Chapter III

3. Transaction audit observations relating to Government companies

Important audit findings emerging from test check of transactions made by the State Government companies are included in this Chapter.

Government companies

Haryana State Industrial and Infrastructure Development Corporation Limited

3.1 Loss of revenue

The Company suffered loss of revenue of Rs. 1.16 crore due to waiving of transfer and extension fee.

For setting up a project, Automotive Research Association of India (ARAI) was issued regular letter of allotment in January 1999 for a plot measuring 31,249.57 square meters at Industrial Model Town, Manesar. Physical possession of the plot was offered on 26 October 1999. The Company framed the Estate Management Procedures (EMP) in November 1999. As per the provisions of the EMP, the allottee was required to start commercial production within a period of three years from the date of offer of possession i.e. up to 25 October 2002. In case the allottee was not able to start the commercial production, extension in the period for one year beyond three years could only be granted by levying extension fees at the rate of Rs. 50 per square meter per annum. Further, as per the EMP 2005, transfer fee was to be charged at the prescribed rates for transfer of allotted plots/sheds. However, no transfer fee was leviable in the case of (a) industrial units which were in commercial production for more than five years and free from encumbrances and (b) transfer necessitated on account of inheritance, family transfer or take over by a financial institution.

ARAI could not implement the project in time i.e. up to October 2002 and requested for extension. The Board of Directors (BOD) granted (October 2002) extension and asked ARAI to deposit extension fee of Rs. 15.62 lakh up to 25 October 2002 (at the rate of Rs. 50 per square meter) without interest and interest at the rate of 18 *per cent* per annum thereafter. The request of allottee and recommendation of the Department of Heavy Industries, GOI for waiver of extension fee on the plea that Regional Centre North (RCN) project was funded by this department through release of funds as grant-in-aid to ARAI and delay was mainly due to change in scope of project and consequent delay in its funding, was turned down (June 2003 and August 2003) as there was no provision for such waiver in the EMP. The allottee requested (September 2003) for further extension and the same was granted (March 2004) without extension fee up to May 2004 on the basis of reasons given earlier. The waiver was not justified as extension should have been given by charging the requisite extension fee as per EMP. The allottee could complete the project only in October 2004. The Company granted (July 2005) extension up to October 2004. Thus, the Company suffered loss of revenue of Rs. 21.75 lakh (including interest of Rs. 6.13 lakh) due to waiving of extension fee at the rate of Rs. 50 per square meter.

ARAI requested (January 2007) for transfer of the aforesaid plot of land in favour of Department of Heavy Industry, Government of India without charging transfer fees on the plea that it was being transferred to the parent department. The Company acceded to the request of allottee and approved (February 2007) the transfer without charging the transfer fee of Rs. 93.75 lakh at the rate of Rs. 300 per square meter, which was not justified as there was no provision for transfer without transfer fee in such cases.

The Management stated (July 2009) that as per EMP 2005, in case the original allottee or the family member retain a minimum of 51 *per cent* share in the project/company/firm, the same is considered as a case of change in constitution and not a case of transfer. Further, the Board of Directors is competent to revise the provisions contained in EMP 2005 and also consider any issue not covered under EMP 2005 guidelines. The reply is not acceptable since this was not the case of change in shareholding as the RCN project had been handed over to Government of India and funds spent by ARAI out of its own corpus reimbursed to it. Further, BOD had not revised the provisions of EMP 2005 as a policy decision.

Thus, injudicious waiving of extension and transfer fee resulted in loss of revenue of Rs. 115.50 lakh (Rs. 93.75 lakh plus Rs. 21.75 lakh) excluding interest.

The Company should recover this amount and ensure compliance with its rules and regulations in future.

The matter was referred to the Government in May 2009; the reply had not been received (September 2009).

3.2 Non recovery of dues

Non disposal of primary security resulted in non recovery of Rs. 5.66 crore.

The Company takes over possession of the defaulting Units and after assessing the realisable value, puts them on sale for recovering its dues. The Board of Directors (BOD) in October 2006 had authorised the Managing Director (MD) to reduce the reserve price by 20 *per cent* or more after two unsuccessful attempts and to dispose of the Unit even below reserve price if the merits of the case so warrant.

Panwar Steels Limited was sanctioned a term loan of Rs. 7.40 crore (Rupees five crore in July 2000 and Rs. 2.40 crore in June 2002) for manufacture of Cold Rolled Close Annealed (CRCA) Steel Strips in Bhiwani and against it Rs. 7.34 crore were disbursed during July 2001 to July 2002. Due to persistent default the Company took over the physical possession of the Unit i.e. primary security consisting of land, building and machinery in August 2007 under Section 29 of the State Financial Corporation (SFCs) Act, 1951. The valuer (NITCON) assessed the value of primary security at Rs. 5.85 crore. To recover its dues, Company made six sale attempts (during October 2007 to February 2009) for the disposal of primary security but the same had not been disposed of so far (June 2009).

Audit observed that in the first three sale attempts the Company received highest bids of Rs. 3.10 crore, Rs. 2.10 crore and Rs. 3.51 crore which were rejected, being much lower than its reserve price of Rs. 5.85 crore. In the fourth sale attempt (July 2008), Company received a bid of Rs. 5.66 crore which was 97 *per cent* of the reserve price. The Assets Sale Committee of the Company recommended for rejection of this bid, being less than the reserve price on the plea that this reserve price was mentioned in the sale notice. This recommendation of the Committee was approved by the MD. In the fifth sale attempt (October 2008) no bid was received. The valuation of the primary security was again got assessed from NITCON which assessed its realisable value at Rs. 5.31 crore (December 2008) which was less by Rs. 0.54 crore than the earlier assessed value by this valuer due to decline in the value of building and machinery. The Company made sixth sale attempt in February 2009 for which no bid was received. As the Board had authorised the MD to dispose of the Unit even below 20 *per cent* of the reserve price, the Company, taking into consideration the prevailing recessionary scenario and earlier three bids should have accepted the bid of Rs. 5.66 crore offered in July 2008 which was just three *per cent* less than the reserve price. Thus, the Company could not recover Rs. 5.66 crore out of total outstanding of Rs. 14.11 crore (Principal: Rs. 7.27 crore and interest: Rs. 6.84 crore). Acceptance of the bid would have not only resulted in recovery of Rs. 5.66 crore but also averted decrease of Rs. 0.54 crore in the realisable value of primary security.

The Company stated (June 2009) that bid of Rs. 5.66 crore could not be legally accepted being below the reserve price and it was presumed that it would fetch better price. The reply is not acceptable as the acceptance of bid price of Rs. 5.66 crore, below three *per cent* of reserve price, would have been not only as per the decision of the BOD but also commercially prudent in view of recessionary trends. This would have, further, freed its resources for alternative uses.

It is recommended that directions of the BOD should be strictly adhered to and compliance of the directions are reported to the BOD in subsequent meetings.

The matter was referred to the Government and the Company in July 2009; their replies had not been received (September 2009).

3.3 Excess payment of bonus/performance award

Grant of bonus in excess of statutory rate without approval of the Finance Department resulted in excess payment of Rs. 1.01 crore.

The State Government issued (November 2002) directions authorising Board of

Directors (BOD) of the concerned Public Enterprises to sanction payment of bonus, wherever applicable, at the statutory rate of 8.33 *per cent*. As per 'The Payment of Bonus Act, 1965' (Act) employees drawing pay up to Rs. 3,500 per month were eligible for bonus. Thus the BOD of Public Enterprises were competent to grant bonus at the statutory rate of 8.33 *per cent* to the eligible employees. The directions also specified that if the bonus was proposed to be paid above the statutory rate, the concerned Public Enterprise would send the case through Administrative Department for prior approval of Finance Department (FD).

The Company decided (November 2006) to grant bonus/performance award to all the employees at the rate of 15 *per cent* of their annual salary for the year 2005-06, without taking approval of the FD. Accordingly, payment of Rs. 1.02 crore (during November 2006 to March 2007) was made against the entitled payment of only Rs. 42,000 at the rate of 8.33 *per cent* to 12 eligible employees as per the Act/Government directions. This has resulted not only in excess payment of bonus of Rs. 1.01 crore but also non compliance with the directions of the State Government.

The Company stated (April 2008) that bonus/performance incentive was granted to the employees with the approval of the BOD for the year 2005-06 on the basis of actual performance and profit earned by the Company.

The reply does not address the issue raised by Audit. The BOD was not competent to take this decision and the prior approval of FD of State Government was required for granting bonus above the statutory rate of 8.33 *per cent* and to ineligible employees. The required approval was not obtained by the Company. Further, the proposal of the Company to grant bonus/performance award even at the rate of 8.33 *per cent* to all the employees for the year 2002-03 had been rejected by the Government (March 2005) despite profit earned by the Company. Interestingly, a nominee of the FD was present in the meeting of BOD in which the decision to grant bonus was taken. There is nothing on record about her viewpoint in this regard. The nominee of the FD should have opposed the decision. This instance points out a need for a careful stand by the nominee in discharge of duty.

Thus, grant of bonus/performance award in contravention with the Government directions compromised financial discipline and resulted in excess payment of Rs. 1.01 crore. Accountability for excess payment of Rs. 1.01 crore needs to be fixed and the Company should ensure compliance of State Government directions in future.

The matter was referred to the Government and the Company in January 2009; their replies had not been received (September 2009).

3.4 Allotment of land to ineligible bidder

The Company allotted site for a hospital to an ineligible bidder.

The Company approved (August 2006) the proposal of inviting applications for allotment of a Hospital site in IMT-Manesar. As per eligibility criteria, any individual/society/trust/institution was eligible to make an application. In response to an advertisement (February 2007), applications from five bidders were received; the offers ranged between Rs. 10.10 crore to Rs. 27.70 crore. The Committee constituted to examine the applications observed (April 2007) that the highest bidder was a Trust established in 2006 only and had since been running a hospital at Sirsa with panel of doctors. The hospital was a new one and had no track record of performance. Further, Manesar needed an institution with proven track record that could provide world class health care services in a professional manner and recommended withdrawal of the scheme floated by the Company and desired that eligibility criteria be re-worked. Accordingly, the Company returned (April 2007) Rs. 2.77 crore being 10 per cent of bid money deposited by the highest bidder stating that due to inadequate response the site has been withdrawn from the bidding process.

The Company reworked (May 2007) the criteria according to which any individual or group of persons/society/trust/institution/Company with at least 10 years proven track record in the field of institutional health care having net worth of at least Rs. 50 crore were eligible for applying. In response to bids invited (June 2007), only one bidder namely Rockland Hospitals Limited submitted a bid of Rs. 25.20 crore. The Company accepted (September 2007) the single bid and allotted (September 2007) the site to the bidder.

Audit observed that Rockland Hospitals Limited was promoted by a group which was initially involved in hospitality industry by operating Rockland Hotel and Rockland Inn. The group had set up a multi-speciality hospital which became fully operational only from the last two years (as per facts submitted to BOD on 11 May 2007) and its net worth was only Rs. 7.24 crore. As such it did not meet the criteria of 10 years of proven professional track record in world class health care and net worth of Rs. 50 crore. Further the bid of Rs. 25.20 crore was less than the bid of Rs. 27.70 crore received earlier. Thus, the allotment was made not only to an ineligible applicant on single bid basis but also at a rate lower by Rs. 2.50 crore in comparison with the highest bid of Rs. 27.70 crore received earlier. In view of single bid and previous bid of Rs. 27.70 crore, the Company should have gone for re-tender to get players satisfying eligibility criteria.

The Management stated (September 2009) that the trust initially started a clinic at New Delhi and the role of the clinic kept expanding with the setting up of a 130 bed hospital which was re-christened as Rockland Hospital Limited by the Trust. The reply does not address the point that the applicant not meeting the eligibility criteria of 10 years proven professional track record in world class health care services and net worth of Rs. 50 crore was selected. The Company, while accepting the bid, compromised on the eligibility criteria. Thus, the evaluation of bid was deficient. Responsibility needs to be fixed on personnel involved in evaluation and acceptance of the bid.

The Company should abide by the eligibility criteria while awarding the projects so as to avoid such recurrences.

The matter was referred to the Government in July 2009; the reply had not been received (September 2009).

Dakshin Haryana Bijli Vitran Nigam Limited

3.5 Extra expenditure

The Company incurred extra expenditure of Rs. 1.02 crore due to insertion of defective clause in agreement.

The purchase manual of the Company provides for inviting bids for getting competitive rates for awarding of purchase orders/work orders. The Company decided (September 2005) to outsource the work of meter reading, bill distribution and revenue collection activities. Without inviting tenders for getting competitive rates (reasons for which were not on record), the Company entered (October 2006) into an agreement with Haryana Ex-Services League (HESL) for two years which could be extended for one year. The terms and conditions of the agreement, *inter alia*, provided for payment to HESL at the rate of Rupees four per meter reading, Rupees two per bill distributed and Rupees six to Rupees eight per bill cash collected, depending upon the collection efficiency. The agreement further provided that the rate of payment at Rs. 12 or Rs. 14 per connection (for meter reading, bill distribution and cash collection) was to be calculated on average number of meters read and bills distributed during the month including cases of flat rate and locked consumers where no meter reading was involved and that the rate was not to be less than Rs. 12 per connection in any case. This defective clause in agreement entitled HESL to receive cash collection charges of Rupees six per connection even in cases where no cash was actually collected.

During audit (March 2008/March 2009) of operation circle, Faridabad and Gurgaon it was observed that HESL was paid Rs. 3.32 crore for September 2006 to January 2009 on 25,23,888 cases based on average of meters read and bills distributed, at a consolidated rate of Rs. 12 per connection. However, on actual basis of meter readings taken, bills distributed and cash collected, an amount of Rs. 2.38 crore was payable as per rates agreed to for each activity. This resulted in extra expenditure of Rs. 94.06 lakh due to defective clause in the agreement. The operation division Ballabhgarh had also pointed out (November 2006) that payment of cash collection charges without actual cash collection was not justified. In addition, the Company paid Rs. 8.07 lakh in excess at Operation Circle, Sirsa for meter readings in 1,79,812 cases during November 2006 to July 2008, for un-metered/flat rate consumers where no meter reading was involved. Audit further observed that UHBVNL, a sister concern of the Company, had not incorporated this average clause in their agreement with this firm for these activities and was paying on actual basis for each activity.

Thus, by inserting defective clause for making payment on average of meter readings and bills distributed, the Company failed to safeguard its financial interests and incurred an extra expenditure of Rs. 1.02 crore in comparison with the activity wise quantum of actual work done. The Company should remove the defective clause to ensure that it pays only for the services actually received.

The matter was referred to the Government and the Company in February 2009; their replies had not been received (September 2009).

3.6 Non recovery of monthly parallel operation charges

The Company suffered loss of Rs. 3.81 crore due to non recovery of monthly parallel operation charges from captive power plants.

Sales instruction (January 2006) of the Company provide that Captive Power Plant (CPP) owners who are consumers and also want to have interfacing with the Company's system would be eligible for utilising power for their self use and would have option to run their plant in synchronisation with the Company's system. For this, the plant owners are required to pay monthly parallel operation charges at the rate of Rs. 600 per KVA on 10 *per cent* of installed capacity of DG sets in addition to one time permission fee.

Starwire (India) Limited, Ballabhgarh and Jindal Stainless, Hissar had installed 2 x 2,745 KVA CPPs and 2 x 5,400 KVA CPPs in January 1997 and October 1990 respectively which were running parallel with interfacing at 11 KV system of the Company. In view of sales instructions of January 2006, the Starwire (India) Limited, Ballabhgarh and Jindal Stainless, Hissar were required to be billed for parallel operation charges of Rs. 3.29 lakh per month on 549 KVA and Rs. 6.48 lakh per month on 1,080 KVA per month respectively.

Audit observed (January 2007 and February 2009) that while raising monthly bills, parallel operation charges were not being charged from these consumers in contravention of the instructions. This had resulted in non recovery of Rs. 3.81 crore from these two consumers from January 2006 to March 2009 besides loss of interest of Rs. 66.36 lakh thereon calculated at the rate of 11 *per cent* per annum rate of cash credit. The Company should recover these charges from the consumers and ensure adequate internal control so that its instructions are followed invariably.

The matter was referred to the Government and the Company in January 2009, their replies had not been received (September 2009).

3.7 Extra expenditure

The Company incurred extra expenditure of Rs. 1.65 crore on the purchase of transformers due to delayed procurement and resultant purchase at higher rates.

As per reciprocal purchase arrangement, Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) procures distribution transformers for Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) also. UHBVNL requested (August 2005)

DHBVNL (Company) to procure, *inter alia*, 4,000, 25 KVA transformers for its use. However, the Company without any reasons on record did not include this demand while inviting tenders for various varieties of transformers in September 2005. As there was acute shortage of transformers in UHBVNL, the Company proposed (February 2006) the Financial Commissioner (Power) to procure transformers from Punjab State Electricity Board on cost-to-cost basis for which Financial Commissioner (Power) gave (23 February 2006) his approval. Overlooking this aspect the UHBVNL purchased (March 2006 to September 2006) 1,500 transformers from PSEB without any warranty at Rs. 63,272 per transformer against the purchase price of Rs. 44,991 of PSEB. Apart from cost price, the PSEB charged incidental charges, additional cost, octroi, supervision, storage and VAT charges.

Audit noticed (December 2006) that in subsequent tender inquiry finalised by the Company in April 2006, purchase order for 3,000 transformers of 25 KVA was placed (May 2006) on Nucon Power Control (P) Limited, Ludhiana at Rs. 49,500 (variable with base date of February 2006) per transformer. The transformers were received during July - December 2006 at the landed rate of Rs. 52,289 per transformer. Compared with this rate, UHBVNL had to incur extra expenditure of Rs. 1.65 crore* in the purchase of 1,500 transformers from PSEB.

Thus, non-inclusion of the demand of UHBVNL for 25 KVA transformers in the tendered quantity had resulted in extra expenditure of Rs. 1.65 crore.

The Management stated (May 2007) that due to acute shortage, the alternative arrangement had to be made with the approval of State Government. The reply does not address the fact that this contingency arose due to inaction of the Company to procure transformers in time. The Company needs to monitor properly the requisitions of demand received from UHBVNL and process the procurement of crucial items timely to avoid shortages and emergency purchases at higher rates.

The matter was referred to the Government and the Company in March 2009; their replies had not been received (September 2009).

3.8 Loss of revenue

The Company suffered loss of Rs. 47.06 lakh due to issue of ambiguous instructions on levy of peak load exemption charges.

As per provision of schedule of tariff for distribution and retail and supply 2000, the HT industrial consumers metered through electronic tri-vector meters, using electricity by availing permitted special dispensation or exemption during peak load hours as notified by the Company from time-to-time shall be billed at extra charge of Rupees two per unit over and above the normal tariff and Rupees four per unit over and above the normal tariff as peak load exemption charges (PLEC) if the consumption during the month exceeds the prescribed limit. All HT

* (Rs. 63,272 – Rs. 52,289) x 1,500.

industrial consumers with Electronic tri-vector Meters, who had not sought/granted special dispensation, could avail 10 *per cent* of contract demand during peak load hours subject to additional charge as mentioned above.

The Company declared (February 2007) peak load hours from 18.00 hours to 22.00 hours with effect from 16 February 2007 and accordingly, decided to levy PLEC. The Company revised the above instructions in August 2007, which, *inter alia*, stated that HT industrial consumers who have not sought special dispensation during peak load hours were out of purview of the facility and liable for disconnection if they consume power during peak load hours. If such consumers had been charged as per earlier circular (February 2007) for peak load hours the charges would be withdrawn. These instructions were defective as the Company had favoured those consumers who had not sought requisite permission though availed power during peak load hours. The Company reviewed the above instructions and withdrew (September 2007) the instructions issued in February 2007 and August 2007 with immediate effect and later on from the date of issue. Accordingly the Company refunded Rs. 47.06 lakh during September 2007 to June 2008 charged as PLEC in three subdivisions of operation circle, Hisar.

Audit observed that instructions issued (August 2007) were deficient to the extent that the Company had favoured those consumers who had availed consumption during PLEC without opting for it whereas the consumers who sought requisite permission were made to pay for the same situation. Further by withdrawing both the instructions of February and August 2007, it had to refund the PLEC though power was availed during peak load hours. Had the Company withdrawn the instructions of August 2007 alone it could have avoided refund of Rs. 47.06 lakh. The UHBVNL (sister concern) had successfully implemented the instructions issued in April 2007 relating to levy of PLEC as there was no ambiguity.

Thus, due to issue of ambiguous instructions in August 2007 and subsequent withdrawal of both the instructions from date of issue, the Company had to refund PLEC though the consumers availed power during peak load hours resulting in loss of revenue of Rs. 47.06 lakh. The Company should fix responsibility for issue and withdrawal of ambiguous instructions and ensure implementation of instructions after due deliberations.

The matter was referred to the Government and the Company in June 2009, their replies had not been received (September 2009).

Haryana Power Generation Corporation Limited

3.9 Unfruitful expenditure

The Company incurred unfruitful expenditure of Rs. 9.98 crore on fire fighting system which is not fully operational.

The Company placed (June 2002) a purchase order on Bharat Heavy Electricals

Limited (BHEL) for Design, Engineering, Manufacture, Supply of equipment and material for Steam Generator, Steam Turbine Generator alongwith Auxiliaries (Main plant) and Balance of Mechanical, Electrical and Control & Instrumentation system (Balance of plant) for Units – VII and VIII of Panipat Thermal Power Station. This work included erection, testing and commissioning of fire fighting system (FFS). The final billing break up (BBU) was to be supplied later on. The Chief Engineer/Thermal Design of the Company supplied (March 2004) the BBU to the supplier.

BHEL demonstrated (December 2004) the working of fire protection system in control room and cable galleries of unit VII. The Chief Engineer (O&M) conveyed (February 2005) some serious deficiencies in fire detection and protection system of cable gallery and the firm was asked verbally to rectify the system. In April 2005 the testing, checking and rehearsal on FFS was conducted. Overlooking the system wise deficiencies pointed out by the Chief Fire Officer, protocol for taking over was signed (April 2005) between BHEL and the Company. The Chief Fire Officer reiterated in September 2005 that serious defects were not attended and FFS at some locations had not been provided due to which not even single system of Unit VII and VIII was workable and complete. The Company asked (October 2005) BHEL to attend to the problems for making the system operative. Despite lapse of more than four years the system has not been put to auto operation. The warranty/guarantee period of FFS had expired in April 2006.

Thus, due to taking over the FFS without removal of deficiencies the expenditure of Rs. 9.98 crore failed to bring the desired results.

The Company stated (March 2009) that the system was being kept pressurised in manual mode to meet up any emergency and for pending auto system works matter was being pursued with BHEL. Further, sufficient amount of BHEL for pending works had been retained to carry out these works at the risk and cost of BHEL. The fact remains that signing of the protocol for take over of the FFS without rectification of deficiencies had resulted in non operation of FFS in auto mode as per requirements of the contract.

The Company should fix responsibility of the officers for signing the protocol without removal of deficiencies and get the work done at the risk and cost of BHEL without further delay.

The matter was referred to the Government and the Company in May 2009; their replies had not been received (September 2009).

3.10 Loss of revenue

The Company suffered loss of Rs. 3.84 crore due to non-termination of Memorandum of Understanding.

The Company entered (April 2004) into Memorandum of Understanding (MOU) with Gujarat Ambuja Cement Limited (GACL) for lifting 1.5 lakh MT fly ash per annum free of cost for 25 years, generated from Unit VII and VIII of Panipat Thermal Power Station. Another (second) MOU was signed (August 2005) with GACL for lifting of additional 2.11 lakh MT fly ash per annum from the same units free of cost for ten years, the period, prescribed by Ministry of Environment & Forests, and thereafter rates were to be decided mutually. As per the MOUs, necessary arrangements for completion of dry ash system by the Company and lifting of dry ash by GACL was to be completed in 24 months.

The Company decided (April 2006) to allocate the additional dry fly ash to prospective users through transparent bidding process. Accordingly, NIT was issued (June 2006), inviting expression of interest for supply of fly ash free of cost up to September 2009 and thereafter on chargeable basis. In response seven offers were received, two of which offered to pay Rs. 25 to Rs. 27 per MT as administrative charges. In view of this development, it was decided (April 2006) by the Board of directors of the Company to invite bids from these seven firms with administrative charges and seek opinion from the Legal Cell of Haryana Vidyut Prasaran Nigam Limited (HVPNL) for termination of existing MOUs. Accordingly, bids were invited (January 2007) from these seven firms with administrative charges and opinion was sought from Legal cell of HVPNL for terminating the existing MOU. On the basis of bids received, it was decided (April 2007) to allocate one lakh MT per annum fly ash of units VII and VIII to Grasim Industries at the rate of Rs. 312 per MT. As per opinion of legal Cell of HVPNL (September 2006) the MOUs were not legally enforceable until or unless converted into contract and thus MOUs with GACL could be terminated by giving one month notice. The Company, however, terminated only one MOU in January 2007 where specific provision for termination with one month notice existed. The second MOU was allowed to complete its tenure up to August 2007, though it could also have been terminated in view of legal opinion.

Audit observed that the Company had terminated the existing MOU (April 2004) with J K Cement in April 2006 and MOU (August 2004) with Jai Parkash Associates Limited was revised in June 2007 for payment of administrative charges whereas MOU with GACL was allowed to continue till its expiry in August 2007. Taking advantage of non cancellation of second MOU and impending administrative charges in future, the firm lifted 1,38,110 MT fly ash during February - August 2007 at monthly average of 19,730 MT whereas in the preceding period during April - December 2006 the monthly average lifting was 914 MT only against two MOUs.

Thus, the Company allowed lifting of 1,38,110 MT fly ash free of charges during February - August 2007 by GACL resulting in loss of revenue of Rs. 3.84 crore at the rate of Rs. 278 per MT (agreed with this firm from September 2008) by not terminating the second MOU alongwith first MOU in January 2007.

The Company should investigate the reasons for non-termination of the second MOU and ensure in future that financial interests of the Company are kept in view while taking decisions.

The matter was referred to the Government and the Company in June 2009, their replies had not been received (September 2009).

3.11 Avoidable expenditure

The Company incurred avoidable expenditure of Rs. 21.42 lakh due to delay in finalisation of contract for consultancy besides non availability of envisaged benefits from the plant management system for the period of delay.

The Company approached (May 2005) NTPC Limited (NTPC) for providing consultancy services for development of computerised integrated plant management system at Panipat Thermal Power station (PTPS), to support the operation and maintenance groups and other departments, thereby optimising the cost of generation. NTPC submitted (December 2005) its offer for Rs. 7.39 crore which, *inter alia*, included deployment of 11 experts/professionals for implementation of system at the rate of Rs. 1.98 lakh per expert per month up to 31 March 2006 subject to escalation at the rate of 10 *per cent* per annum on annually compounded basis. To account for the next wage revision, the applicable rates as of December 2006 were to be further enhanced by 40 *per cent* from 1 January 2007 with usual escalation at the rate of 10 *per cent* per annum from April 2007. The work was to be completed in eighteen months. The Company, however, placed order in March 2007 on NTPC at Rs. 7.35 crore and signed the agreement in May 2007.

Audit noticed (March 2008) that the Company took eight months (December 2005 to August 2006) to get the approval of Board of Directors, seven months (August 2006 to March 2007) for placing the work order and another two months (March to May 2007) for signing the agreement. Thereafter deployment of NTPC experts started with effect from July 2007. The Company could have awarded the contract by March 2006 to start the work from April 2006. The abnormal time of 17 months taken in finalisation of contract not only caused delay in completion of the project but also resulted in payment towards deployment of experts at an escalated rate of Rs. 2.77 lakh per expert per month as against rate of Rs. 2.18 lakh applicable from April 2006 to December 2006 which resulted in extra expenditure of Rs. 21.42 lakh from July 2007 to December 2008 taking into consideration the period of eighteen months for the completion of the work. Thus, the Company incurred avoidable expenditure of Rs. 21.42 lakh due to delay in finalisation of contract for consultancy apart from non availability of envisaged benefit from plant management system for the period of delay.

The Management stated (July 2009) that the contract require indepth study and detailed discussions, its activities were quite time intensive and specified procedures were to be followed for obtaining requisite approvals. The fact, however, remains that abnormal period of 17 months was taken for finalising the contract and that cannot be considered routine. The Company should ensure reasonable efficiency in finalisation of contracts.

The matter was referred to the Government in May 2009; the reply had not been received (September 2009).

Haryana State Roads and Bridges Development Corporation Limited

3.12 Loss of revenue

The Company suffered loss of revenue of Rs. 66.55 lakh due to delay in calling of fresh tenders.

The Company awarded (August 2005) toll collection rights on toll point 30 (Kotputli-Budhwal-Nangal Choudhary-Narnaul Road) to Mr. Rajiv Singla for Rs. 7.65 crore for two years from 16 September 2005 to 15 September 2007. As per provisions of the agreement, the Company with the concurrence of the contractor, could extend the period of the contract up to three months.

The contractor requested in July 2007 i.e. two months before completion of contract, for extension for further period of three months with 10 *per cent* increase. The Company, without conducting a traffic survey to assess the quantum of current toll collection, accepted his request and granted extension on 11 July 2007 for three months from 16 September 2007 to 15 December 2007. The Company, thus, failed to safeguard its financial interests as its decision for extension of contract was not based on adequate and reliable data.

Subsequently, the Company after calling bids (24 October 2007) allotted rights for two years from 25 January 2008 to 24 January 2010 at the rate of Rs. 12.22 crore to Umrao Singh Har Parshad. During 16 December 2007 to 24 January 2008, the toll collection was made departmentally and collection of Rs. 48.91 lakh was received. Audit observed (October 2008) that the new rate was 59.74 *per cent* higher than the previous rate whereas the Company had agreed to grant extension for three months at 10 *per cent* increase only.

Management stated (January 2009) that extension in contract was granted in view of provisions in the agreement. The action of the Management lacked justification as before giving extension, the Company should have assessed the current toll collections and invited fresh tenders well before completion of the existing contract.

Thus, injudicious act of the Management to grant extension without calling of fresh bids in time had resulted in loss of revenue of Rs. 66.55 lakh (Rs. 47.57 lakh for extension of contract and Rs. 18.98 lakh for loss of revenue while running departmentally).

The matter was referred to the Government and the Company in February 2009; their replies had not been received (September 2009).

Uttar Haryana Bijli Vitran Nigam Limited

3.13 Excess expenditure

The Company incurred extra expenditure of Rs. 24.37 lakh due to allotment of meter reading and bill distribution work at higher rates.

The purchase manual of the Company provided for inviting bids for awarding purchase/work order on competitive rates. The Company decided (November 2005) to out source the work of meter reading, bills distribution, cash collection and related activities/allied services. Without inviting tenders, reasons for which were not on record, negotiations were held with the Haryana Ex-serviceman League (HESL) for engaging its services for these activities. After negotiations, the work of three operation divisions of Operation Circle Ambala viz; Ambala Cantonment, Ambala City and Panchkula was entrusted (1 May 2006) to HESL for the period from May 2006 to April 2007. As per terms of agreement (May 2006), HESL was to be paid Rupees four per meter reading and Rupees two per bill distributed. In addition, HESL was to be paid Rs. 75,000 per division as one time payment for undertaking the preparatory work of finalisation of route plan.

Audit observed (October 2007) that during the same period, the Company after inviting tenders, had allotted (May 2006) the work of meter reading and bill distribution for city sub division and sub urban sub division, Panchkula (under operation circle, Ambala) to Sharma and Company for the period from May 2006 to April 2007 at Rupees two per meter reading and Rs. 1.20 per bill distributed.

Thus, assignment of work without inviting tenders resulted in extra expenditure of Rs. 24.37 lakh up to March 2007 for meter reading and bill distribution in comparison with the rates paid to other contractor in the operation circle Ambala for the same work and same period. The Company should follow its purchase manual while awarding the works to have transparency and get competitive rates.

The matter was referred to the Government and the Company in February 2009; their replies had not been received (September 2009).

3.14 Loss of revenue

The Company lost revenue of Rs. 65.85 lakh due to waiver of legitimate surcharge of two consumers.

The Company imposed (December 1999) a penalty of Rs. 25.81 lakh on Jind Co-operative Sugar Mills, a large supply consumer under Jind operation circle, for exceeding the maximum demand during July 1993 to November 1999. After depositing 50 *per cent* penalty, the consumer filed (February 2001) case against the imposition of penalty in the court of Civil Judge, Sr. Division Jind which was dismissed in March 2004. Appeal filed (March 2004) against the decision was dismissed by the District Judge, Jind in September 2007. The Company issued a notice (September 2007) for depositing Rs. 90.05 lakh (balance penalty:

Rs. 12.90 lakh and surcharge: Rs. 77.15 lakh*). The consumer, however, deposited (September 2007) only the balance penalty of Rs. 12.90 lakh and approached (September 2007) the Company for waiver of surcharge. The Board of Directors of the Company decided (December 2007) to charge 15 *per cent* simple interest arbitrarily from the due date to the date of payment on the plea that the amount kept on piling up due to pendency of court case. Accordingly, the Company recovered interest of Rs. 16.61 lakh and waived the remaining surcharge of Rs. 60.54 lakh.

Audit observed (August 2008) that the waiver of surcharge was not justified as the court case was initiated by the consumer for avoiding payment of legitimate dues of the Company.

The Company charged (February 2001) an amount of Rs. 7.61 lakh to Parkash Agro Industries, Samalakha, a larger supply consumer under Operation Circle, Karnal, for wrong application of multiplying factor (1 instead of 1.5) by the Company from October 1998 to February 2001. The consumer moved the court challenging the charged amount. The consumer paid Rs. 3.04 lakh (40 *per cent*) on the direction of the court, pending decision. After losing the case in the lower court in July 2003, the consumer filed an appeal in the court of Additional District Judge, Panipat which was dismissed in February 2005. The consumer requested (April 2005) the Company to waive the surcharge. The Board did not agree and decided (July 2005) to recover the entire amount of surcharge of Rs. 7.68 lakh. On another representation (August 2005) by the consumer, the Board decided (September 2005) to charge simple interest at 13 *per cent* per annum arbitrarily and recovered Rs. 2.37 lakh against the surcharge of Rs. 7.68 lakh resulting in waiver of Rs. 5.31 lakh.

Thus, Company lost revenue of Rs. 65.85 lakh due to waiver of legitimate surcharge of the consumers. The Company need to safeguard its interest by strictly applying its rules and regulations without any discretion.

The matter was referred to the Government and the Company in April 2009; their replies had not been received (September 2009).

3.15 Loss of revenue

The Company suffered a loss of Rs. 10.18 lakh due to non recovery of peak load exemption charge.

As per instructions (11 January 2001) of the Company, a high tension (HT) industrial consumer using electricity by availing of permitted special dispensation during peak load hours is to be billed at extra charge, called Peak load exemption charges (PLEC), of Rupees two per unit over and above the normal tariff. In case the consumption of a consumer during peak load hours in a month exceeds the permitted limit, such consumption is chargeable at Rupees four per unit over and above the

* At two *per cent* on unpaid monthly balances as per sales manual.

normal tariff. The Company directed in April 2007, *inter alia*, that industrial consumers having independent feeder and working on continuous operation in three shifts are also to be allowed special dispensation during peak load hours provided that total dispensation does not exceed 100 MVA in each case. However, no specific mention for recovery of PLEC from such consumers was made.

Audit noticed (January 2009) that EPIC Food Products Private Limited, Mohra, an HT industrial consumer under operation sub-division I, Ambala Cantt consumed 2,64,290 units during peak load hours from May 2007 to February 2008. PLEC worked out to Rs. 10.18 lakh for these months. Due to ambiguity in orders of April 2007 the sub division recovered Rs. 0.28 lakh only for February 2008 and discontinued recovery thereafter. This issue was considered by the Whole Time Directors in March 2008 and it was decided to recover these charges, where not recovered, in nine equal monthly installments commencing from April 2008. In view of these directions, the PLEC of Rs. 9.90 lakh were to be recovered in nine monthly installments of Rs. 1.10 lakh each during April-December 2008. On 4 August 2008, the consumer requested the local sub-divisional office to waive off the PLEC on the grounds that they had an independent feeder and were working on continuous operation in three shifts and there was no reference of charging PLEC in the orders issued in April 2007. Though, as per clarification (March 2008) of the Company, the special dispensation was to be allowed on the payment of PLEC, the sub-division, instead of recovering the balance in five installments of Rs. 1.10 lakh each, refunded (September 2008) the amount of Rs. 4.68 lakh recovered up to July 2008.

Thus, issue of ambiguous orders initially and non recovery/refund of peak load exemption charges even after clarifications in March 2008 resulted in loss of revenue of Rs. 10.18 lakh to the Company. The Company needs to issue clear instructions and improve its monitoring system to watch implementation of its instructions. The PLEC should be recovered from the consumer and action taken against the officers for non recovery of PLEC.

The matter was referred to the Government and the Company in March 2009, their replies had not been received (September 2009).

3.16 Loss of revenue

The Company suffered loss of interest of Rs. 12.87 lakh due to delayed transfer of funds.

Instructions of erstwhile Haryana State Electricity Board, followed by the Company, for maintenance of bank accounts under banking agreements provide that moneys tendered by the Board's offices at various branches of the bank will be transferred to the branch maintaining account of the Board daily for credit to Board's account free of charges. Further 'Manual of Duties and Responsibilities' of various functionaries of the Company, for upkeep and maintenance of consumers' accounts, requires that Sub-divisional officer (SDO) should verify from the local branch of the bank that the amount remitted into collecting bank branch by his office has been credited to Company's account and transferred daily to main account of the Company at the Head office.

Audit noticed (November 2008) that revenue receipts aggregating Rs. 12.30 crore relating to collections made during the period from 1 November 2007 to 23 January 2008 had been deposited on the respective dates by SDO, Model Town Sub-division Panipat in the local branch of Punjab National Bank. The receipts were, however, credited by the bank to the bank maintaining main account of the Company on 24 January 2008 after a delay ranging between 2 and 79 days. This delayed transfer resulted in a loss of interest of Rs. 12.87 lakh[*], worked out for delays beyond three days. The Company took no action against the bank for delayed credit of this amount into its main account.

Thus inaction of the Company to ensure compliance of its codal provisions and instructions for daily transfer of revenue receipts by the branch banks to its main account resulted in loss of interest of Rs. 12.87 lakh.

The Company should fix responsibility on its concerned officers for this lapse and recover this loss of interest from the bank.

The matter was referred to the Government and the Company in May 2009; their replies had not been received (September 2009).

Haryana Vidyut Prasaran Nigam Limited

3.17 Extra expenditure

The Company incurred extra expenditure of Rs. 17.73 lakh due to acceptance of delayed supply of ACSR Panther conductor without considering the lower prevailing market rates.

The Company placed (February 2006) an order on Prem Power Construction Private Limited for supply of equipment for turnkey construction of 66 KV D/C Tepla-Army (MES) –Air Force Transmission Line. As per terms of the purchase order, 212 kms ACSR panther conductor was to be supplied at ex-works price of Rs. 1,09,264 per km including excise duty, CST and all other taxes and duties. As per terms of purchase order the prices were variable as per Cable and Conductor Manufacturers Association of India (CACMAI) circulars with base price 30 days prior to opening of the bid and applicable rates as on 30 days prior to the offer of material for inspection. The total work of design, procurement, manufacture and supply of equipment was required to be completed within 12 months of signing of the contract i.e. by February 2007. The whole time directors of Company had decided (October 1994) that while accepting delayed supplies, the prevailing

[*] Interest worked out for the delayed credit at the rate of 11 *per cent* per annum being cash credit rate.

market rate of the material should be ascertained and compared with the rates of delayed supplies.

Audit noticed (November 2008) that the Company, while accepting (1 March 2008) delayed supply of 108.036 km ACSR panther conductor from Prem Power Construction Private Limited at final rate of Rs. 1,23,699 per km (after escalation) did not persuade the supplier to supply the conductor at the prevailing market rates of Rs. 1,04,990* per km resulting in extra expenditure of Rs. 17.73 lakh.

Thus, the Company incurred extra expenditure of Rs. 17.73 lakh due to acceptance of delayed supplies of ACSR panther conductor at a rate higher than the prevailing market rate.

In reply, the Company stated (August 2009) that decision of WTDs pertains to 1994 when the concept of turnkey projects was not in existence and this being a turnkey project, its rates cannot be compared with the rates of individual items. The reply is not convincing as the financial propriety requires the comparison of rates with the current market trends in case of acceptance of delayed supplies. The contention that rates of turnkey contract cannot be compared with the individual items was also not acceptable as turnkey rates are quoted in turnkey contracts and payments alongwith taxes and duties are made accordingly, which are very much comparable.

The Company should fix responsibility for incurring extra expenditure by not following its rules and regulations and ensure their compliance in future to safeguard financial interests.

The matter was referred to the Government in May 2009; the reply had not been received (September 2009).

Haryana Agro Industries Corporation Limited

3.18 Undue favour

Injudicious decision to allow less out turn ratio of rice on fair average quality paddy resulted in undue favour of Rs. 19.29 lakh to the millers.

The Company procures paddy as per specifications of Government of India (GOI) for Central pool and provides the same to the millers, who deliver rice to the Food

* The Company placed an order (December 2007) for procurement of 309 km ACSR panther conductor on Dynamic Cables Private Limited, Jaipur at a firm rate of Rs. 1,04,990 per km inclusive of excise duty, CST and freight and insurance charges.

Corporation of India (FCI) at the fixed out turn ratio[π] of paddy. The GOI conveyed (1 September 2005) uniform specifications of paddy and rice for Khariff Marketing Season (KMS) 2005-06 which were circulated (9 September 2005) to procuring agencies by the State Government. Before the commencement (1 October 2005) of procurement, the State Government approached (26 September 2005) the GOI for grant of relaxation in specifications of paddy/rice due to unprecedented and incessant rains during September 2005 to avoid distress sale of paddy by farmers.

Pending grant of relaxation in specifications, the company started procuring paddy of Fair Average Quality[*] (FAQ) as per specifications with effect from 1 October 2005. The GOI relaxed (6 October 2005) the specifications of paddy for procurement during 6 - 24 October 2005 and directed the procuring agencies to separately stock and account for procurements up to 5 October 2005, up to 24 October 2005 and thereafter. The State Government again approached (14 and 24 October 2005) the GOI for relaxation in specification of rice, for lower percentage of out turn ratio and extension in period beyond 24 October 2005 to cover the entire period of KMS 2005. The GOI decided (28 October 2005) to extend the relaxation in specifications up to 15 November 2005. The State Government again approached (28 November 2005) the GOI for relaxation of specifications of paddy/rice from 1 October 2005 to the end of KMS i.e. up to 31 December 2005. The GOI, however, agreed (5 December 2005) to allow relaxation during 1 - 5 October and extended the period up to 30 November 2005. Further the out turn ratio was reduced from 67 to 66 *per cent* for the paddy with relaxed specifications. As per relaxation, the financial burden on account of reduction in out turn ratio was to be shared equally by the State Government and GOI. The Company had procured 17,171 MT (14,160 MT during 1 - 5 October 2005 and 3,011 MT during 16 - 30 November 2005) paddy of FAQ and 2,02,509 MT paddy during 6 October to 15 November 2005 with relaxed specifications.

Audit observed that benefit of reduced out turn ratio to millers was extended even on FAQ paddy (17,171 MT) along with paddy procured with relaxed specifications, on the ground that Punjab had also given this benefit. The decision lacked justification as the Company had procured paddy during 1 - 5 October and 16 - 30 November 2005 as per specifications laid down by the GOI which had an out-turn ratio of 67 *per cent*.

Thus, injudicious decision to extend the benefit of reduced out turn ratio has resulted in undue favour of Rs. 19.29 lakh to the millers and resultant loss to the Company.

The matter was referred to the Government and the Company in March 2009; their replies had not been received (September 2009).

π Ratio between quantity of custom mill rice to quantity of corresponding paddy delivered to miller.

* FAQ means within specifications fixed by the Government of India.

Haryana Roadways Engineering Corporation Limited

3.19 Extra expenditure

The Company incurred extra expenditure of Rs. 11.50 lakh due to non-invoking of risk and cost clause.

The Company invited (October 2007) tenders for purchase of CFGI pipes of various sizes. Terms and conditions of the tender document provided, *inter alia*, that the offered rates were applicable for one year and successful bidder was to furnish bank guarantee equal to 10 *per cent* value of the order. Further, in case of delay/non supply, the material was to be purchased at the risk and cost of the defaulting firm. In response to tender notice, offers from three firms were received (November 2007). Since the rates of Rs. 113.22 per meter (size 40 x 40 x 2 mm), Rs. 144.85 per meter (size 60 x 40 x 2 mm) and Rs. 91.90 per meter (size 40 x 20 x 2 mm) quoted by Swastik Pipe Limited (firm) were lowest, the Company placed order for supply of 65,000 meters, 50,000 meters and 30,000 meters, respectively during February - April 2008 on this firm. The firm requested (February 2008) for revision in rates due to rising steel prices or to cancel the order. The Company instructed (March –April 2008) the firm to make the supply as per terms and conditions of tender duly accepted, otherwise material would be purchased at its risk and cost from other suppliers. The firm neither submitted bank guarantee nor supplied any material. To meet its requirements the Company, after inviting fresh tenders/quotations (May 2008) purchased 20,616 meter pipes valuing Rs. 38.40 lakh from other sources. However, risk and cost clause was not invoked against the defaulting firm and resultantly the extra expenditure of Rs. 11.50 lakh (after adjustment of Rs. 90,000 Earnest Money Deposit) could not be recovered.

Thus, the Company had to incur extra expenditure of Rs. 11.50 lakh due to non-invoking of risk and cost clause. The Company should lodge a claim against the firm under risk and cost clause and improve the monitoring system to ensure adherence to the tender clauses.

The matter was referred to the Government and the Company in June 2009; their replies had not been received (September 2009).

Haryana State Minor Irrigation and Tubewells Corporation Limited

3.20 Loss of revenue

The Company suffered loss of Rs. 16.81 lakh by keeping surplus funds in current/saving accounts.

The Government of Haryana released (June 2002) a loan of Rs. 76.65 crore to the Company on its closure in July 2002 for payment of retrenchment compensation and other dues. As the process of payment was very slow, the Company had been keeping funds in various banks in fixed deposits/saving and current accounts.

Audit observed that as per balances in the cash books the Company had kept the funds ranging between Rs. 16.36 lakh and Rs. 99.53 lakh per month in current accounts and Rs. 72.60 lakh to Rs. 1,040.67 lakh per month in savings accounts during April 2007 to June 2008. The Company could have earned more interest by investing these funds in FDRs on quarterly basis.

Management stated (June 2009) that sanctions for more than the funds available in bank accounts had been issued, for which the cheques were to be prepared. Further, considerable amount of funds remained in saving accounts. Reply of the Management lacks justification as the computation of loss of interest has been worked out after giving cushion of Rs. 10 lakh over and above all the cheques issued and after taking into account the interest earned on the saving accounts. Further, keeping the funds in quarterly fixed deposits would not have affected the payment liabilities of the Company as the deposits could have been encashed prematurely in case of need.

Thus, by not keeping the surplus funds in short term deposits the Company suffered loss of interest of Rs. 16.81 lakh after giving a cushion of Rs. 10 lakh and excluding the interest earned on saving accounts during April 2007 to June 2008, (calculated at the minimum quarterly interest rate of 8 *per cent* per annum) on the minimum average monthly balance in current/saving bank accounts during each quarter.

The Company should evolve a system to identify surplus funds and keep them in short term deposits so that financial interest of the Company could be safeguarded.

The matter was referred to the Government in April 2009; the reply had not been received (September 2009).

General

3.21 Follow up action on Audit Reports

Replies outstanding

3.21.1 The Report of the Comptroller and Auditor General of India represents the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Haryana issued (July 1996) instructions to all Administrative Departments to submit replies to paragraphs/reviews included in the Audit Reports within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires.

Though the Audit Reports for the years 2005-06 and 2007-08 were presented to the State Legislature in March 2007 and February 2009 respectively, two out of eight departments, which were commented upon, did not submit replies to 14 out of 50 paragraphs/reviews as on 30 September 2009 as indicated below:

Year of the Audit Report (Commercial)	**Number of reviews/paragraphs appeared in the Audit Report**		**Number of reviews/paragraphs for which replies were not received**	
	Reviews	**Paragraphs**	**Reviews**	**Paragraphs**
2005-06	2	22	-	3
2007-08	4	22	3	8
Total	**6**	**44**	**3**	**11**

Department-wise analysis is given in **Annexure 11.** The Power department was the major defaulter with regard to submission of replies. The Government did not respond to even reviews highlighting important issues like system failures, mismanagement and deficiencies in execution of various schemes.

Outstanding action taken notes on Reports of Committee on Public Undertakings (COPU)

3.21.2 Replies to 13 paragraphs pertaining to 8 Reports of the COPU presented to the State Legislature between March 2001 and March 2009 had not been received (September 2009) as indicated below:

Year of the COPU Report	**Total number of Reports involved**	**No. of paragraphs where replies not received**
2000-01	1	1
2002-03	2	2
2003-04	2	2
2005-06	1	1
2006-07	1	3
2008-09	1	4
Total	**8**	**13**

These reports of COPU contained recommendations in respect of paragraphs pertaining to four[@] departments, which appeared in the Reports of the Comptroller and Auditor General of India for the years 1995-96 to 2005-06.

Response to Inspection Reports, Draft Audit Paragraphs and Reviews

3.21.3 Audit observations noticed during audit and not settled on the spot are communicated to the respective heads of the PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Review of Inspection Reports issued up to March 2009 revealed that 530 paragraphs relating to 194 Inspection Reports pertaining to 22 PSUs including Haryana Electricity Regulatory

[@] Power (eight), PWD (B&R) (one), Mines and Geology (three), Forest (one).

Commission remained outstanding at the end of 30 September 2009. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2009 is given in **Annexure 12.**

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, 20 draft paragraphs and three reviews forwarded to the various departments during January to July 2009 as detailed in **Annexure 13** had not been replied to so far (30 September 2009).

It is recommended that the Government may ensure that: (a) procedure exists for action against the officials who fail to send replies to Inspection Reports/draft paragraphs/reviews and ATNs to the recommendations of COPU as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayments is taken within the prescribed period; and (c) the system of responding to audit observations is revamped.

Chandigarh
Dated

(Sushama V. Dabak)
Principal Accountant General (Audit)
Haryana

Countersigned

New Delhi
Dated

(Vinod Rai)
Comptroller and Auditor General of India