. Their replies had not been received (November 1994).

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

The following Junior Engineers have been charge sheeted for the

loss and the position of the cases is mentioned against each

(i) **Shri Dalip Kumar J E** The J E has been charge sheeted vide this office No 539 /Lg dated 9 2 1995 for the loss of Rs 61 000 The J E has submitted his reply to the charge sheet The copy of the same has been sent to S E Bhiwani Lining Circle MITC Bhiwani for his annotated comments The comments of the S E are awaited The case shall be finalised on receipt of comments

(ii) **Shri Jagdish Ahlawat J E** The J E has been charge sheeted for the loss of Rs 1 66 713 vide this office No 538/Lg dated 9 2 1995 The J E has submitted reply to the chargesheet which has further been sent to S E Bhiwani Lining Circle Bhiwani for his comments The comments of the S E are however awaited The case shall be finalised on receipt of comments from the S E who is being asked time and again

The Committee was shocked to note that the incident took place in the year 1988 but two J Es held responsible were charge sheeted in the month of February 1995 No action on the concerned SE and XEN who were also party to the incident had been taken and they have since retired The Committee is of the view that both SE and XEN alongwith two JEs should have been held responsible as both the said officers totally failed to point out the discrepancy as they were liable to visit the site from time to time before completion of the work

The Committee viewed it seriously and recommend that cases against both the JEs be finalised and recovery process from them be started immediately under intimation to the Committee

The Committee further recommend that aspect of filing Civil Suit against the concerned SE and XEN, who have since been retired, for recovery of loss caused due to their negligence, be examined and the Committee be intimated of the outcome of the case

HARYANA BREWERIES LIMITED

4 2 1 Sale without any security and non pursuance of debt

28 The Company was supplying beer to a firm of Swai Madhopur on terms of sale approved by the Company from time to time. Formal agreement was not entered into with the firm. Even bank guarantee or security was not obtained from the firm to safeguard the Company's interest.

A test check in audit revealed (December 1993) that the Company supplied 3475 dozen bottles of beer valued at Rs. 4.15 lakhs to the firm during the period from May 1991 to October 1991. The firm said (September/October 1991) a sum of Rs. 1.12 lakhs by cheque and Rs. 1 lakh by two bank drafts. The cheque for Rs. 1.12 lakhs was dishonoured by the firm's banker, thereby leaving an outstanding balance of Rs. 3.15 lakhs against the firm. No legal action was, however, taken against the firm for dishonoured cheque.

The firm ceased on 31 March 1993 to be a licensee on the implementation of new excise policy (1993-94) and was not traceable.

The recovery of outstanding amount was not pursued with the firm by the Company during the period from November 1991 to March 1993. The outstanding amount of Rs. 2.68 lakhs (after allowing rebate aggregating Rs. 0.47 lakh) was written off by the Board in August 1993.

Thus, due to non-obtaining bank guarantee/security and non-pursuance of recovery of outstanding amount from the firm, the Company was put to a loss of Rs. 2.68 lakhs.

The matter was reported to the Company and Government in June 1994; their replies had not been received (November 1994).

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

It is to inform that there is no practice of getting any security in the liquor trade. The supplies were made against the duty paid permits/bond permits and some payments were received also. Subsequently, the firm ceased to be a licensee on implementation of new excise policy and the party was not traceable. In the circumstances, the recoveries could not be effected and as a result, the amount outstanding in the account was written off. It is pertinent to mention that 2.5 to 5% debtors prove to be bad and as such are generally written off. The decision of the Management to write off the bad debts was in view that no good money be spent on bad money and thus to avoid the avoidable expenditure on such debts. In view of the facts, the para may kindly be dropped as now the party is no more traceable and further the transaction with party had been as per the normal practice prevailing in the trade. It is pertinent to mention that now

H B L has been privatised and as such the para may not be pursued

The Committee noticed that formal agreement was not entered into by the Company with a firm of Swai Modhopur for supplying 3475 dozens Bottles of Beer valued at Rs 4 15 lacs during the period from May 1991 to October 1991 Neither any gurantee nor security was obtained from the firm to safe guard the interest of the Company The Committee could not understand as to why no legal action was initiated by the Company when the firm's cheque amounting to Rs 1 12 lacs was dishonoured The Committee also noticed that the case of recpvery of outstanding amount was not pursued by the Company during the period from November 1991 to March 1993 The Committee observed that loss to the Company could have been avoided if the action was initiated by the Company when the cheque was dishonoured

The Committee therefore, recommend that legal action be initiated against the officer/officials who failed to initiate legal action against the firm when their cheque was dishonoured The action taken be intimated to the Committee

4 2 2 Extra expenditure on the purchase of bottles

29 The Company placed (January 1992) an order on Ballarpur Industries Limited New Delhi for the supply of 50 lakh bottles as per the supply schedule to be forwarded by the Company at the landed cost of Rs 3278 09 per thousand bottles The landed cost came down to Rs 3070 93 per thousand bottles due to decrease in excise duty from 1 March 1992 As per terms of the supply order the Company was allowed 30 to 60 days credit beyond which interest at the rate of 24 per cent per annum was payable to the firm In case the supplies were delayed beyond the scheduled date of delivery the Company could arrange the suplies at the risk of the firm

Upto the end of August 1992 the firm had supplied 14 35 lakh bottles as against 28 lakh bottles to be supplied up to June 1992 Further the Company asked (November/December 1992) the firm to supply 35 lakh bottles during the period from December 1992 to February 1993 but the firm did not supply the bottles

A meeting was held with the firm on 18 February 1993 The firm contended that non payment of its dues and resultant interest due to delay in payment had rendered the contract null and void The firm offered to waive the interest and agreed to supply three lakh bottles to which the Company agreed The firm supplied 3 10 lakh bottles in March 1993 The action of the Company was tantamount to waiving its rights under the supply order as any delay in payment of dues of the firm did in no way render the supply order which already contained a provision for levy of interest on delayed payments null and void

In the mean while the Company had invited (January 1993) fresh tenders for the purchase of bottles and had placed (January 1993) orders for 115 lakh bottles on three firms (including Ballarpur Industries Limited New Delhi for 15 lakh bottles) at landed cost of Rs 3493 48 per thousand bottles. After reduction in excise duty from 1 March 1993 the landed cost worked out to Rs 3381 59 per thousand bottles.

Thus the Company had compromised to its disadvantage. Had the Company insisted upon the firm to supply the remaining quantity of 32 55 lakh bottles as per the supply schedule or gone in for risk purchase in terms of the supply order of January 1992 it could have saved Rs 6 92 lakhs after excluding interest of Rs 4 lakhs payable to the firm at 24 per cent per annum.

The matter was reported to the Company and Government in July 1994 their replies had not been received (November 1994).

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

It is to inform that the cancellation of the order was a commercial decision as a measure of compromise where HBL received about 3 00 lakh bottles at the old rate while further 15 00 lakh bottles were purchased at the new negotiated rate. The party had not pressed for interest. HBL had not paid in time and as such there was a failure on the part of HBL.

It is pertinent to mention that had HBL not compromised the production target of 1992 93 would not have been achieved.

The decision taken was in the larger interest of HBL and as such the para may not be pursued. Further it is to mention here that HBL has been privatised. The decision was taken by the committee of senior officers and there was no malafide on any part.

The Committee observed that the Firm was bound to supply 50 lacs of Bottles at the old rates as per the purchase orders of January 1992. **The Committee, therefore, recommend that reasons for not insisting the supplier to supply the material as per purchase order without compromising with the supplier to the disadvantage of the Company, be intimated to the Committee. The Committee further observed that responsibility of the officer concerned who did not protect the interest of the Company be fixed under intimation to the Committee.**

HARYANA AGRO INDUSTRIES CORPORATION LIMITED

4 5 1 Loss in the sale of Sarson ka saag

30 The food and fruit processing plant of the Company at Murthal engaged in the production of various food and fruit products for sale at home and abroad since July 1976 offered (April 1992) its rate FOR destination exclusive of excise duty and sales tax for supply of Sarson ka saag (Sagg) at Rs 24 32 per kg packed in cans in response to a tender inquiry floated by the Army Purchase Organisation New Delhi (defence authorities) On acceptance of offer (May 1992) by the defence authorities the Company agreed to supply 85 tonne Saag in November 1992 (40 tonnes) and December 1992 (45 tonnes) as per ASC Specification No 197 The Company also furnished (July 1992) a bank guarantee of Rs 2 07 lakhs in favour of the defence authorities for fulfillment of the contract

As the Company failed to supply 40 tonne Saag in November 1992 the defence authorities extended (8 December 1992) the delivery period (of 40 tonnes) upto 31 January 1993 without prejudice to the rights and remedies available to them under the terms and conditions of the contract

The Company offered 70 65 tonne Saag for inspection between December 1992 and February 1993 The defence authorities rejected the material as its samples did not conform to the ASC Specification

The defence authorities however agreed (April 1993) to accept 45 46 tonne Saag on 20 per cent price reduction in writing The Company agreed (May 1993) for reduction in price which worked out to Rs 2 21 lakhs Besides the defence authorities levied a penalty of 0 52 lakh for late delivery of the material Out of total quantity of 70 83 tonnes produced 23 82 tonne Saag (excluding quantity of 1 55 tonnes sold and issued as samples) valued at Rs 5 79 lakhs was awaiting its disposal (July 1994)

Thus the Company had to bear a loss of Rs 2 73 lakhs due to non production of the Saag conforming to ASC Specification No 197 and delayed supply

Responsibility for the lapse and the loss had not been fixed by the Management (July 1994)

The matter was reported to the Company and Government in June 1994 their replies had not been received (November 1994)

In their written reply the Government/Corporation stated as under

This was the first supply order of Sarson ka Saag to HAIC from Army The offer was accepted in May 92 There are certain conditions which needs to be fulfilled in supplies to the Army Purchase Organisation The first condition is inspection of hygiene The Army

authorities were requested for inspection to approve the factory for hygienic condition and technical capability vide letter no FP/DGM/92 93/1991 dated 13 10 92. Our officers visited the concerned inspecting officers again & again to inspect the factory at the earliest as the season of raw material had already started. When no Inspector came again a request was sent on 7 11 92. The Army authorities finally conveyed the exemption of the factory from the condition of initial hygienic inspection in the last week of Nov 92. By this time the farmers who were contacted for supply of Sarson Ka Saag started doubting our commitment. It was further aggravated by start of maturity in stems of Sarson and the farmers sold their Saag elsewhere or early crop was matured and became unfit for use as Saag. On receipt of permission the production was started in Dec but the quantity of desired quality of Raw Saag was not available to meet the total requirement of factory at this belated stage and whatever quantity was available daily the same was canned. Thus production lingered on upto Jan 92. In Jan the quality of Raw Sarson ka Saag had already changed its taste and was not found to be suitable due to hardness in the stems and leaves. Thus the plant could produce only 70 63 tonnes Sarson ka Saag as against the total order of 85 MT. The consignment was rejected on the ground that the samples did not conform to ASC Specifications. An appeal was made to APO. Finally the APO accepted 45 46 tonnes Sarsons ka Saag on 20% price reduction. There was no option with the organisation but to accept the price reduction. There is a common complaint with regard to the supplies to the Army through out India particularly in food products that they reject the consignment on the first instance and then on appeal agree to accept the consignment with cuts/price reduction. The Corpn had to fall in line with the prevailing conditions/practice otherwise the only option is not to bid for Army Supplies.

This is an accepted fact that due to late production the proper quality of raw material could not be available and certainly it had effected taste of the Saag. The delay was on part of the APO in hygienic inspection or in the grant of exemption from pre inspection. In spite of complaints of APO the Sarson ka Saag was liked by the public and Corporation has sold about 10 000 cans after rejection and upto March 96 in spite of the fact that cans manufactured for APO are not labelled and special marketing in black ink are done and there is limited clientele of canned Saag in the country and that too is the packing of 450 gms whereas our product was in 850 gms cans. The sale of such a large quantity in the market is a clear indicator that quality was quite good even after one year of the production. The following technical objections were raised in the rejection report

- 1 Net weight below specification limit
- 2 %age of fat in the total content of individual cans less than the specified limits
- 3 Not properly prepared
- 4 One can did not withstand the incubation test at 55 C
- 5 Warranty/expiry not marked

Pointwise position is follows

There might be minor variation in the weight in each can due to manual filling. Such variation are bound to occur even in automatic filling due to various reasons like different varieties/quality of leaves of Sarson ka Saag and Palak and other ingredients. This variation is not possible to be controlled /ascertained.

- 2 The fats are mixed in the kettles while preparing the Saag. Fat is light in weight in comparison to Saag. It surfaces on top layer and makes its equal mixing impossible and thus in some cans fat contents were more and in some cans fats might be slightly less than the prescribed. 100% uniformity is not possible in such type of products.
- 3 The product was manufactured strictly as per the procedure and norms laid down by the purchaser.
- 4 The contents of point No. 4 of test report was contested in appeal. The Board was constituted consisting of two officers from composite food lab /ASC Delhi and one from Haryana Agro Food & Fruit Processing Plant, Murthal. The Board conducted inspection of the total cans. The following findings were given vide their confidential report No. FLD/122/5859/A/IR dated 30.3.93 and 31.3.93.
 - (a) Consignment surveyed checked
 - (b) No leaky, bulged (puffed), heavily dented tins were noticed except for few slightly dented and tins with slightly rust along the seams of the cans noticed at the time of inspection.
 - (c) Consignment duly cordoned, sealed and pasted with stock card lying in firms godowns.
 - (d) Warranty/expiry will be stencilled on CFC at the time of despatch as the same is effected from the date of acceptance.
 - (e) Strapping of the CFC will be done at the time of despatch.

So it is obvious from the inspection note that no puffed/bulged cans noticed were during the 100% inspection of each lot. Moreover the contractual period has been over and no complaint/claim is received.

from CFL nor from their supply depot where the material was supplied. The CFL has submitted his final inspection report of whole quantity on August 1994 for release of final payments as no complaint was received from ASC supply depot on expiry of warranty period.

- 5 The warranty/expiry is counted/effectuated from the date of acceptance of the material by the ASC/CFL. It is not pre-fixed as to when the material will be accepted/lifted. Due to this the marketing is always done at the time of despatch. A photo copy of APO bearing No J 13064/3/122/92 Para II dated 19.12.93 is enclosed for ready reference.

From the above details it is very clear that management has taken all the precautions and acted promptly and nowhere lacked in its efforts in timely supplies. The circumstances created were not under the control of the Management and when the organisation has to do business such loss/such incidence cannot be avoided or otherwise the organisations will be out of the market.

However the Management has taken due note of the audit observation and would further strengthen its organisational skill to avoid occurrence of such quality cuts to the maximum extent. It is also mentioned that cuts cannot be eliminated totally in Army supplies. It has become a convention/fashion that the army authorities on one point or other impose cut and the entire trade has accepted this way of working.

During the discussions it was admitted by the representative of the Government that the Corporation failed to mark the date of manufacturing date of expiry and Batch Nos. on the cans of Sarsoan ka Saag and the Saag was sold in the market even after the expiry period i.e. in the year 1995 or 1996. The Govt. also agreed to take action against the defaulting officers under whose orders the said product was sold after the expiry period and also who failed to mark the date of manufacturing date of expiry and batch Nos.

The Committee recommend that action be taken against the erring officers/officials responsible for the non production of Saag conforming to ASC specifications and for the delayed supply under intimation to the Committee.

HARYANA STATE ELECTRICITY BOARD

4 7 1 Extra expenditure on the acquisition of land

31 On the request of the Board the Gram Panchayat Adampur resolved on 8th November 1982 to sell 4 25 acres of land at the then prevalent market rates. The possession of the land was taken in November 1982 by the Board.

The Board after two years requested (November 1984) the DC Hisar to intimate the market rate of the land prevailing during 1982 83. The DC Hisar intimated (October 1985) the rate of land at Rs 0 20 lakh per acre. The Board requested (March 1986) the Gram Panchayat to receive the payment and get the land registered in favour of the Board.

The Gram Panchayat declined (March 1986) to accept the payment and demanded Rs 0 50 lakh per acre. The Superintending Engineer Construction Hisar directed (April 1986) the Executive Engineer Civil Works Division Hisar to deposit the amount at the rate of Rs 0 20 lakh per acre with the DC Hisar for onward disbursement to the Gram Panchayat but no action was taken by the latter to deposit the amount. The Gram Panchayat resolved in February 1988 and March 1988 to sell the land at Rs 1 lakh and Rs 1 04 lakhs per acre respectively. Subsequently the Chairman of the Board directed (March 1993) to ascertain latest prevailing market rates and make payment to the Gram Panchayat. The Executive Engineer Civil works Hisar after ascertaining the prevalent market rate from the DC Hisar made payment (November 1993) aggregating Rs 13 81 lakhs at the rate of Rs 3 25 lakhs per acre prevailing during June 1993. The extra expenditure on the purchase of land worked out to Rs 11 30 lakhs (excluding the cost of land and interest thereon).

The Board had taken 11 years in settling the payment of land. Thus due to non finalisation of the sale at the time of possession of land in November 1982 the Board had to incur an extra expenditure of Rs 11 30 lakhs in the purchase of land.

The matter was reported to the Board and Government in August 1994 their replies had not been received (November 1994).

In their written reply the Government/Board stated as under

The payment of land was made after approval of the then Chairman HSEB in 1993 that payment be made after ascertaining cost of land from DC Hissar. The transfer deed (Intkal) could not be got executed earlier as payment was not made by then whereas payment could not be made till the approval of the Financial Commis

sioner & Secy to Govt Haryana is received also giving the market rate and area of the land acquired. The approval of the rates and area of land of the Financial Commissioner was received on 4.2.94 at the rate of Rs 3.25 lacs per acre.

In this regard it is however further stated that the Sarpanch Gram Panchayat Adampur was informed by the Xen/Civil Works Divn Hisar that the HSEB has not taken the possession of land according to dimensions given in the resolution passed by the Panchayat. Sarpanch was also requested by the SE/TCC I Hisar vide his letter dated 2.12.85 to get measured the land from the Revenue Deptt. The land was got measured at site and found to be as per Civil layout plan as confirmed by the SDO/Civil Works S/D Sirsa vide his letter dated 5.2.86. The DC Hisar vide his letter dated 3.10.85 intimated the rate of land as Rs 0.20 lacs per acre and the Gram Panchayat was requested to intimate the date on which the payment of land be made and get it registered in the name of HSEB by the SDO/Civil Works S/D Sirsa vide his letter dated 13.3.86 and by the Xen Civil Works Divn Hisar vide his letter dated 18.3.86. Accordingly DO/Civil Works S/D Sirsa was deputed to get all the formalities in this case completed but the Gram panchayat did not accept the payment on the rates as intimated by the DC Hisar.

When informed to the SE/TCC Hisar in April 86 he directed the Xen/Civil Works Divn Hisar to take up the matter with the DC Hisar for depositing the amount. The Xen took up the matter with BDO Adampur with a copy to DC Hisar as well as the Gram Panchayat to accept the cost of land on the rates intimated by the DC Hisar. The officer incharge Panchayat AGA was also requested by the Xen during 6/86 and 5/88 and the SE during 5/88 to stress upon the Panchayat to accept the payment but the Gram Panchayat instead through their resolution dated 8.2.88 demanded higher rate i.e. Rs 1.00 lac per acre. Thereafter the matter was referred to the Board on 28.7.92 and payment was made as stated above in Nov 1993 as per the rates (Rs 3.25 lacs/acre) intimated by the DC Hisar vide his letter dated 6.7.93.

In view of above it is clear that all out efforts were made by the Board's officers to make the payment to the Gram Panchayat and there is no point of lapse in this case whereas the HSEB has not suffered any loss on this account as it has used the land for its system for about 11 years without making any payment but instead also saved interest for 11 years.

The Committee is of the view that the matter has unnecessarily been delayed by the Board and payment has been made after a period of 11 years. It would have been better had the Board ascertained the market rate from the DC Hisar before taking the possession of land in the year 1982. **The Committee, therefore, recommend that an inquiry be conducted for the delay in finalisation of sale of land on the pretext that the prevalent market rate was to be ascertained from the DC Hisar time and again and report in this regard be sent to the Committee.**

4 7 2 Avoidable payment of penal interest

32 The Board has been obtaining cash credit facility from State Bank of Patiala (hereinafter referred to as Bank) As per the directives of Reserve Bank of India the borrower enjoying credit facilities for its working capital was required to submit quarterly statements of stocks and store in the proforma prescribed by Bank under the Quarterly Information System (QIS) to the Bank and also to furnish and verify statements reports returns certificates and information as required by the Bank

The Bank requested the Board from time to time to submit stock statements under QIS The Board however requested (September 1987) the Bank to take up the matter of submission of returns with Reserve Bank of India as it was not in a position to supply quarterly statements because its accounts were being compiled at the end of financial year This plea was not accepted by the Bank and Board was asked (November 1988) to submit the quarterly information statements regularly within the prescribed time periods failing which penal interest at the rate of one per cent per annum on the daily balances of loans outstanding was to be charged by the Bank

The Board did not file the returns containing three forms for the last three quarters ended March 1991 within the prescribed time The Bank debited (May 1991) Board's account with penal interest aggregating Rs 5 90 lakhs Subsequently the Board started submitting the return under QIS regularly

Thus failure of the Board to submit quarterly information statements as agreed to with the Bank while availing cash credit resulted in avoidable payment of penal interest amounting to Rs 5 90 lakhs

In reply to an Audit query the Board stated (September 1993) that the matter for refund of penal interest had been taken up (June 1991) with the Bank The refund had however not been made by the Bank (February 1994)

The matter was reported to the Board and Government in May 1994 their replies had not been received (November 1994)

In their written reply the Government/Board stated as under

- 1 The Q I S date to be submitted by the Board to the State Bank of Patiala relates to Board's actual financial performance during each quarter and the quarterly information for the quarter ending March June September and December is required to be submitted within 6 weeks from the close of the quarter Similarly the Half Yearly Operation and funds statement is required to be submitted within 2 months from the close of the Half Year The quarterly information contains the value of current assets as well as current liabilities under various heads of accounts for each quarter Where as the

half yearly operation and funds flow statement incorporates information indicating under several heads of accounts the flow of funds and increase/decrease in current/fixed assets as well as liabilities

- 2 As per section 69(i) of the Electricity (Supply) Act 1948 reproduced as under the Board is to compile the Accounts annually

The Board shall cause proper accounts and other records in relation thereto to be kept including a proper system of internal check and prepare an annual statement of accounts including the profit and loss account and the balance sheet in such form (as the Central Government may by notification in the Official Gazettee prescribe by rules made in this behalf in consultation with the comptroller and Auditor General of India and the State Government)

- 3 Therefore the Q I S date can not be prepared quarterly/half yearly as the Board's Accounts are compiled annually and various statements/schedules are also prepared annually
- 4 As such the issue regarding submission of quarterly data has been under discussions/correspondence with Bank. This was also discussed in the Consortium Meeting held on 23.9.1987 and the Board's inability to submit the data was expressed. The relevant extract from the minutes of the meeting is reproduced as under

Quarterly Information System. The Board advised that they are not in a position to supply this information because their accounts are compiled only at the end of the financial year. The Board would write to State Bank of Patiala in detail in this regard and they requested State Bank of Patiala to take up the matter with the Reserve Bank of India on the basis of their communications to which the participants agreed.

- 5 Subsequently the issue was also discussed by F A /HQ HSEB in their Head Office Patiala. The submission of QIS data was not too much insisted and the Bank agreed to make the reference to Reserve Bank of India of their own. However the State Bank of Patiala vide their letter No. CAO/BKA/11156 dated 22.11.88 on the directions of the Reserve Bank of India insisted to start submitting the quarterly information on the prescribed form as detailed below and failure to submit the same penal interest of at least 1% p a for the period of default was leviable.
 - (i) Form 1 to be submitted from the commencement of the quarter to which the statement relates
 - (ii) Form 2 to be submitted within 6 week from the close of the quarter to which the statement relates

- (iii) Form 3 to be submitted within 2 months from the close of half year
- 6 This issue again remained under discussions and penal interest due to non submission of QIS data was not levied by the Bank immediately after issue of their letter dated 22-11 88. It was only on 13.5.91 and 31.5.91 when the bank suddenly charged penal interest for the quarter ending 12/90 and 3/91 i.e. after more than 2 years of the issue of their letter dated 22.11.88.
 - 7 As already explained above, there is no provision in the Electricity (Supply) Act 1948 to prepare monthly/quarterly/half yearly Balance Sheet and connected statement/schedules etc. There is also no system in the Board to prepare the Balance Sheet as such. Still to comply with the instructions of Reserve Bank of India and to avoid levy of penal interest of 1% or to reduce the amount of penalty, efforts were made to get some data from the Monthly Accounts and by adding some presumed figures the Q I S data was/is being submitted to the Bank since June 1991 and no penal interest has been charged thereafter. This is solely with the object to save/to reduce the penal interest while the data so submitted is open to challenge in case the Bank studies the same thoroughly which would put the Board in most awkward position.
 - 8 In fact the submission of quarterly data to the Bank is applicable in respect of Commercial Houses having centralised one accounting unit and also compiling the balance sheet quarterly/half yearly under the Companies Act etc. while the same may not be logically applicable in case of State Electricity Boards having about 100 Nos. accounting units with 400 Sub accounting units scattered all over Haryana. The compilation of the accounts at the accounting unit level and also at the Head Office Level is to take sometime and as such the payment of penal interest was under unavoidable circumstances.
 - 9 The A G's office is well conversant about the system of accounting prevailing in the Board. The Board rather requested A G's office vide letter no. FA/HQs Funds/FS-196/1547 dated 6-9-93 to suggest any method by which the Board can submit the data correctly within 6 weeks from the close of the quarter and within 2-weeks from the close of half year to the Bank in time to save the interest in future. But no response has been received.
 - 10 Thus the penal interest amounting to Rs. 5.90 lacs was paid due to unavoidable circumstances.

The Committee noticed during the oral examination of the representatives of the Government that the Board had failed to submit the quarterly

information system to the Bank as agreed to by it in an agreement of cash credit facility

The Committee, therefore recommend that the responsibility of the concerned officer/official be fixed who have failed to submit the position of stock and store at the end of each quarter ending on September 1990, December 1990 and March 1991 to the Bank due to which the Board has to pay penal interest of Rs 5 90 lakhs

4 7 4 Loss due to non replacement/delay in dismantlement of copper conductor

33 To prevent theft of costly material the Board decided (July 1972) that the copper conductor lines in the field be replaced with Aluminium Conductor Steel Reinforced (ACSR) Accordingly instructions were issued to all engineering officers of Operation organisation in July 1973

Executive Engineer Operation division I Hisar did not comply with the instructions of the Board till August 1989 In October 1989 he requested Chief Engineer (Planning) Panchkula to accord approval for dismantlement of Hisar Agroha 33 KV copper conductor line which was idle since January 1984 Chief Engineer (Planning) observed (November 1989) that Hisar Agroha Adampur line would be required to feed 33 KV Sub station Siswal

In view of the decision of the Chief Engineer (Planning) the Executive Engineer Operation Division I asked (January 1990) the Sub station Engingger to frame a special estimate for replacement of copper conductor with ACSR conductor for getting the same sanctioned and arranging for the ACSR conductor but no estimate was framed by the Sub station Engineer Thefts of conductor took place in September 1990 (2695 metres) October 1991 (3816 metres) and January 1992 (4437 metres) valued at Rs 1 11 lakhs Rs 1 59 lakhs and Rs 1 83 lakhs respectively Complaints of thefts were lodged with the police from time to time but no trace of culprit/material could be found by the police

An estimate for Rs 8 73 lakhs for dismantlement of the line beyond tap off point was sanctioned in April 1993 and work for dismantlement was completed by September 1993

Non compliance of instructions of the Board in the first instance and inordinate delay in dismantlement of the line subsequently resulted in a loss of Rs 4 53 lakhs to the Board

The matter was reported to the Board and Government in June 1994 their replies had not been received (November 1994)

In their written reply the Government/Board stated as under

In this connection it is submitted that non replacement of copper conductor in this case was due to technical ground as copper conductor

line was retained to assure the continuity of supply. Beside there were also some constraints viz. availability of ACSR Conductor etc. for the non replacement of the copper conductor upto 1984. There after in view of increased load in the area the circumstances compelled the Board to dismantle a part of the line only after erecting another S/Stn and connecting line therefore in the area. As a part of the line was to be dismantled there was no use of replacing copper conductor with ACSR Conductor. However detailed position regarding dismantlement of the line is as under

the 33 kv Hisar Fatehbad line was also erected about 40 years back the Hisar Adampur section of the line beyond pole No 60 (T off for 33kv S/Stn Beer) became idle after commissioning of 132 kv S/ Stn Adampur on 12 1 84. Subsequently Adampur Agroha Section of the line was charged on 11 kv for use it as 11kv feeder. The Planning Directorate of the HSEB after examining the load demand of the area also decided in 1989 that the Hisar Adampur 33kv line would be used to feed the 33 kv S/Stn to be constructed at vill. Siswal by erecting 33kv line between Adampur and Siswal. It was also decided (November 1989) that the 33kv S/Stn Siswal would be fed from 220 kv S/Stn Satrod (Hisar) through Hisar Adampur Siswal 33 kv line till the commissioning of 132kv/33 kv T/F at Adampur whereas a provision of additional 1x10/16 MVA 132/33 kv T/F at Adampur was to be made in the 8th plan to feed the 33kv S/Stn Siswal and Agroha and work was to be initiated/started during the year 1990 91 so there was no question of dismantling this section of 33 kv line. There was also no apprehension of theft as the line had been running since about 40 years and no theft had even occurred on the line.

Conclusively there was also no justification for incurring huge expenditure in replacing the conductor of the line which was to be used only for a few months. After reconsidering in 1991 by the M T O P in this case it was finally decided that the 33kv/SSStn Siswal be Commissioned through 33 kv Hisar Adampur Siswal line as a short term arrangement and in future to be shifted to 132kv S/Stn Adampur as a long term planning. Therefore the copper conductor of the line was not required to be replaced by the ACSR Conductor as the line was to be used only for a few months time. However commissioning of 33 kv S/Stn Siswal from 132 kv S/Stn Adampur copper conductor from the idle portion of the line was got dismantled immediately.

In view of the above no officer/official is responsible for the loss caused due to theft of copper conductor.

The committee failed to understand as to why the action was not taken by the Board against the concerned XEN who was responsible for the lapse and had not complied with the instructions of the Board from July 1973 to

August 1989 The XEN concerned asked the S D O to prepare the special estimates for the replacement of Copper Conductor with ASCR in January 1990 and immediately thereafter the theft took place in September 1990 October 1991 and January 1992 After the theft an estimate amounting to Rs 8 73 lacs was prepared in April 1993

The Committee is of the view that the above mentioned fact reveals that theft of Copper Conductor on the Hisar Agroha line only took place with the connivance of the officers/officials of the Board

The Committee, therefore recommend that matter be thoroughly got investigated from the vigilance department and strict action be taken against the erring officers/ officials under intimation to the Committee

4 7 5 Avoidable extra expenditure

34 Tenders for the supply of various sizes (21) of copper strips were opened on 14th December 1990 Six firms with validity period of 90 days tendered their rates The offer of M/s Bee Kay Conductors Delhi (firm A) was found to be the lowest for 15 sizes The Board requested (7 March 1991) all the firms to extend their validity up to 31 March 1991 Two firms did not respond firm A declined on 9th March 1991 to extend its validity period beyond 13 March 1991 and the other three firms extended their validity

The Management decided to purchase on 14 March 1991 eleven sizes of copper strips from firm A at its quoted rates A telegraphic order was issued on 14 March 1991 followed by a detailed purchase order on 15 April 1991 on firm A which refused (18 March 1991) to accept the order as the validity period of its offer had expired

Subsequently the Board procured between October 1991 and September 1992 from two firms after retendering the copper strips incurring a total extra expenditure of Rs 4 62 lakhs

Thus non placement of the purchase order of firm A within the validity period resulted in an avoidable extra expenditure of Rs 4 62 lakhs

The matter was reported to the Board and Government in May 1994 replies had not been received (November 1994)

In their written reply the Government/Board stated as under

In this connection it is submitted that the offer of firm A (valid for 90 days of opening the tender on 14 12 90 viz upto 13 3 91) was the lowest for all 15 sizes of copper strips the Board request all the tenderers on 7 3 91 well within the Validity period to extend the validity period upto 31 3 91 But only one firm extended the Validity upto 31 3 91 It is another thing that all the tenderes did not extend

the validity upto 31 3 1991 and the one tenderer who extended the validity was not 1st lowest whereas he was at 4th/5th in the merit list. For placement of order on 4th/5th lowest firm the approval of next higher authority was required which was not possible to be obtained in such a short time and there was no justification for procuring material from 5th lowest firm.

It was only misunderstanding of the SPC that the validity period is expiring on 14 3 91 and when found that all the firms are not extending the validity upto 31 3 91 they decided to place the order (for 11 sizes) on the lowest as per their concept on 14 3 91 which was not accepted by the firm on the plea that validity of their tender stands expire on 13 3 91 instead of 14 3 91. Actually the workshop SPC counted 90 days after the date of opening the tenders whereas on receipt of clarification from CE/MM in this regard 90 days were to be taken including the day of opening the tender.

The matter was again pursued with the tenderers vide telegram dated 27 3 91 to extend the validity upto 15 4 91. This time only one firm M/s King Conductors Rewa extend the validity upto 15 4 91 the telegram of which was received on 15 4 91. SPC again met on 16 4 91 and observed that since only one firm had extended the validity upto 15 4 91 which was at Sr No 5/6th in the merit list and approval of the next higher authority is required to place order on 5th/6th lowest firm it decided to drop the enquiry for remaining 4 No sizes (1 to 4) as it was not possible to obtain the approval of higher authority at that time (the telegram of extension in delivery upto 15 4 91 was received on 15 4 91).

Further at that time it could not be observed as to whether the rates of the items would come lower or go higher as again all the firms were welcome to give their offers depending upon the market conditions which could be lower or higher. There was no option left with the purchasing authority to decide the case in the absence of non extension of validity of tender. To compare the same with the rates later on received on the basis of fresh tenders is not appropriate as the rates could have come on the lower side also and the department would have gained if the rates had come on the lower side than these rates.

As such so called extra expenditure can not be attributed to the dropping of this enquiry in respect of 4 items as equal chance for higher or lower rates was also available at that time.

It is also to mentioned here that the purchases against annual indent were being processed at that time and lot of enquiries were already opened which were to be decided. As such this case could not be decided within the validity period. In fact the S P C took a period of 1 2 91 to 13 3 91 in deciding the case. Immediately after the decision T P O was issued on 14 3 91.

The Committee could not understand as to why the orders were not placed with Firm A well before the expiry of validity period of 90 days for 15 sizes of Copper Strips when the Board was well aware of the fact that the Firm A had declined on 9th March 1991 to extend its validity period beyond 13th March 1991. It also revealed from the reply of the Government/ Board that no concrete steps were taken by the Board to place the order with Firm A well before the validity period which resulted in an avoidable expenditure of Rs 4.62 lacs. The Committee is of the view that the Board had totally failed to process the case expeditiously as the Board has been purchasing huge material and lot of tendering activities are being undertaken. The wrong counting of validity period cannot be termed as bonafied mistake only. **The Committee recommend that the responsibility of the concerned officer/officials be fixed by whom the case was unnecessarily delayed due to which the Board had suffered a huge loss and the action for the recovery of the loss from the responsible officer/officials be immediately initiated under intimation to the Committee**

4.7.6 Extra expenditure due to non availing of concessional loan and locking up of funds

35. A computer system was to be established by the Board for study and analysis of its distribution system under a scheme of Rural Electrification Corporation (REC) for improving the quality of services in rural distribution. Under the Scheme, the REC approved (February 1988) a total loan assistance of Rs 25 lakhs at the concessional interest rate of 10.25 per cent per annum. The capital expenditure was to be reimbursed by REC on submission of requisite documents. The Scheme was to expire in March 1990.

The Board procured the computer system from a Chandigarh firm in January 1990 at an aggregate cost of Rs 14.45 lakhs which was installed in June 1990. Action was not taken for availing of loan at lower rate of interest even in January 1990 by submitting the related documents to REC. As the Scheme expired in March 1990, the entire expenditure was met from cash credit account at 18 per cent interest.

It further came to notice in audit that out of the complete system, one digitiser and one plotter purchased (May 1990) at an aggregate cost of Rs 3.07 lakhs and the specially designed software packages CAPSI and AUTOCAD costing Rs 1.30 lakhs were not put to use since their installation in June 1990 except for training imparted by the supplier to engineering staff of the Board in the use of software packages. The engineering staff, however, failed to use the hardware as well as the software packages. The Board had paid annual maintenance charges on digitiser and plotter of Rs 0.75 lakh for the period from August 1991 to July 1993. The Board decided (July 1993) to dispose of the equipment costing Rs 4.37 lakhs. However, the equipment were still lying idle and awaiting disposal (July 1994).

Thus due to non availing of the funds at concessional rate of interest and non use of equipment worth Rs 4 37 lakhs the Board had to pay excess interest of Rs 6 27 lakhs up to June 1994 apart from locking up its funds amounting to Rs 4 37 lakhs

The matter was reported to the Board and Government in August 1994 their replies had not been received (November 1994)

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

The computer system was proposed to be established by the Board for study of distribution system as well as for other data processing applications This computer system was to be financed by REC under a scheme approved by them on 2 2 1988 No expenditure was incurred against this scheme during 1988 89 and accordingly the period of scheme was got extended The computers were received during 1990 and commissioned These computers have been put to extensive use during last years for a large number of data applications in the Board

The claim proposals were prepared in September 1990 and submitted to REC Delhi who made certain observations The claim was to be supported with invoices/vouchers of expenditure made through different organisations for site preparation purchase of furniture and Air conditioner etc and purchase of computer Hardware/Software

Collection of documents which had been adjusted and form part of record took time Now a revised reimbursement claim for an amount of Rs 22 06 lacs based on actual expenditure made stand submitted to REC in September 1994 and is being processed for sanction The scheme has not expired and is valid upto March 1995

The question of loss incurred by the Board due to difference in interest rate amounting to 7 75% is only fictional as the Board had drawn loan assistance from REC in excess of the budget allocation amounting to about Rs 1 75 lacs during 1987 88 and 1988 89 which provides adequate compensation

As mentioned in the foregoing the computer system installed during 1990 has been put to extensive use for a large number of applications The Digitizer & Plotter purchased alongwith Hardware were also initially used for study of distribution system of Panchkula Township through computer applications In addition in house training was also imparted to the staff for use of this Hardware/Software The decision to dispose off this Hardware was taken in view of the fact that REC restricted the loan assistance to the Board during recent years and the power Finance Corporation discontinued the loan assistance to State Electricity Boards as do not show a minimum return of 3% on investment However it was

not possible to dispose off this equipment due to absence of any response

Meanwhile this system is being put to use by the Planning Wing of HSEB. This Hardware was used by the consultants in connection with the restructuring studies carried out by them recently.

In view of the foregoing it is requested that the Audit para may please be dropped keeping in view the fact that this is a design/study facility available for use whenever needed.

The Committee noticed during the course of oral examination of the representatives of the Board that the Computers were got installed in June 1990 knowing well that the reimbursement of loan assistance at lower rate of interest was available under the Rural Electrification Cooperation (REC) Scheme only upto March 1990. The Board also failed to submit the related documents to REC for availing loan in time. Therefore the entire expenditure was met from cash credit account at higher rate of interest. The Committee further noticed that a decision was taken in the month of July 1993 to dispose off some of the equipments which have not been disposed off so far.

The Committee, therefore, recommend that the responsibility of the officer/officials be fixed and action taken against them be intimated to the Committee. The Committee further recommend that the decision taken by the Board in July, 1993 to dispose off some of the equipments be implemented and the equipments lying idle be disposed off immediately under intimation to the Committee.

4.7.8 Loss due to theft of material of abandoned work

36. The work of construction of 66KV 16 Km long Palwal Hathin line taken up in August 1990 was abandoned (June 1993) after completing 21 out of 57 locations for which 16 km Aluminium Conductor Steel Reinforced (ACSR) was sagged. The work was abandoned (June 1993) due to diversion of allocated ACSR for some other emergent work in Ambala Division in May 1993.

The partly constructed line was not energised. In the meantime thefts took place and 4990 metres of ACSR valued at Rs 2.08 lakhs were stolen between March 1994 and June 1994. The matter of thefts was reported to the Police authorities from time to time but their findings were still awaited (July 1994).

Thus non energisation of the sagged line on low voltage resulted in theft of conductor from the line resulting in loss of Rs 2.08 lakhs to the Board.

The matter was reported to the Board and Government in August 1994. Their replies had not been received (November 1994).

In their written reply the Government/Board stated as under

Stringing of 16 km ACSR conductor from location 37 to 57 of 66 KVA Palwal Hathin line was done upto June 1993. The work was abandoned due to diversion of allocated ACSR conductor in view of the decision taken by the Chairman HSEB in the meeting held on 21.4.93 at Karnal while reviewing the priorities keeping in view the system necessities/exigencies from time to time. Thus due to change of priority for the works the construction work of Palwal Hathin line had to be abandoned.

Regarding non energisation of the sagged line on low voltage it is stated that such energisation does not help against theft as the same is not fool proof method to avoid thefts which are occurred even on lines energised at 33KV and above voltage because of the advancement of technology and the means now available with the thieves. Moreover there are no statutory instructions in the Board to energise HT idle lines/on low voltage but this method is being adopted in the field as an abandoned precaution whereas at certain places the low voltage lines may not be available in the area. As the Palwal Hathin line is located in theft prone area its energisation on low voltage is hardly a deterrent to the thefts therefore nobody is held responsible for the thefts which occurred on this line.

The Committee observed that the work of construction of Palwal Hathin Line taken up in August 1990 was abandoned in between. The Committee further observed that had the line been energised at low voltage the theft would have been avoided.

The Committee therefore, recommend that the scheme already started may not be abandoned in between and the responsibility of the officer, who was incharge of the circle at that time also be fixed for the loss occurred due to theft because no precautionary steps have been taken by him to avoid the theft.

Annexure-I

**Statement showing delay in finalisation of accounts
(Referred to in paragraph 2B 5)**

Serial No	Name of Company	Year of account	Due date of AGM	Actual date of AGM	Delay in months
1	Haryana Harijan Kalyan Nigam Limited	1980 81	30 6 81	25 9 89	99
		1981 82	30 6 82	21 12 90	102
		1982 83	30 9 83	30 3 93	114
		1983 84	30 9 84	26 11-93	110
		1984 85	30 9 85	18 5 94	104
2	Haryana Women Development Corporation Limited	1984 85	30 9 85	25 8 86	11
		1985 86	30 9 86	17 6 88	21
		1986 87	30 9 87	20 3 89	18
		1987 88	30 9 88	30 8 90	23
		1988 89	30 9 89	15 10 92	37
3	Haryana Backward Classes Kalyan Nigam Limited	1984 85	30 9 85	16 1 89	40
		1985 86	30 9 86	27 12 89	39
		1986 87	30 9 87	9 4 91	43
		1987 88	30 9 88	24 8 93	59
		1988 89	30 9 89	30 5 94	56
4	Haryana State Minor Irrigation and Tubewells Corporation Limited	1984 85	30 9 85	10 10 90	61
		1985 86	30 9 86	17 12 91	63
		1986 87	30 9 87	17 3 93	66
		1987 88	30 9 88	29 9 93	60
		1988 89	30 9 89	20 5 94	56
5	Haryana Roadways* Engineering Corporation Limited	1987 88	30 9 88	6 5 92	44
		1988 89	30 9 89	1 10 92	36

* The company was incorporated on 27th November 1987

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