

Chapter-3

Audit of Transactions

Chapter 3

3. Transaction Audit Observations

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

Haryana Power Generation Corporation Limited

3.1 *Avoidable expenditure*

Delay in executing side agreement led to extra expenditure of ₹ 3.07 crore in rebooking of coal.

Haryana Power Generation Corporation Limited (Company) signed a Fuel Supply Agreement (FSA) in July 2009 with Central Coalfields Limited (CCL), Ranchi for supply of 50.90 lakh¹ tonnes of coal per year to its Panipat Thermal Power Station (PTPS) at Panipat and Deenbandhu Chhotu Ram Thermal Power Plant (DCRTPP) at Yamunanagar. The agreement, *inter-alia*, provided that the Company could transfer the coal meant for its own power plant to another power plant fully owned by the Company through rebooking by paying additional transportation cost to Railways and a Side Agreement was required to be executed for the purpose.

Units-II and I of DCRTPP, Yamunanagar tripped and shut down on 25 September 2011 and 31 March 2012, respectively, and were expected to remain shut for a long period (about six months for Unit-II and four months for Unit-I) and there being no requirement of coal at DCRTPP Yamunanagar, during this period, the Company got the coal rakes diverted from DCRTPP Yamunanagar to Rajiv Gandhi Thermal Power Plant (RGTPP) at Khera, Hisar through railway authorities.

The Company without executing side agreement, got the coal rakes diverted through railways and had incurred expenditure of ₹ 14.47 crore on rebooking of coal during April to July 2012. Subsequently the Company executed Side Agreement in September 2012 for direct supply of coal from Colliery head to RGTPP, Hisar.

Thus, had the Company executed side agreement in January 2012 it could have got coal at RGTPP, Hisar directly from CCL by March 2012 and it could have avoided paying rebooking charges/ expenditure² of ₹ 3.07³ crore to railways during April to July 2012.

¹ PTPS 22.90 lakh tonne and DCRTPP Yamunanagar 28 lakh tonne.

² Average freight charges including rebooking cost from DCRTPP Yamunanagar to RGTPP Hisar minus Average freight charges from colliery to RGTPP Hisar.

³ ₹ 3.07 crore = (₹ 2,194.42 - ₹ 2,100.57) x 3,27,387.90 tonnes coal.

During exit conference (September 2013) Additional Chief Secretary, Power Department, Government of Haryana stated that the re-commissioning of Unit-II after repair was expected in July 2012 and as such side agreement was not done in view of requirement of coal thereafter. However, we are of the view that since the Units were likely to remain shut down for a long period (about six months for Unit-II and four months for Unit-I from the date of work orders) and there being no requirement of coal at DCRTPP Yamunanagar, during this period, the Company should have signed Side Agreement to avoid extra expenditure on re-booking of coal as per MoU signed with CCL.

The above points were referred to the Government (May 2013), no reply was received (December 2014).

Dakshin Haryana Bijli Vitran Nigam Limited

3.2 *Extra expenditure*

Decision of High Power Purchase Committee to retender by ignoring the lowest rates resulted in extra expenditure of ₹ 6.36 crore.

Dakshin Haryana Bijli Vitran Nigam Limited (Company) invited (June 2010) five tender enquiries (Sl. No. 126 to 130) for construction of 23 new Sub Stations (SSs) of 33 KV on turnkey basis with estimated cost of ₹ 59.08 crore. 23 firms participated in the tender and status of the lowest bidder is given below:

Table 3.1

Sl. No.	Tender Enquiry No.	Name of the operation circles	Number of SSs	Estimated cost (₹ in crore)	Name of L-1 firm	Rate of L-1 (₹ in crore)	L-1 cost less than estimated cost (in per cent)
1.	126	Sirsa	5	13.33	M/s Century Infrastructure Private Limited	11.86	11.03
2.	127	Sirsa	5	13.07	M/s NKG Infrastructure Limited	12.06	7.73
3.	128	Bhiwani	3	12.24	M/s Century Infra Power Private Limited	10.25	16.26
		Hisar	2				
4.	129	Gurgaon	2	8.09	M/s NKG Infrastructure Limited	7.71	4.70
		Narnaul	1				
5.	130	Hisar	5	12.35	M/s NKG Infrastructure Limited.	11.44	7.37

Power utilities level High Power Purchase Committee (HPPC) invited (27 October 2010) L-1 bidders for negotiations and made counter offers. L-1 bidders for tender enquiry No.126 and 128 accepted the counter offers of ₹ 9.98 crore and ₹ 8.98 crore respectively which was less than 25 *per cent* of

the estimated cost) and the Company issued work order for construction of ten SSs. The position of L-1 bidder (M/s NKG Infrastructure Limited) in respect of remaining three tender enquiries after negotiations were as under:

Table 3.2

Sl. No.	Tender Enquiry No.	Name of the circle	Number of SSs	Estimated cost (₹ in crore)	Lowest acceptable rate (₹ in crore)	Difference between lowest acceptable rate and estimated cost (in per cent)
1.	127	Sirsa	5	13.07	10.51	19.58
2.	129	Gurgaon	2	8.09	6.63	18.05
		Narnaul	1			
3.	130	Hisar	5	12.35	10.03	18.78
Total			13	33.51	27.17	

Since M/s NKG Infrastructure Limited L-1 had not accepted the counter offer of HPPC of lowering the price below 25 *per cent* for above three Tendering Enquires, the Company reinvited (February 2011) three tender enquiries No.136 to 138 for construction of 21 SSs (including 13 SSs of dropped tender enquiries No. 127, 129 and 130). The work was awarded to L-1 bidder (M/s Sham Indus Power Solution Private Limited, New Delhi) at ₹ 54.85 crore which proportionately worked out to ₹ 33.53 crore⁴ for cost of 13 SSs dropped earlier. The retendered cost of ₹ 33.53 crore is more by ₹ 6.36 crore than the originally received tender at ₹ 27.17 crore, thereby resulting in extra expenditure. Thus, the decision to reinvite the tender with the intention to get 25 *per cent* lower than the estimated cost proved futile.

During exit conference (September 2013) Additional Chief Secretary, Power Department, Government of Haryana stated that in two (tender enquires No. 126 and 128) out of five tender enquiries, the L-1 firm had reduced its prices to 25 *per cent* below the estimated cost during negotiations and as such the Company had anticipated lower rates during re-tendering in respect of remaining three tender enquires No. 127, 129 and 130 also. However, we are of the view that since there was no certainty of receiving lower rates after re-tendering as competitive rates had already been received through open tendering process, re-tendering was unnecessary.

The above points were referred to the Government (May 2013), no reply was received (December 2014).

3.3 Loss due to under insurance

Loss of ₹ 38.12 lakh due to under insurance of combustible inventory lying in Transformer Repair Workshop, Faridabad.

The Company insured (February 2004) combustible inventory in its stores and

⁴ This figure had been worked out on the basis of cost of one SS (including material cost, erection charges, cost of lines and civil works) as per retendering.

workshops against fire and theft under a declaration policy⁵ covering not only existing combustible inventory but also addition to combustible inventory during the course of policy period. For this, the Company was required to send monthly declarations based on average of the highest value of the stock at risk to the insurer. The average inventory was taken on the basis of monthly statements compiled by technical section as received from the Stores and Transformer Repair Workshops (TRWs).

A fire incident occurred in TRW, Faridabad on 24 March 2011 and material worth ₹ 65.34 lakh out of total material valuing ₹ 9.43 crore was destroyed (23 March 2011). Keeping in view salvage value of destroyed material ₹ 15.80 lakh, the insurance company admitted and paid (March 2012) claim of ₹ 11.42 lakh to the Company. Though, the highest value of inventory during 2009-10 was ₹ 10.59 crore (December 2009) yet the Company obtained insurance policy (June 2010) only for three items, i.e., transformer oil, damaged transformers and repaired transformers valuing ₹ 2.12 crore while material valuing ₹ 9.02 crore (May 2010) was lying in the TRW, Faridabad. Thus, due to under insurance, the Company suffered a loss of ₹ 38.12 lakh. We noticed that the Company could obtain insurance cover for total value (₹ 10.59 crore) of inventory by paying extra premium of ₹ 0.15 lakh only.

During exit conference (September 2013), Additional Chief Secretary, Power Department, Government of Haryana stated that due to under insurance, the Company had saved substantial amount on premium. The reply was not acceptable as the Company could have saved ₹ 38.12 lakh by paying additional insurance premium of mere ₹ 0.15 lakh for taking insurance policy for entire value of inventory at TRW, Faridabad.

The above points were referred to the Government (June 2013), no reply was received (December 2014).

Uttar Haryana Bijli Vitran Nigam Limited

3.4 Accumulation of arrears on account of electricity charges

The outstanding dues increased from ₹ 1,406.32 crore in April 2008 to ₹ 2,532.36 crore in March 2013. Advance Consumption Deposit amounting to ₹ 721.56 crore was not raised against consumers as on January 2014. The number of connected defaulters had increased from 17.57 per cent of the total consumers in 2008-09 to 18.39 per cent in 2012-13. The Company recovered penalty of ₹ 6.17 crore against ₹ 11.78 crore in theft cases.

A scrutiny of the outstanding dues on account of electricity charges of the

⁵ Under the declaration policy, refund of premium on adjustments based on the average of the values at risk on each day of the month or the highest value at risk during the month, shall be admissible subject to maximum of 50 per cent of sum insured. Further in case, the maximum value of the stock exceeds the value of sum insured, no extra premium shall be charged but the claim amount will be reduced proportionately.

Company at Head office and nine⁶ Operation Sub Divisions (Units) in three Operation Circles⁷, selected on the basis of sampling method of ‘Probability proportional to size’ without replacement by using random number tables showed the following details of arrears outstanding at the beginning of year, revenue billed and amount realised during the year and balance outstanding at the end of the year during 2008-09 to 2012-13 :

Table 3.3

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1	Balance outstanding at the beginning of the year	1,406.32	1,543.52	1,720.25	1,909.25	2,191.51
2	Revenue billed during the year	2,205.52	2,473.06	3,087.70	3,615.04	4,492.14
3	Total amount due for realisation (1+2)	3,611.84	4,016.58	4,807.95	5,524.29	6,683.65
4	Amount realised during the year	2,062.67	2,296.33	2,898.70	3,332.78	4,151.29
5	Amount of unrealised surcharge adjusted during the year	5.65	-	-	-	-
6	Balance outstanding at the end of the year [3-(4+5)]	1,543.52	1,720.25	1,909.25	2,191.51	2,532.36

Balance amount outstanding had increased from ₹ 1,406.32 crore in April 2008 to ₹ 2,532.36 crore in March 2013, an increase of debtors by ₹ 1,126.04 crore (80.07 per cent).

There is an urgent need to introduce efficient revenue collection measures by launching a sustained campaign for speedy recovery.

Non Revision of Advance Consumption Deposit (ACD)

As per provisions of the Electricity Supply Act, 2003 (Act) and the enabling regulations issued by HERC, the DISCOMs can recover ACD equivalent to four/two⁸ months of energy consumption charges of the different categories⁹ of consumers. The DISCOMs are authorised to disconnect the electricity connection in case of non-payment of electricity dues in time and to adjust the outstanding dues from the ACD amount.

The Company issued Sales Circular (7 July 2006) for revision of ACD, which provided for two reviews of ACD, one on the basis of 12 months consumption from 1 April 2005 to 31 March 2006 and next review of domestic and non-

⁶ Tarori, Nising, Ashand, Sub/urban Jhajjar, Bahadurgarh, Beri, S/u S/D Jind, Julana and Garhi.

⁷ Karnal, Jhajjar and Jind.

⁸ Four months where is bimonthly billing and two months where is monthly billing.

⁹ Bimonthly billing category—DS, Monthly billing categories—NDS, Industrial, AP and Government.

domestic consumers after four years and for other categories after three years.

The above reviews were not carried out and additional ACD was not assessed and demanded from the consumers till March 2012 and this was not monitored by the head office. The Company instead approached the State Government in March 2012, to get their approval for recovery of additional ACD in six installments, *i.e.*, in six and 12 months for monthly and bi-monthly billing, respectively. The State Government approved (12 July 2012) the recovery of additional ACD in 12 installments and instructions issued (August 2012). But there was no progress in this regard (January 2014). As on January 2014 ACD demand worth ₹ 721.56 crore was yet to be raised against consumers.

The Management replied (September 2013) that ACD had been charged from NDS category of consumers and instructions had been issued to charge ACD from DS category consumers. The fact remains that the ACD amounting to ₹ 721.56 crore as on January 2014 was yet to be recovered.

Dues recoverable from connected defaulters

The HERC had directed (March 2012) the DISCOMs to disconnect the electricity connections of permanent defaulters within one month. In compliance to above directions, the Company issued Sales Instruction (12 June 2012) which *inter-alia* provided that the electricity connections of defaulting consumers should be disconnected in a phased manner. The Company fixed circle wise monthly targets for disconnection and a total 5.15 lakh disconnections were to be effected during 2012-13. Against this, only 3.94 lakh electricity connections were disconnected (March 2013). We noticed that despite effecting disconnection of 3.94 lakh defaulters, number of connected defaulters remained at 5.02 lakh in March 2013 as against 5.08 lakh in March 2012.

Category-wise position of arrears of revenue during the five years period 2008-13 is shown in ***Appendix 10***. A perusal of ***Appendix*** showed that there were 5,01,502 connected defaulters having outstanding dues amounting to ₹ 1,514.55 crore (March 2013). The number of defaulters had increased from 17.57 *per cent* of the total consumers in 2008-09 to 18.39 *per cent* in 2012-13 (March 2013). The outstanding dues from the connected defaulters had increased in all categories during five years period ending March 2013 except for Panchayats and other Government Departments.

The Management stated (September 2013) that though they were facing resistance from consumers, the Temporary Disconnection Orders/ Permanent Disconnection Orders (TDCOs/ PDCOs) were being effected by taking the help of police and District Administration. The fact however remains that the number of connected defaulters had been increasing continuously, along with the defaulting amount.

Dues recoverable from permanently disconnected defaulters

As per Sales Manual of the Company, if, after the expiry of three months from the date of disconnection, the consumer continues to default, the sum of ACD should be adjusted towards the amount of arrears and the balance amount, if any, should be adjusted from any other connection in the name of consumer. If there are no prospects of the recovery of dues, the Executive Engineer (Operation), prescribed authority as per Haryana Government Electricity Undertaking (Dues Recovery) Act, 1970 should issue demand notices to recover the amount as arrears of land revenue under Section 4 of the Act and recovery certificate addressed to Tehsildars under Section 6 of the Act.

The total outstanding amount from permanently disconnected defaulters was ₹ 803.33 crore as on 31 March 2013. A test check of records of nine Operation Sub Divisions showed that there were 39,644 permanently disconnected defaulters having defaulting amount of ₹ 118.79 crore as on 30 November 2012 from whom the Company adjusted ACD of ₹ 2.10 lakh. In remaining cases, ACD had not been adjusted so far (March 2013) and only 29 cases¹⁰ (0.07 *per cent*) were referred to land revenue authorities for recovery as arrears of land revenue.

The Management stated (September 2013) that the amount was being recovered by filing civil suits against the permanently disconnected defaulters. But the fact remains that the Company did not comply with the Codal provisions regarding disconnection of defaulter after a stipulated period of time and it led to accumulation of arrears.

Recovery of dues in theft cases

As per Section 135 of the Electricity Act, 2003 theft of electricity is a punishable offence. On detection of theft of electricity, the DISCOMs in disconnecting the power supply, lodge a complaint with police within twenty four hours from the time of such disconnection and notice issued to the consumer for deposit of the amount. In case, the consumer does not deposit the compounding amount within 72 hours, an FIR should be lodged and in case the police does not register the complaint, the Company should file case directly in the appropriate Court through authorised officer.

We observed that during 2008-13 8,944 theft cases were detected up to 30 November 2012 in selected Units and penalty of ₹ 11.78 crore was imposed. Out of this, only ₹ 6.17 crore (52.33 *per cent*) was recovered by the Company. In 7,274 cases, the Company filed FIRs with police authorities and only in one case, FIR was registered. In remaining 7,273 cases, non-registering of FIRs was coupled with the fact that no action was initiated by the authorised officers for directly filing the case in appropriate Court. Resultantly, ₹ 5.61 crore were not recovered in theft cases.

¹⁰ Julana sub division of Jind operation circle 6 cases and Beri sub division of Jhajjar operation circle 23 cases

During exit conference (September 2013), Additional Chief Secretary, Power Department, Government of Haryana stated that remedial action was being taken with regard to recovery of ACD from the consumers, effecting TDCOs of defaulters and registering of FIRs against theft of power. The fact, however, remains that an amount of ₹ 5.61 crore was yet to be recovered and the power supply of such defaulters had not been disconnected.

The above points were referred to the Government (July 2013), no reply was received (December 2014).

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited (DISCOMs)

3.5 Waiver of Electricity dues

Against the waiver of ₹ 1,050.10 crore, the State Government released ₹ 532.05 crore only as subsidy to DISCOMs. In two selected operation circles, 7,081 domestic consumers having defaulting amount of ₹ 32.74 crore had neither opted for the Scheme nor the DISCOMs had taken any action against them as per Codal provisions. Defaulting amount of consumers who stopped making payments after joining the Scheme had increased from ₹ 11.37 crore (June 2005) to ₹ 77.36 crore (December 2012).

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) are the power Distribution Companies (DISCOMs) which supply electricity to various electricity consumers in Haryana.

Twenty operational sub divisions¹¹ of four operation circles¹² (two from each DISCOM) were selected on the basis of ‘Probability proportional to size’ by using random table for detailed examination. Our audit findings are discussed in subsequent paragraphs.

Section 65 of the Electricity Act, 2003 provides that if the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by HERC under Section 62, the State Government is required to pay in advance, the amount to compensate the person affected by the grant of subsidy in the manner the State Government may direct, provided that no such direction of the State Government is to be operative if the payment is not made in accordance with the provisions of the Section.

Section 65 of Electricity Act 2003, empowers the State Government to issue directions to DISCOMs to grant benefits to the consumers subject to equal compensation by the Government to the DISCOMs. Haryana Government

¹¹ Jind (Sub Urban-II, Garhi, Julanaand Pillukhera) (ii) Bhiwani (Sub Urban, Bhadhra, Jui and Siwani) (iii) Hisar (Satrod, Narnaund, Hansi SU, Tohana, Bhuna, and Mundhal) (iv) Sonepat (Model Town, Kundli, Bhatgaon, Gohana SU, Gannaour, Farmana)

¹² Jind & Sonepat of UHBVNL and Hisar & Bhiwani of DHBVNL.

approved (June 2005) the Scheme for settlement of arrears for rural domestic and agriculture consumers. Accordingly, DISCOMs issued (June 2005) a circular regarding Waiver Scheme 2005. It provided waiver of dues in respect of such consumers who would make regular payment of their current electricity bills for 20 months *w.e.f.* 17 June 2005 and accumulated arrears of these consumers as on 16 June 2005 should be frozen. The Waiver was deemed waiver and total adjustment was to be given at the end of twenty months. As per provisions of the Scheme, the State Government was to bear the principal amount and surcharge was to be borne by the DISCOMs. The Scheme remained operative up to 31 January 2008. The DISCOMs further extended the above Scheme during January 2009 only for those consumers who had opted for the Scheme but again defaulted in payment and thus, could not avail the benefit of the Scheme. The Scheme was extended without obtaining approval from Finance Department of the State Government.

The DISCOMs reintroduced (July 2012) the Waiver Scheme to give another chance for the left out consumers without any arrangement of subsidy from the State Government. The Scheme was applicable from 1 August 2012 to 31 March 2013.

Unjustified waiver of dues

- i. The detail of waiver of dues and subsidy received from the State Government is given below:

Table 3.4

(₹ in crore)

Name of the Scheme	Name of the Company	Number of Consumers (lakh)	Amount waived (including ED)	Subsidy received	Amount borne by the DISCOMS
Waiver Scheme 2005 (June 2005 to January 2008)	UHBVNL	3.43	575.96	328.99	240.95
	DHBVNL	2.77	408.08	203.06	201.20
	Total (A)	6.20	984.04	532.05	442.15
Waiver Scheme (operational during January 2009 only by DISCOMs)	UHBVNL	0.05	13.86	-	13.86
	DHBVNL	0.01	1.90	-	1.90
	Total (B)	0.06	15.76		15.76
Waiver Scheme(operational during August 2012 to March 2013 by DISCOMS)	UHBVNL	0.04	38.47	0	38.47
	DHBVNL	0.02	11.83	0	11.83
	Total (C)	0.06	50.30		50.30
Grand Total (A+B+C)		6.32	1,050.10	532.05	508.21

We observed (September 2013) that in the implementation of the above Schemes, against the waiver of ₹ 1,050.10 crore by DISCOMs, the State Government released ₹ 532.05 crore only as subsidy. Resultantly, financial burden of ₹ 508.21 crore (Principal: ₹ 24.45 crore and surcharge ₹ 483.76 crore) was borne by DISCOMs and ₹ 9.84 crore (included in the waiver of amount of ₹ 999.80 crore) representing Electricity Duty was neither recovered from the consumers nor deposited with the State Government. Waiver of dues without receipt of subsidy from the State Government was indicative of failure of the DISCOMs to effect recovery of electricity dues from defaulters, thereby putting undue burden on DISCOMs which were already running in

losses.

ii. At the time of introduction of Scheme (16 June 2005), there were 13.87 lakh defaulting consumers having defaulting amount ₹ 1,781.68 crore. While introducing the Scheme, the DISCOMs did not plan any punitive action against the consumers who would leave the Scheme midway and had not framed any strategy for larger participation. We observed (March 2013) that only 6.32 lakh consumers (45.56 *per cent*) fully availed the Scheme and 3.02 lakh consumers (21.77 *per cent*) had left the Scheme after opting it. Further, 4.53 lakh consumers had not opted the Scheme at all.

Recovery procedure for electricity dues

iii. The ‘Sales Manual’ and ‘Regulation (Instruction No 7.3) regarding duties and responsibilities of various functionaries’ of the DISCOMs provide that, in case a consumer fails to make timely payment of his electricity bill, Commercial Assistant (CA) of the concerned sub division should issue Temporary Disconnection Order (TDCO) after the expiry of notice period of 15 days and then issue Permanent Disconnection Order (PDCO) after the expiry of 30 days from TDCO. The Junior Engineer (Field) should ensure the return of TDCO, PDCO (Compliance Report) to CA within a week and Sub Divisional Officer (SDO) should ensure that duties assigned to concerned officials are duly exercised. In any case, the accumulation of arrears should not be more than consumption security (equivalent of two billing cycles) of the consumer.

Non enforcement of Codal provisions

iv. We observed (March 2013) that in two selected operation circles¹³, 7,081 domestic consumers having defaulting amount of ₹ 32.74 crore (June 2005) had neither opted for the Scheme nor the DISCOMs had taken any action against them as per Codal provisions as referred above. Resultantly, their defaulting amount had increased to ₹ 200.84 crore (November/ December 2012). 4,773 connected defaulters whose defaulting amount (June 2005) was ₹ 11.37 crore had stopped making payment after joining the Scheme and left the Scheme midway. However, defaulting amount of these consumers¹⁴ had increased to ₹ 77.36 crore (November/ December 2012).

We further observed that in four¹⁵ selected operation circles, 1,369 connected defaulting consumers whose ₹ 2.94 crore (June 2005) were waived had again become defaulters¹⁶ for ₹ 12.36 crore (November/ December 2012/ March 2013). Their outstanding dues had increased by ₹ 9.42 crore from June 2005 to March 2013.

Further, there were 14,002 Domestic Supply (DS) defaulting consumers¹⁷ (November-December 2012/ March 2013) in four selected operation circles

¹³ Bhiwani and Hisar

¹⁴ Consumers having defaulting amount more than ₹ 50,000 in each case.

¹⁵ Hisar, Bhiwani, Jind and Sonepat.

¹⁶ Consumers having defaulting amount more than ₹ 50,000 in each case.

¹⁷ DS consumers having defaulting amount more than ₹ 1,00,000 in each case.

but the DISCOMs had disconnected the electricity connections of 1,055 defaulting consumers only and electricity connections of the 12,947 defaulting consumers were still to be disconnected (May 2013).

Similarly, there were 589 defaulting agriculture (AP) consumers¹⁸ (November-December 2012/March 2013) and out of these, electricity connections of only 236 defaulting agriculture consumers were permanently disconnected and connections of 353 defaulting AP consumers were still to be disconnected.

The Superintending Engineer (SE) operation circle, Bhiwani stated (March 2013) that all these electricity connections of DS and AP consumers would be disconnected by 30 April 2013 and 30 June 2013 respectively or amount outstanding against them would be realised. The SE operation circle, Sonepat stated that necessary instructions would be issued in this regard. Further outcome was awaited (September 2013).

Other deficiencies noticed which led to accumulation of arrears

v. We observed that in four selected operation circles, the details of defaulting consumers, *i.e.*, consumer's name, address, connected load and date since continuous default were not recorded in the consumers ledgers. Further, the dates of effecting TDCO/ PDCO of defaulters were also not mentioned in the records of these consumers. Consequently, the accuracy of bifurcation of principal and surcharge of outstanding amount freezed (16 June 2005) could not be verified.

During exit conference (September 2013), Additional Chief Secretary, Power Department, Government of Haryana stated that the Scheme was launched to recover the outstanding amount from the defaulters. Reply is not tenable as the waiver scheme was extended without the approval of Finance Department. Further, the DISCOMs did not plan any punitive action against the consumers who leave the scheme midway.

The above points were referred to the Government (July 2013), no reply was received (December 2014).

Haryana Land Reclamation and Development Corporation Limited

3.6 Non recovery of service tax

Inclusion of service tax in administrative cost instead of transportation cost resulted in less claiming of subsidy from State Government amounting to ₹ 49.18 lakh.

The Company procures gypsum from Rajasthan State Mines & Minerals Limited and sells the gypsum through its sale outlets to the farmers in the State. The sale rate of gypsum is fixed by the State Government on the basis

¹⁸ Agriculture consumers having defaulting amount more than ₹ 50,000 in each case.

of cost worked out by the Company. The Company works out the cost of gypsum after considering the purchase cost, cost of packing, transportation cost, establishment cost, unloading/ handling charges, dealer's margin, insurance cost, interest cost and its own profit margin. As gypsum is sold to the farmers at subsidised rates, 50 *per cent* cost of material and 100 *per cent* transportation cost is borne by the State Government by way of subsidy subject to the maximum limit of ₹ 1,500 per MT. The State Government fixed the sale price of gypsum at ₹ 1,800, ₹ 2,200 and ₹ 2,400 per MT in 2006-07 (1 April 2006), 2010-11 (12 May 2010) and 2011-12 (29 April 2011) respectively.

Service tax became payable on the value of services relating to transportation of goods from 1 January 2005. The responsibility to deposit service tax lies with the entity making payment of transportation charges. The Company paid service tax of ₹ 98.36 lakh on transportation during January 2005 to March 2011 but did not include the same while working out the cost of gypsum. Since the service tax paid on transportation charges is also a part of transportation cost, the Company should have included it in transportation cost while getting the sale rates of Gypsum fixed from State Government during 2006-07 to 2010-11 and claimed the entire transportation cost (including service tax) from the State Government as subsidy.

During exit conference, the Additional Chief Secretary, Agriculture Department, Government of Haryana stated (September 2013) that service tax was included in the administrative cost during January 2005 to March 2011. This reinforces audit contention that service tax was not included in transportation cost. Had the Company included service tax in transportation cost itself, it would have got 100 *per cent* subsidy amounting to ₹ 98.36 lakh from State Government instead of 50 *per cent* subsidy amounting to ₹ 49.18 lakh it got by including service tax in administrative cost.

Thus, inclusion of service tax in administrative cost instead of transportation cost resulted in less claiming of subsidy from State Government amounting to ₹ 49.18 lakh.

The above points were referred to the Government (June 2013), no reply was received (December 2014).

Haryana State Industrial and Infrastructure Development Corporation Limited

3.7 *Irregular expenditure*

Irregular expenditure of ₹ 33.25 lakh was incurred on salary and allowances on posting of Senior Manager (Sports) without availability of post.

Haryana Bureau of Public Enterprises sanctioned (August 2001) 14 posts for a separate sports cadre in the Haryana State Infrastructure and Industries

Development Corporation (Company) and State Government had approved (April 2010) a separate set of service rules *i.e.* Service Bye Laws for sports cadre. These rules laid down the following as essential qualifications for the incumbent of post of Senior Manager (Sports):

1. Graduation,
2. Age not exceeding 35 years,
3. Medal winner in Asian Games or Sr. Asian Championship or at least two times participation in international events.

A boxing coach, working in the Sports Authority of India (SAI) was appointed as Senior Manager (Sports) from April 2008 for one year on deputation basis for overseeing the affairs of the volleyball team and the tennis players and also to act as Manager of the volleyball team. The tenure of deputation was extended on year to year basis up to 31 March 2013. The Company paid ₹ 33.25 lakh to him on account of salary and other allowances for the period from 1 April 2008 to 31 March 2013.

We observed (June 2012) that the Company had only two sports teams *i.e.*, volleyball and lawn tennis and there was no boxing team in the Company. Despite this, a boxing coach was appointed as Senior Manager (Sports) which showed that he was adjusted in the Company without any actual requirement. Moreover, since only one post of Senior Manager (Sports) was available in the Company which was already occupied up to 17 August 2010, he was adjusted as Senior Manager (Sports) from 1 April 2008 against the vacancy of higher post of Assistant General Manager (Sports). Besides, Audit also observed that he did not fulfill two out of three qualifications as per Service Bye Laws *i.e.* he was neither below 35 years of age nor medal winner in Asian Games or Senior Asian Championship or at least two times participant in international events.

During exit conference (October 2013), the Principal Secretary to Government of Haryana, Industries Department and MD of the Company stated that the appointment was made against the vacancy available in the Company and that incumbent had already been repatriated to his parent department after completion of his five years term. The reply was not tenable as the person did not meet the qualifications and was appointed to look after the affairs of volleyball and tennis teams though he was a boxing coach.

The above points were referred to the Government (July 2013), no reply was received (December 2014).

Haryana State Roads and Bridges Development Corporation Limited

3.8 Loss of revenue

The Company suffered a loss of ₹ 3.52 crore due to injudicious decision to reinvoke the tender.

Government of Haryana vide notification (27 August 2010) declared

Deodhar-Nainawali Road (TP-33) as toll road with effect from 1 November 2010 for a period of 12 years and authorised Haryana State Roads and Bridges Development Corporation Limited (Company) to demand, collect and retain toll from the toll facility at toll point.

Tenders for collection of toll on Deodhar-Nainawali Road were invited by the Company in August 2010 and October 2010. The Company did not receive any bids for these tenders. The Company again invited tender (12 November 2010) for third time and in response, three bids were received. Highest bid of ₹ 6.04 crore (23.1 *per cent* higher than traffic census and 58.59 *per cent* higher than departmental collection) was received from M/s Jai Singh and Company (bidder). Tender Approval Committee (TAC) headed by Engineer-in-Chief, PWD (B&R) in its meeting (23 November 2010) did not accept the bid anticipating that ban on mining might be lifted any day and consequently toll collection would be higher. The TAC decided to reinvite tenders for a period of four months. Meanwhile, toll was collected departmentally. During August 2010 to May 2012, tenders were called for 11 times and on six occasions, no bid was received.

Tenders in the remaining five cases could not be finalised as tabulated below:

Table 3.5

Tender ¹⁹ number and date	Particulars	Outcome of tendering
3 rd tender, 12 November 2010	Three bids received. Highest bid of ₹ 6.04 crore per annum was received.	TAC (23 November 2010) decided to recall the tenders for shorter period anticipating higher rates after lifting of ban on mining
4 th tender , 4 January 2011	Bids were called for TP-33 & TP-12 jointly. Two bids of ₹ 2.82 crore and ₹ 2.25 crore for four months were received which were below combined traffic census and combined departmental collection for two toll points.	TAC (13 January 2011) decided to recall the tenders.
7 th tender, 30 June 2011	Single bid of ₹ 36 lakh was received for four months which was below departmental collection	TAC (5 July 2011) decided to recall the tenders
8 th tender, 17 August 2011	Single technical bid received but not opened.	TAC (18 August 2011) decided to recall the tenders anticipating higher rates due to lifting of ban on mining
10 th tender 8 November 2011	Three bids received. Highest bid of Shri Vaibhav for ₹ 1.73 crore for four months was accepted. Contractor failed to comply with the provision of letter of acceptance and security of ₹ 10 lakh forfeited.	-

Meanwhile, Executive Engineer, Mechanical Division, PWD (B&R), Ambala Cantt repeatedly (April-May 2012) intimated that toll collection had been

¹⁹ No offer was received for 1st tender dated 19 August 2010, 2nd tender dated 12 October 2010, 5th tender dated 22 February 2011, 6th tender dated 19 April 2011, 9th tender dated 30 September 2011 and 11th tender dated 18 May 2012.

reducing day by day due to closure of mines and stone crushers. The collection was even below the expenditure incurred on salaries of staff and other expenses for toll collection. The Company initiated process to close toll collection points temporarily (May 2012) to avoid losses. The State Government withdrew (20 December 2012) earlier notification of 27 August 2010 and departmental toll collection was stopped with effect from 24 December 2012.

Audit observed (January 2013) that the bid received during November 2010 was not accepted by the Company only on the presumption that ban on mining could be lifted which would have led to more traffic on the road resulting in increase in toll collection. This action of the TAC based on mere presumption was injudicious as the offer was substantially higher than the traffic census and departmental collections. Due to this injudicious decision of the TAC, the Company collected net toll of ₹ 2.52 crore only (after deducting salary & other expenses) against the bid amount of ₹ 6.04 crore offered by M/s Jai Singh & Company, for the period from January 2011 to December 2011, thus causing a loss of ₹ 3.52 crore to the Company.

During Exit conference, the Principal Secretary to Government of Haryana, PWD (B&R) Department and Engineer-in-Chief, PWD (B&R) stated (October 2013) that bids were not accepted in anticipation of lifting of ban on mining in future. The reply was not tenable as the rates received were 23.1 *per cent* higher than the traffic census and 58.59 *per cent* higher than departmental collection. Moreover, as per bid documents, the Company was entitled to terminate the agreement at any time without assigning any reason after giving 15 days prior notice in writing to the bidder and the bidder was not entitled to claim, recover or receive from the Company any compensation whatsoever on account of such premature termination.

Thus, injudicious decision of the Company (23 November 2010) of not accepting the bids resulted in loss of ₹ 3.52 crore.

The above points were referred to the Government (July 2013), no reply was received (December 2014).

Haryana State Electronics Development Corporation Limited

3.9 Haryana State Electronics Development Corporation Limited as nodal agency of State Government Departments/Public Sector Undertakings

An expenditure of ₹ 93.79 lakh was incurred on purchase of software/SAP license without assessing immediate requirement. ₹ 29.86 crore was utilised against funds of ₹ 111.53 crore from Government departments during 2008-13 for IT projects. Excess income tax of ₹ 57.24 lakh and Central Sales Tax of ₹ 6.99 lakh was paid due to over invoicing of Electorate Photo Identity Cards for Election Department.

Haryana State Electronics Development Corporation Limited (Company) was incorporated on 15 May 1982 for promoting electronics development in the

State. The Company was also engaged in working as an agent for State Government departments/ Public Sector Undertakings (PSUs) for carrying out different projects/ jobs related to electronics. Besides, the Company was also providing computer education through franchisee known as HARTRON Franchise Centers (HFCs).

Generation of computerised energy bills for Power Distribution Companies

i. The Company received (2007) work order(s) for generating computerised energy bills for UHBVNL for four circles (out of ten) DHBVNL for all the six circles for three years at the rate of ₹2.44 for generation of electricity bill including data entry and ₹2 per bill for generation of bill excluding data entry. The work orders were renewed by DISCOMs in 2010 for another period of three years at the prevailing rates.

The Company had been using Visual FoxPro platform as software application for generation of energy bills. UHBVNL requested (November 2008) the Company to shift from existing COBOL/ FoxPro platform to standard RDBMS based software. The Company communicated (December 2009) that it would be charging ₹ 3.24 per bill on existing platform and ₹ 6.96 per bill on the proposed online set up with rates valid from April 2010 to March 2015. UHBVNL accepted (February 2010) the proposal of the Company but later retracted (June 2010) its decision and asked the Company to continue bill generation on the old existing platform.

The Company though decided (October 2010) to upgrade the billing software and placed (December 2010) order on M/s WE Excel Software for ₹ 48.70 lakh. The Company also purchased hardware and software to implement the change at a cost of ₹ 27.71 lakh and started generating bills through new software from August 2012.

We observed that the Company received an extension of work order for three years from April 2013 to March 2016 at the rate of ₹ 3.25 per bill, (the rate which was proposed December 2009) from UHBVNL for energy bill preparation on existing FoxPro for the period April 2010 to March 2015. Thus, UHBVNL had not taken any cognizance of the expenses incurred by the Company in creating this infrastructure resulting in expenditure of ₹ 76.41 lakh (₹ 48.70 lakh and ₹ 27.71 lakh) unnecessary.

The Management explained in the Exit Conference (October 2013), that the process was shifted to RDBMS to keep pace with the changing technology. The fact, however, remains that the shifting to RDBMS was done without any requirement of UHBVNL and the Company did not analyse the payback period for this upgradation cost for which the proposal from UHBVNL was retracted.

Implementation of the computerisation/electronic projects of different departments/PSUs

ii. The Company acts as consultant for various Information Technology/ electronic projects of the State Government departments and charge

consultation fee at the rate of six *per cent* of project value. We observed that the Company had funds of ₹ 111.53 crore during 2008-09 to 2012-13 from Government departments for their projects and it utilised ₹ 29.86 crore. It, however, did not have any system to periodically review/ report the progress of the projects, as a whole, to the top Management or to submit the report periodically to the indenting departments.

The indenting departments, too, had not asked for any progress reports about the work from the Company. The State Government had issued (March 2011) instructions to pay interest @ six *per cent per annum* on the advance money received from the indenting departments till its utilisation after allowing two weeks as interest free period. Despite the instructions, the Company did not pass on the interest amounting to ₹ 7.98 crore (calculated at minimum rate of six *per cent*) for the period 2011-13.

In exit conference (October 2013), MD while agreeing to the audit point stated that corrective action would be taken and interest would be paid in future. The Principal Secretary to Government of Haryana, Industries Department elaborated that the Company was going to put in place a system where interest would be paid for the period exceeding 30 days after receipt of detailed proposals from the indenting department. Further progress is awaited.

EPIC and Electoral rolls

iii. The Company is engaged in preparation of Electorate Photo Identity Cards (EPICs), electoral rolls and other allied works for State Election Commission since 1994. The Company had not formulated any guidelines/procedures for executing this work and did not periodically reconcile the amounts received with the billed amounts. Further, there is no system to monitor that bill for the damaged cards for which no payment is to be received are reversed in the books of accounts. Resultantly, income is overstated and the Company is paying Income Tax besides Central Sales Tax (CST) on it.

We observed that the Company raised bills of ₹ 1.36 crore (including CST, ₹ 5.22 lakh) twice for 4.35 lakh electoral rolls during 2007-08 to State Election Commission. The Company did not reverse the billed amount of ₹ 18.06 lakh (including CST of ₹ 0.71 lakh) for 1.52 lakh EPICs billed but found damaged during verification by Election department during 2007-08 to 2011-12. Further, despite receiving (11 May 2011) intimation from the Election department regarding downward revision of rates of EPICs, the Company did not pass adjustment entries for ₹ 22.27 lakh (including CST of ₹ 1.06 lakh) during 2010-12. Consequently, the Company had to pay additional income tax (₹ 57.24 lakh)²⁰ and CST (₹ 6.99) lakh during the last five years.

²⁰ Income tax along with surcharge and cess on incorrect booked income of ₹ 1.69 crore (₹ 1.31 crore + ₹ 17.35 lakh + ₹ 21.21 lakh) during 2007-12.

In the Exit Conference (October 2013), while agreeing to the view point of audit, MD stated that they would recover this amount and put a system in place so that this does not happen again. But the fact remains that the Management had not initiated any action to recover this amount so far (December 2014). Further, the assessments years in these cases were prior to 2012-13 and the provisions of Income Tax Act does not allow filing revised returns after the completion of relevant assessment year.

Undue favour to Vendor

iv. The Company had been imparting computer training through HFCs. The HFCs were to run the training courses under the guidance and instructions of the Company, however, all investment for setting up and running the HFCs - hardware and software was to be made by them and pay royalty for using the name. For obtaining courseware, books and other material, formats etc. from the Company, they were to place indent at least 15 days in advance along with 25 *per cent* of the cost of material and the balance amount at the time of taking the delivery of ordered material.

The Company had 78 HFCs (2011-12) in Haryana, Punjab and Chandigarh. It received (4 February 2011) a proposal from M/s WE Excel Edutech Private Limited (Vendor) for tie-up for conducting training courses in HFCs in SAP²¹ and decided to procure the licenses of SAP on behalf of HFCs and signed (5 April 2011) a MoU with the Vendor for supply of 500 licenses of SAP at the rate of ₹ 8,500 per license plus tax. No terms of payment were decided in the MoU. The decision to start training course on SAP at HFCs was taken without any survey or any demand from franchisees.

The Vendor sent (28 April 2011) a bill of ₹ 18.75 lakh (including service tax at the rate of 10.3 *per cent*) for 200 licenses of SAP. The Company paid (19 May 2011) ₹ 9.38 lakh (50 *per cent*) and asked (1 June 2011) HFCs to run training course in SAP and send ₹ 0.25 lakh towards part payment as one time charges for tie-up with Vendor and collect SAP licenses. However, as the training course was not backed by demand, no response was received from the HFCs. The Vendor supplied 200 SAP licenses to the Company (February 2012) and the Company released (24 February 2012) ₹ eight lakh. The Company again asked (March 2013) HFCs to collect SAP licenses and deposit ₹ 0.25 lakh towards part payment for tie-up with Vendor to which 71 HFCs intimated that they were not interested in purchasing SAP licenses.

We observed (April 2013) that the Company, without assessing demand and receipt of indent/ advance money from HFCs, had signed MoU with the vendor. Further, without placing formal purchase order and finalising the terms of payment, the Company had released the payment. The Company had not been able to use/ dispose of any of the 200 SAP licenses purchased so far (July 2013) thereby blocking the funds of ₹ 17.38 lakh.

During exit conference (October 2013), the MD informed that the Vendor had agreed to return the money. But the fact remained that the vendor had not paid

²¹ SAP is a software used for business resource planning.

any amount so far (December 2014).

The above points were referred to the Government (August 2013), no reply was received (December 2014).

Haryana Scheduled Castes Finance and Development Corporation Limited

3.10 Irregularities in the financial assistance

In four test checked district offices, against a sanctioned loan of ₹ 4.58 crore (95 cases), vehicles valuing ₹ 1.24 crore (26 cases) were registered as commercial vehicles. Against a recoverable amount of ₹ 73.52 crore, an amount of ₹ 69.12 crore remained unrecovered as on March 2013. No internal audit of the Head office/district offices was conducted from April 2008 to March 2013.

Haryana Harijan Kalyan Nigam Limited was established in 1971 and was renamed as Haryana Scheduled Castes Finance and Development Corporation Limited (Company) in 2000. The main objective of the Company is socio-economic and educational upliftment of the Scheduled Caste families in the State by providing financial assistance in the form of loan and subsidy for self-employment.

The Company provides financial assistance towards 90 *per cent* of the business cost, subsidy (50 *per cent* of the business cost subject to maximum of ₹ 10,000) and contributes its share in the shape of margin money under National Scheduled Caste Finance Development Corporation (NSFDC) Scheme, such as purchase of light commercial vehicles, setting up tent house, boutique units *etc.* Under Bank Tie-up Scheme, the Company provides margin money at the rate of 10 *per cent* of the project cost and subsidy @ 50 *per cent* subject to maximum of ₹ 10,000 to the Scheduled Caste families for various activities such as dairy farming, sheep rearing, piggery, *kirana* shop *etc.*

Audit test checked records of the Company at head office and five district offices out of 21 district offices covering the period from April 2007 to March 2012 to ascertain the extent of adherence to various provisions relating to sanction, disbursement, utilisation and recovery of financial assistance provided to the beneficiaries. The Company has catered to 20,005 beneficiaries (amount disbursed ₹ 86.44 crore) in five²² selected districts out of which audit verified 594 beneficiaries (amount disbursed ₹ 3.54 crore).

Vehicle Scheme

i. To make the Scheduled Castes beneficiaries self-employed, the Company sanctioned ₹ 7.73 crore for 155 beneficiaries under Vehicle Scheme during the period 2007-08 to 2011-12. In the test checked four²³ district offices the Company sanctioned loans of ₹ 4.58 crore to 95 beneficiaries @ ₹ 4.65 lakh

²² Ambala, Bhiwani, Jind, Karnal and Sirsa.

²³ Ambala, Bhiwani, Jind and Karnal.

per unit carrying interest @ six *per cent per annum* recoverable in five years for purchase of light commercial vehicles (10 seater Jeep).

For proper implementation of vehicle Scheme, the Company had to ensure that the vehicles were registered as commercial vehicles so that the beneficiaries could run their business and earn livelihood. Out of these 95 vehicle cases only 26 vehicles valuing ₹ 1.24 crore (27 *per cent*) were found registered as commercial vehicles. In 35 cases, proof of registration of vehicles and in seven cases, insurance details of vehicles were not on records. No action was taken by the Company against the beneficiaries who did not abide by the terms of the sanction of loans.

During exit conference (September 2013), the Principal Secretary to Government of Haryana, Welfare of Scheduled Castes and Backward Classes Department stated that the Scheme was not financially viable and it failed due to irregular release of loans and inherent flaws.

Boutique Scheme

ii. The Scheme envisages assistance, recoverable over a period of five years in the form of loan and subsidy of ₹ one lakh (₹ 85,000 term loan, ₹ 5,000 margin money and ₹ 10,000 subsidy) at the rate of interest of six *per cent per annum*. Between 2007-08 and 2011-12, the Company sanctioned ₹ 73 lakh to 73 beneficiaries. Before release of loan, the DM office was to ensure that a shop had been identified by the beneficiary and in case of rented shop, a proper rent deed existed.

The Company disbursed loans amounting to ₹ 30.60 lakh to 33 beneficiaries in Jind and Bhiwani districts without ensuring that a viable place for the business existed. Against a recoverable amount of ₹ 38.20 lakh (including interest), recovery of ₹ 2.71 lakh only was made leaving outstanding dues against 30 beneficiaries ₹ 35.49 lakh (March 2014). 15 beneficiaries had not repaid even a single instalment (outstanding amount ₹ 20.24 lakh) indicating that the recovery mechanism of the Company was ineffective which affected the ability of the Company to recycle the funds and bringing more members of SC community under the Scheme.

During exit conference (September 2013), the Principal Secretary to Government of Haryana, Welfare of Scheduled Castes and Backward Classes Department stated that the Scheme was not financially viable and it failed due to irregular release of loans and inherent flaws.

Tent House Scheme

iii. The Scheme envisages assistance, by way of loan and subsidy for setting up tent house units for self employment, of ₹ 3 lakh (fixed assets: ₹ 2.79 lakh, working capital/preliminary expenses: ₹ 21,000), repayable in five years carrying interest @ six *per cent per annum*. Between 2007-08 and 2011-12, the Company sanctioned ₹ 188.98 lakh to 63 beneficiaries under Tent House Scheme while in district offices of Bhiwani, Jind and Karnal and disbursed

loans of ₹ 71.65 lakh to 25 beneficiaries during December 2009 to June 2010. The Company could recover ₹ 14.94 lakh out of ₹ 71.65 lakh recoverable from these 25 beneficiaries leaving outstanding amount of ₹ 56.71 lakh as on 31 March 2014.

During exit conference, the Principal Secretary to Government of Haryana, Welfare of Scheduled Castes and Backward Classes Department stated that the Scheme was not financially viable and it failed due to irregular release of loans and inherent flaws.

Irregular release of financial assistance/ subsidy

iv. Ministry of Social Justice and Empowerment, Government of India (GoI), provides subsidy under Special Central Assistance (SCA) programme as an additive to their Special Component Plan for Scheduled Castes with the main objective to give a thrust to the development programme for Scheduled Castes with reference to their occupational pattern and the need for increasing the income from their limited resources. As per instructions of the GoI, SCA was to be provided to only those persons belonging to Scheduled Castes who were Below Poverty Line (BPL). Cases of release of subsidy of ₹ 6.58 lakh during 2007-08 to 2011-12 to 70 beneficiaries whose names were not in BPL survey list were noticed in Panchkula district, which was irregular.

During exit conference, it was stated that subsidy would be given to those people only whose names appears in the BPL list. The Company needs to investigate release of subsidy to ineligible persons.

Bank tie-up scheme - Non Creation of assets and recovery of assistance

v. During Beneficiary Survey under Bank-tie up Scheme, we observed that out of 514 beneficiaries contacted, by Audit, fixed assets of 395 beneficiaries (*77 per cent*) of the 514 surveyed did not exist. In 16 cases, assets were not created due to non-receipt of full financial assistance and 98 beneficiaries could not get full amount of loan and subsidy aggregating to ₹ 19.15 lakh and resultantly they could not set up viable units and the intended purpose of providing financial assistance for creation of assets and upliftment of the beneficiaries was defeated.

During exit conference, the Principal Secretary, Government of Haryana, Welfare of Scheduled Castes and Backward Classes Department stated that the Company would ensure proper checks (pre sanction and post disbursement) to ensure creation of assets.

Recovery performance

vi. Under National Scheduled Castes Finance and Development Corporation (NSFDC) Schemes, the loan was recoverable in equated monthly instalments over a period of five years. In case of any default in both the Schemes, the whole amount along with penal interest becomes recoverable in

lump sum as arrears of land revenue and DMs were responsible for recovery of loans. The following table indicated the recovery performance of the Company during 2008-09 to 2012-13:

Table 3.6

(₹ in crore)

Years	Total number of operational accounts	Total amount recoverable	Amount recovered	Balance due amount at the close of the year	Percentage of recovery to recoverable amount
2008-09	1,10,019	32.43	2.82	29.61	8.69
2009-10	1,14,401	35.29	3.98	31.31	11.28
2010-11	1,18,020	37.57	4.28	33.29	11.39
2011-12	1,19,863	40.40	4.86	35.54	12.03
2012-13	1,20,787	73.52	4.40	69.12	5.98

The above table indicates that the recovery performance of the Company ranged between 6 to 12 *per cent* only during 2008-09 to 2012-2013. Poor recovery percentage showed that timely action was not taken to recover the dues of the Company and arrears were allowed to accumulate from ₹ 29.61 crore to ₹ 69.12 crore during 2008-13 registering an increase of 133.43 *per cent*. The Company though issued recovery notices in 7.40 lakh cases but only 1,470 cases were referred to the Collectors for recovery. This resulted in failure of the Company to recycle the funds, which in turn affected wider coverage of beneficiaries.

During exit conference, it was stated that poor recovery was due to non-monitoring of recovery of loans and shortage of staff. The Company needs to put in serious efforts to ensure recovery.

Internal Control and Internal Audit

The State Government issued (May 1981) instructions for introduction of uniform internal audit system in all Public Sector Undertakings (PSUs). In 2002, the State Government formulated and circulated guidelines for conducting internal audit. As per instructions, the work of internal audit of PSUs, where internal audit cell did not exist was to be entrusted to a firm of Chartered Accountant, clearly defining the scope of work and reports of the same were to be placed before the BoDs.

We observed that the Company did not have an independent internal audit cell. During the period covered under audit *i.e.* from April 2008 to March 2013, internal audit of the head office as well as district offices was not conducted. Thus, the Company failed to comply with the instructions of the State Government.

During exit conference, while admitting the facts, the Management stated that

it was difficult to conduct internal audit or create audit cell due to shortage of manpower. Reply was not tenable as it is imperative to have internal audit cell for ensuring proper functioning of the Company.

The above points were referred to the Government (August 2013), no reply was received (December 2014).



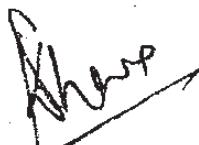
(MAHUA PAL)

Chandigarh

Principal Accountant General (Audit) Haryana

Dated:

Countersigned



(SHASHI KANT SHARMA)

New Delhi

Comptroller and Auditor General of India

Dated: