

CHAPTER XII: DEPARTMENT OF PUBLIC ENTERPRISES

Bharat Electronics Limited, Bharat Heavy Electricals Limited, Bokaro Power Supply Company Power Limited, Cochin Shipyard Limited, Dredging Corporation of India Limited, Ferro Scrap Nigam Limited, Hindustan Petroleum Corporation Limited, Mangalore Refinery and Petrochemicals Limited, MECON Limited, National Hydro Power Corporation Limited, NTPC Limited, Neyveli Lignite Corporation Limited, NTPC SAIL Power Company Private Limited, NMDC Limited, Power Finance Corporation Limited, Power Grid Corporation of India Limited, Rashtriya Ispat Nigam Limited, Rural Electrification Corporation Limited, SJVN Limited and Steel Authority of India Limited

12.1 Irregular payment towards encashment of Half Pay Leave and Sick Leave

Encashment of half pay leave/sick leave in deviation from DPE guidelines, resulted in irregular payment of ₹ 413.98 crore from January 2007 to November 2012.

According to the Department of Public Enterprises (DPE) instructions of April 1987¹, an individual central public sector enterprise (CPSEs) may frame leave rules for its employees keeping the broad parameters of the policy guidelines laid down in this regard by the Government of India (GoI).

GoI allowed encashment of half pay leave (HPL) and earned leave (EL) put together within the overall ceiling of 300 days with effect from 1-1-2006, on superannuation, which was an enhancement to the earlier ceilings on encashment of EL up to 240 days. Thus, in terms of DPE instructions of April 1987 *ibid*, CPSEs were also required to follow the overall ceiling of 300 days for encashment of EL and HPL for their employees on retirement.

On a reference made by Ministry of Shipping DPE clarified to all CPSEs on 26 October 2010² that, they were not permitted to encash leave beyond the overall ceiling of 300 days. In a further clarification of 17 July 2012³, referring to its instructions of April 1987, DPE reiterated that sick leave could not be encashed, though EL and HPL could be considered for encashment of leave on retirement subject to the overall limit of 300 days.

A. Audit observed that the following CPSEs deviated from the DPE guidelines and made irregular payment of ₹ 391.31 crore to their employees towards HPL encashment on superannuation over and above the ceiling of 300 days.

Sl. No.	Administrative Ministry	Name of CPSE	Period	Amount (₹ in crore)
1	Ministry of Coal	Neyveli Lignite Corporation Limited (NLC)	January 2007 to September 2012	6.46
2	Ministry of	Bharat Heavy Electricals	January 2007 to September	150.01

¹ OM No. 2(27)85-BPE(WC) dated 24 April 1987

² OM No. 2(32)10-DPE(WC) GL-XXIII dated 26 October 2010

³ OM No. 2(14)/2012-DPE(WC) dated 17 July 2012

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	Heavy Industries	Limited (BHEL)	2012	
3	Ministry of Petroleum and Natural Gas	Hindustan Petroleum Corporation Limited (Visakh Refinery) (HPCL)	April 2007 to March 2012	0.50
4	Ministry of Power	NTPC Limited	April 2007 to September 2012	43.61
5	Ministry of Power	Power Grid Corporation of India Limited (PGCIL)	April 2007 to November 2012	13.28
6	Ministry of Power	NHPC Limited	April 2007 to September 2012	10.97
7	Ministry of Power	Rural Electrification Corporation Limited (REC)	November 2008 to September 2012	1.67
8	Ministry of Power	Bokaro Power Supply Company Private Limited	January 2007 to March 2012	1.22
9	Ministry of Power	Power Finance Corporation Limited (PFC)	April 2007 to March 2012	0.60
10	Ministry of Power	NTPC SAIL Power Company Private Limited	January 2007 to March 2012	0.39
11	Ministry of Power	SJVN Limited	April 2007 to September 2012	0.14
12	Ministry of Shipping	Dredging Corporation of India Limited (DCI)	April 2007 to March 2012	1.19
13	Ministry of Steel	Steel Authority of India Limited (SAIL)	January 2007 to March 2012	144.19
14	Ministry of Steel	MECON Limited	January 2007 to March 2012	6.40
15	Ministry of Steel	Rashtriya Ispat Nigam Limited (RINL)	April 2007 to March 2012	6.13
16	Ministry of Steel	NMDC Limited	April 2007 to March 2012	4.19
17	Ministry of Steel	Ferro Scrap Nigam Limited (FSNL)	January 2007 to March 2012	0.36
TOTAL				391.31

BHEL stated (November 2012) that Chairman & Managing Director had approved the provision of HPL encashment and that the service conditions of Central/State Government and the CPSEs were different.

SAIL, NTPC, NTPC SAIL Power Company, FSNL stated (October 2012/February 2013) that encashment of HPL was as per the Company's leave rules. **PGCIL** stated that scheme was adopted from NTPC and continued in PGCIL and approved by Board of Directors which comprised representation from Ministry of Power also.

MECON stated (January 2013) that DPE directives of 26 October, 2010 related to encashment of EL and separate instructions for encashment of HPL on superannuation was not issued by DPE.

NHPC, SJVN, Bokaro Power Supply Company, REC, PFC, NMDC, RINL, DCI and HPCL (Visakh Refinery) stated (October-December 2012/February 2013) that HPL encashment scheme was introduced with the approval of the Board of Directors, in conformity with the policy followed by several other CPSEs, and it was not obligatory to strictly adopt GoI leave rules.

NLC did not provide reply to the above audit observation.

Replies of CPSEs are not acceptable as the leave encashment beyond the overall policy of Government of India was not permitted as per the DPE instructions of April 1987. Further, DPE's circular of 26 October 2010 clarified that CPSEs were not permitted to

encash leave beyond the overall ceiling of 300 days. In another clarification issued in July 2012, referring to instructions of April 1987, DPE reiterated that EL and HPL could be considered for encashment on superannuation subject to overall limit of 300 days. Therefore, encashment of HPL to employees on retirement beyond the overall ceiling of 300 days was in violation of DPE guidelines and was, thus, irregular.

B. Audit further observed that the following CPSEs deviated from the DPE guidelines as they paid to their employees towards sick leave, which resulted in irregular payment of ₹ 22.67 crore, as per details given below:

Sl. No.	Administrative Ministry	CPSE	Period	Amount (₹ in crore)
1	Ministry of Defence	Bharat Electronics Limited	April 2007 to June 2012	21.49
2	Ministry of Shipping	Cochin Shipyard Limited	December 2007 to November 2012	0.94
3	Ministry of Petroleum & Natural Gas	Mangalore Refinery and Petrochemicals Limited (MRPL)	November 2010 to March 2012	0.24
Total				22.67

BEL stated (September 2012) that by implementing such encashment it was able to achieve lower attrition rate and recruit/retain trained manpower for production.

Cochin Shipyard Limited stated (February 2013) that DPE's clarification on sick leave encashment was issued only in July 2012 and, as they proposed to obtain further directives from DPE, the employees who retired from service since November 2012 had not been paid encashment of sick leave. **MRPL** did not furnish the reply (March 2013).

The above replies are not acceptable as DPE's clarification of July 2012 specifically disallowed encashment of sick leave and the clarification was applicable to all CPSEs.

In sum, the above CPSEs' leave rules/policy for encashment of sick leave or of EL with HPL exceeding 300 days, on superannuation, violated the DPE guidelines and resulted in extra expenditure of ₹ 413.98 crore for the period January 2007 and November 2012.

United India Insurance Company Limited, The New India Assurance Company Limited, National Highways Authority of India and Food Corporation of India.

12.2 Recoveries at the instance of audit

During test check, several cases relating to non-recovery, short recovery excess payment, short charging of premium etc. were pointed out. In 21 cases pertaining to four CPSUs audit pointed out that an amount of ₹ 152.97 crore was due for recovery. The management of PSUs had recovered an amount of ₹ 121.86 crore during the period 2011-12 as detailed in **Appendix-I**.

Steel Authority of India Limited

12.3 Corrections/rectifications at the instance of audit

During test check, cases relating to deficiencies in the systems, policies and procedures etc. were observed and brought to the notice of the management. Details of cases where the changes were made by the management in their policies/procedures at the instance of audit are given in **Appendix-II**.