

CHAPTER VII: MINISTRY OF DEFENCE

Hindustan Aeronautics Limited

7.1 Irregular encashment of casual leave

Company paid attendance bonus of ₹ 12.43 crore to its employees for the calendar years 2010 to 2012 on unutilised casual leave at the year-end in contravention of the DPE guidelines prohibiting its encashment and in contravention of the Administrative Ministry's directions to comply with the said guidelines.

Leave Rules 1967¹ and 1988² stipulated that the Company's supervisory staff and non-supervisory staff would be entitled to 7 and 12 days casual leave (CL) respectively in a calendar year to meet urgent/unforeseen circumstances or in the event of minor indisposition. The CL shall lapse at the end of the calendar year. In August 1988³, the Company amended the 1967 Rules allowing an attendance bonus of one day's basic pay for each unutilised day of CL subject to it being not less than 4 and up to a maximum of 10 days in a year. The Company amended the 1988 Rules in May 2010 to allow the attendance bonus to all other employees from the calendar year 2010. Thus, the Company had allowed encashment of Casual Leave.

In October 2010, Department of Public Enterprises (DPE) clarified that CL should not be encashed and would lapse at the end of the calendar year. Allowing any encashment of CL would, therefore, be inconsistent with the policy guidelines issued by DPE. However, even after receipt of DPE's clarifications, the Company did not revise its Rules and continued to pay attendance bonus to its employees. An amount of ₹ 9.06⁴ crore was paid during 2010 and 2011. After the inconsistency was pointed out by Audit (July 2012) to the Ministry, the latter, after consulting its Finance Wing, directed the Company (November 2012) to follow DPE guidelines and not to allow encashment of CL. The Ministry also asked the Company to furnish action taken report, urgently, in this regard.

Notwithstanding the above directions issued by the Ministry, the Company made repeated requests (February/April 2013) to the Ministry for allowing continuance of the scheme in the interest of the Company's work as a special case and continued with the scheme. The Company had paid a sum of ₹ 3.37⁵ crore during January/February 2013 as attendance bonus for 2012 on the basis of unutilised CL, to both workmen and executives.

Thus, the Company made a total payment of ₹ 12.43 crore during 2010-11, 2011-12 and 2012-13 as attendance bonus to its employees in contravention of the DPE guidelines and

¹ Personnel Circular No.71 Dated 11 December 1967

² Personnel Circular No.582 Dated 15 July 1988 for workmen

³ Personnel Circular No.584 dated 30 August 1988

⁴ ₹ 4.87 crore (workmen ₹ 3.98 crore and executives ₹ 0.89 crore) for the year 2010 paid during January/February 2011 and ₹ 4.19 crore (workmen ₹ 3.19 crore and executives ₹ 1 crore) for the year 2011 during January 2012.

⁵ Workmen: ₹ 2.50 crore and executives: ₹ 0.87 crore

in contravention of the directions of the Administrative Ministry to comply with the said guidelines.

After the audit observation was again pointed out (August 2013) to the Ministry on non-compliance of the latter's directions, the Ministry stated (October 2013) that HAL had since discontinued the scheme in respect of officers with immediate effect and that in respect of workmen, the process as per the provisions of the Industrial Disputes Act, 1947 was being initiated.