

# **Chapter 7**

## **Compliance Audit Observations (Public Sector Undertakings)**

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### Compliance Audit Observations (Public Sector Undertakings)

#### Haryana State Industrial and Infrastructure Development Corporation

##### 7.1 Loss due to non-inclusion of land enhancement cost in price

##### **Loss of ₹ 9.76 crore due to non-inclusion of the land enhancement cost while issuing regular letter of allotment.**

Haryana State Industrial and Infrastructure Development Corporation (the Company) allots industrial plots as per its Estate Management Procedures (EMP, 2015) at various places in the State of Haryana. As per EMP, 2015, a “No Enhancement Policy” came into operation w.e.f. 16 October 2015. Accordingly, no enhancement was to be charged by the Company in respect of allotments to be made after coming into force of EMP, 2015. To cover future enhancement costs, a fund called Enhanced Compensation Mitigation Fund (ECMF) was created and the Company was to charge 10 *per cent* of the price of plot upfront from the allottees, as an element of cost and the same was required to be contributed to ECMF. Thereafter, the enhanced compensation awarded, if any, by courts was to be made good from the ECMF. Further, clause 2.4 of the EMP, 2015 provided that the prices of plots/ sheds would be revised on first of April each year by the Board of Directors (BODs) of the Company and the impact of enhancement orders awarded by the competent court (s) shall be taken into account before issuance of Regular Letter of Allotment (RLA). In case the highest bidder/ applicant is not ready to accept the plot at revised rates arrived at by adding such enhanced cost, the entire amount deposited by them should be refunded including processing fee.

The Company acquired land measuring 1,501.61 acres in May 2010 for Industrial Model Township (IMT) Sohna in District Nuh. Left-out/un-acquired land pocket within IMT Sohna, district Nuh measuring 44 acres was also acquired in December 2016.

The Board of Directors (BODs) decided (May 2020) not to increase the rates of plots of various industrial estates for the financial year 2020-21 due to the situation caused by COVID-19 except for the component of enhanced compensation, if any. In-line with the provisions of EMP, 2015, it was decided that the enhanced cost not already included at any stage before issuance of RLA will be added in the cost. Accordingly, the price of normal category of plot for IMT, Sohna, was increased based on the impact of enhancement compensation of ₹ 58.71 crore announced during 2019-20. Consequently, enhancement compensation of ₹ 58.71 crore was loaded on the saleable area<sup>1</sup> of 1,501.61 acres

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<sup>1</sup> 823.63 acres (33,33,190 sqm) being 54.85 *per cent* of 1,501.61 acres.

and price of normal category of plot was increased by ₹ 176 per sqm<sup>2</sup>.

M/s ATL Battery Technology India Private Limited (M/s ATL) approached the Company for allotment of approximately 179 acres land at IMT Sohna for manufacture of lithium-ion batteries. Accordingly, the Company worked out (13 June 2020) the reserve price of plot of approximately 175 acres at IMT, Sohna at ₹ 3.05 crore per acre for Bulk Category of plot<sup>3</sup> without including proportionate enhancement compensation of ₹ 58.71 crore and advertised (15<sup>th</sup> June 2020) for e-auction of the above said plot. Only a single bidder i.e. M/s ATL came forward for the plot and the Company allotted (July 2020) 178 acres land at ₹ 3.05 crore per acre to M/s ATL under Mega Project category<sup>4</sup>.

Audit noticed that the Company neither included the proportionate enhancement compensation of ₹ 58.71 crore in the reserve price of ₹ 3.05 crore per acres while inviting the applications in June 2020 nor at the time of issue of RLA in July 2020, as required under clause 2.4 of EMP, 2015. Thus, the Company did not pass the enhancement cost to M/s ATL and it was under-charged by ₹ 9.76 crore<sup>5</sup> on account of non-inclusion of land enhancement cost.

Management in its reply (October 2024) stated that enhancement compensation orders had been pronounced for land measuring 44 acres only which was acquired in 2016, whose costing after loading the enhanced compensation was to be done separately. The plot allotted to M/s ATL falls in the land measuring 1,501.61 acres acquired in May 2010 on which no enhancement was required to be loaded. It was further stated that the plot allotted was under Bulk Category plots and allotment rate of ₹ 3.05 crore per acre included ₹ 519 per square meter as ECMF cost, in the cost sheet.

The reply of the Management is not tenable as the Company had loaded the enhancement cost of ₹ 58.71 crore on saleable area of 1501.61 acres within which the land allotted to M/s ATL was located. Further, the purpose of the ECMF is to have sufficient funds to meet the liability of enhancement compensation announced by Courts from time to time after issue of RLA. Moreover, the BODs did not exempt Bulk Category Allotment from clause 2.4 of EMP, 2015. Thus, non-inclusion of the land enhancement cost on the 178 acres plot of land led to loss of ₹ 9.76 crore.

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<sup>2</sup> ₹ 58.71 crore/33,33,190 sqm= ₹ 176 per sqm

<sup>3</sup> Bulk Category of plot involves allotment of chunk of land of 100 acres. The Company has separate price fixation formula for this category.

<sup>4</sup> Involving fixed capital investment (i.e. land, building, machinery & misc. fixed assets) of ₹ 100 crore and above or projects involving employment generation of more than 500 persons and serving as anchor units for proliferation of ancillaries.

<sup>5</sup> ₹ 58.71 crore/1,545.61 acre (1,501.61+44) being gross area of IMT, Sohna = ₹ 3.80 lakh per acres X 256.98 acres (178 acres + 78.98 acres (being proportionate common service area)) = ₹ 9.76 crore. As per the price fixation formula, the internal development cost shall be deducted and price shall be charged on the basis of gross area and not saleable area. Further, cost of land used for common services for entire sector is to be worked out and proportionate cost to be loaded in the total cost.

The matter was referred (March 2023) to the Government for reply/comments, their reply was awaited (January 2025).

## 7.2 Avoidable payment of interest

### Avoidable payment of interest of ₹ 5.06 crore due to delay in deposit of tax.

As per Section 139 and 140A of Income Tax Act, 1961 (Act), at the close of each financial year, every company must assess its tax liability for the year, adjust both advance tax paid and Tax Deducted at Source (TDS), deposit balance tax payable on self-assessment and file Income Tax Return (ITR) before 30 September of the Assessment Year<sup>6</sup>. The delayed submission of return attracts interest at the rate of one *per cent* per month on assessed income/ amount of tax short deposited under Section 234A of the Act. Further, Section 234B of the Act provides that if total advance tax deposited during the year is less than 90 *per cent* of the assessed tax, then interest at the rate of one *per cent* per month or part thereof on unpaid amount of assessed tax shall be payable from 1 April of the subsequent year till the entire tax is deposited.

For Assessment Year (A.Y.) 2019-20 (i.e. financial year 2018-19), due date for filing ITR was 30 September 2019, which was extended up to 31 October 2019. However, due date for the purpose of interest under Section 234A was not extended.

Haryana State Industrial and Infrastructure Development Corporation (the Company) declared taxable income of ₹ 1,297.84 crore (operational income of ₹ 1,161.30 crore and capital gain of ₹ 136.54 crore) while filing ITR for financial year 2018-19 (A.Y. 2019-20) on 30 October 2019. As per declared income, total tax liability worked out to ₹ 437.61 crore against which the Company had deposited advance tax of ₹ 206.28 crore and TDS of ₹ 19.46 crore up to March 2019. Consequently, there was a short-deposit of tax of ₹ 211.87 crore<sup>7</sup>, which was deposited on 30 October 2019.

Audit observed that the main reason for short deposit of tax was pending litigation in the High Court regarding sale of a commercial property in Gurugram for which Regular Letter of Allotment (RLA) was issued by the Company in March 2018. The High Court finally decided (16 May 2019) that the date of fresh RLA be construed from 26 March 2019 for all intents and purposes. In this regard, the Company sought advice of a tax consultant and recognised income from sale of the property in the financial year 2018-19 (i.e. AY 2019-20).

The Company filed ITR and deposited the balance tax liability on 30 October 2019 with a delay of one month from the original due date i.e. 30 September

<sup>6</sup> As per Section 2(9) of the Act, Assessment Year means the period of 12 months commencing on the 1st day of April every year following completion of Financial Year on 31 March immediately preceding.

<sup>7</sup> ₹ 437.61 crore - (₹ 206.28 crore + ₹ 19.46 crore).

2019 of filing the ITR, which attracted payment of interest under Section 234A and 234B of the Act. Resultantly, the Company had to pay interest of ₹ 2.12 crore<sup>8</sup> under Section 234A and ₹ 14.83 crore (for seven months i.e. April to October 2019) under Section 234B of the Act.

Audit further observed that the Company did not take prompt action after *ibid* decision of the High Court, to assess its total income and tax due for the Financial Year 2018-19 (i.e. AY 2019-20). The Company approached the tax consultant only on 22 October 2019 after lapse of more than 5 months from the date of decision. This shows lackadaisical approach of the Company.

The Company should have taken prompt action and deposited the balance tax in May 2019 after decision of the Court on 16 May 2019. Had the Company deposited its balance tax even upto 30 June 2019 i.e. after giving allowance of one and half month for seeking of advice/ consultation etc., it could have avoided payment of interest of ₹ 2.12 crore under Section 234A and ₹ 8.47 crore (for four months i.e. July to October 2019) under Section 234B of the Act.

The Management stated (October 2024) that annual accounts for the year 2018-19 could not be finalised as accounts for the year 2017-18 were audited and signed by statutory auditors on 30 May 2019. It was also stated that as the Company was under heavy debt and paid tax from borrowed funds, there would not have been much impact had the Company paid tax upto 30 June 2019. The reply is not tenable as finalisation of accounts is not a pre-condition to deposit the tax due since the tax can also be worked out on the basis of provisional accounts as was actually done by the Company in October 2019. Further, even after adjusting benefit of borrowing cost at the rate of 7.83 *per cent*<sup>9</sup> for the year 2019-20, the Company made an avoidable payment of interest of ₹ 2.94 crore<sup>10</sup> under Section 234B of the Act.

Thus, the lackadaisical approach of the Company led to payment of avoidable interest of ₹ 5.06 crore (₹ 2.12 crore + ₹ 2.94 crore).

The matter was referred (March 2023) to the Government for reply/comments, their reply was awaited (January 2025).

## Faridabad Smart City Limited

### 7.3 Wasteful expenditure on e-toilets

**The Company incurred wasteful expenditure of ₹ 1.34 crore due to faulty contract management and poor operation and maintenance of 10 e-toilets.**

To improve urban centres of India and make them citizen friendly and

<sup>8</sup> At the rate of one *per cent* for one month on balance tax of ₹ 211.87 crore.

<sup>9</sup> As per Financial Statements for the year 2019-20.

<sup>10</sup> Being difference of ₹ 8.47 crore and ₹ 5.53 crore (₹ 211.87 crore \* 7.83/100 \* 4/12 months).

sustainable, Government of India through the Union Ministry of Urban Development (MoUD) had initiated the Smart Cities Mission in collaboration with the State Governments and respective city authorities. Faridabad Smart City Limited (Company), a Special Purpose Vehicle (SPV) was set up to achieve the vision of the Smart City Mission.

Faridabad Smart City Limited (the Company), as part of its area based development, decided to install e-toilets in areas under Municipal Corporation Faridabad (MCF) at selected locations on a pilot basis.

The scope of work and general specifications of tender documents *inter-alia* provided that:

- Toilets were to be connected over the General Packet Radio Service (GPRS) network to ensure the real time monitoring of the usage and health status of the e toilets;
- Operation and Maintenance included all expenditures required to be incurred on all matters essential and desirable to run the built-in system, supporting infrastructure and component of automated system smoothly and to safeguard the property; and
- Bidder was required to ensure the insurance cover during operation and maintenance period as per terms and conditions of tender.

The Company awarded (6 July 2017) work for supply, installation, operation and maintenance of 10 number of e-toilets<sup>11</sup> to a contractor for ₹ 1.86 crore<sup>12</sup> with defect liability period of two years. The agreement in this regard was signed with a contractor on 18 July 2017. As per contract agreement, stipulated period of completion of the work of supply, installation, testing and commissioning was four months i.e. 18 November 2017 and Operation & Maintenance (O & M) was for five years.

Clauses 25 & 26 of General Condition of Contract (GCC) provided for penalty for delay in completion of the work @ 1/16 *per cent* of agreement amount per week subject to maximum of five *per cent* of agreement. As per Clause 6.6 of Special Condition of Contract (SCC) and Clause 29 (II) b of GCC, in case the contractor failed to rectify the defects properly in the given period, the Company was at liberty to terminate the contract or get the defect rectified either departmentally or through other agencies at the risk and cost of the bidder and recover the actual cost from the bidder. Also, clause 7.1.7 of the RFP stated that for breach of RFP provisions, the bidder may be debarred for participating in future bidding processes of Government of Haryana for a minimum period of five years.

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<sup>11</sup> E-Toilets are unmanned, automated, modular type and pre-fabricated public toilet with toilet seats made of stainless steel and is integrated with user-friendly electronic interfaces, to ensure cleanliness and hygiene to every user. E-Toilets have remote monitoring capabilities and its health status can be tracked over the internet.

<sup>12</sup> Supply, Installation, Testing and Commissioning: ₹ 1.37 crore and Operation & Maintenance: ₹ 0.49 crore.

The work for installation of eight e-toilets was completed in October 2018. The O&M for these eight e-toilets commenced from 15 October 2018. Installation of the remaining two e-toilets was completed in January 2019 and O&M for these two e-toilets commenced from 15 January 2019. Upto August 2019, the Company paid ₹ 1.34 crore (including statutory obligations of ₹ 0.05 crore) for supply, installation, testing and commissioning of the e-toilets.

Audit observed the following deficiencies in planning and contract management:

- i. The work of installation of e-toilets was awarded (July 2017) before conducting the feasibility study (January 2018) and preparing the Detailed Project Report (April 2018). Feasibility study emphasised the necessity of monitoring of use of e-toilets by the public as a critical factor for its viability. However, the Company failed to ensure proper monitoring as it failed to get these e-toilets connected to GPRS network for remote monitoring and to assess the real time status of facilities like entry, usage etc. In the absence of this automated system, incidences of vandalism, theft, non-availability of essential items, non-functioning of coin machine, unhygienic state of e-toilets etc. could not be tracked.
- ii. Construction of e-toilets was completed after a delay of 47 weeks (eight e-toilets and 60 weeks (two e-toilets) i.e. October 2018 and January 2019 from the scheduled completion date (18 November 2017) of the project. The Company did not levy penalty of ₹ 4.25 lakh<sup>13</sup> as per provisions of RFP.
- iii. The contractor got standard fire and special insurance only from 13 May 2019 to 12 May 2020 with a delay of four to seven months, which was not renewed. Further, it was noticed that insurance cover against burglary and housekeeping was not taken, which was mandatory under the terms and conditions of the contract. Hence, damages on account of theft could not be safeguarded.
- iv. The Company issued several notices<sup>14</sup> to the contractor reiterating his failure in proper operation and maintenance but neither blacklisted the contractor nor terminated the contract even after lapse of more than three years from Board of Directors (BoDs) decision (November 2019) to blacklist/ terminate the contract at the earliest on account of poor performance. Further, the contractor failed to rectify the defects and discontinued the maintenance work from January 2021.
- v. The Company neither got the defects rectified departmentally nor through any other agency at the risk and cost of the contractor, as per Clause 6.6

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<sup>13</sup> ₹ 3.22 lakh (₹1.37 crore \*47\* 0.0625/100\*8/10) plus ₹ 1.03 lakh (₹ 1.37 crore \*60\*0.0625/100\*2/10)

<sup>14</sup> June 2019, FSCL/Engg/ET/19/654 dated 09 July 2019 and FSCL /Engg/2019/1028 dated 26 September 2019.

of SSC and Clause 29(b), nor forfeited the Performance Bank Guarantee of ₹ 9.31 lakh, which was valid up to 18 September 2022 only.

Further, it was observed that the matter for non-operation of e-toilets was placed before the BoDs which directed (25 July 2019) that e-toilets be made functional by giving work of O & M to any other agency. The BoDs decided (20 May 2020) to hand over these e-toilets to MCF. However, MCF desired (March 2021) that before taking over the e-toilets, the deficiencies may be removed. Even after lapse of more than three years neither the deficiencies in these e-toilets had been removed nor had these e-toilets been transferred to MCF till October 2024.

The Management in its reply stated (November 2024) that it has withheld ₹ 64.48 lakh (includes security, shortcomings etc. - ₹ 31.15 lakh and extra items/work - ₹ 33.33 lakh) alongwith ₹ 2.30 lakh for O&M. It was further stated that the Company had released (August 2023) ₹ 34.51 lakh to the Contractor in compliance of order<sup>15</sup> of Micro & Small Enterprises Facilitation Council, Rajasthan and the same has been challenged by the Company before Hon'ble High Court. The reply is not acceptable as the Company failed to get the work executed as per the terms and conditions of the RFP/agreement resulting in poor monitoring and O&M of these e-toilets. Further, despite withholding the payment of the contractor, the Company neither got the deficiencies of the e-toilets rectified nor took any action against the Contractor as per the provisions in the RFP/agreement. During the exit conference (June 2023), the Director, Urban Local Bodies Department accepted that e-toilets became non-operational within a few months of installation due to poor O&M. The Commissioner and Secretary, Urban Local Bodies directed the Company to take action against the contractor in line with the decisions made in the BoDs meetings on 25 July 2019 and 18 November 2019.

Thus, e-toilets on which ₹ 1.34 crore had been spent became defunct within a few months from the date of making them operational due to poor maintenance and upkeep resulting in non-delivery of envisaged benefits to citizens, thereby rendering the expenditure unfruitful.

### **Haryana Tourism Corporation Limited**

#### **7.4 Loss due to opening of retail liquor outlets without conducting feasibility study**

**The Company incurred avoidable loss of ₹ 6.99 crore due to opening of retail liquor outlets in Gurugram without carrying out any feasibility study.**

Haryana Tourism Corporation Limited (the Company) decided (June 2020) to participate in bids for opening retail liquor outlets to supplement its revenues. Towards this end, Company participated (June 2020) in the bidding process of the Excise and Taxation Department, Government of Haryana and secured six

<sup>15</sup> Against a case filed by the Contractor for release of payment



retail outlets for sale of foreign liquor (L2 licences<sup>16</sup>) in three zones<sup>17</sup> (two retail outlets in each Zone) in Gurugram city involving two excise districts viz. Gurugram (East) and Gurugram (West). The Company took premises on lease for these outlets. The Company made these retail outlets operational w.e.f. 07 July 2020 by issuing liquor from its already existing wholesale depot of foreign liquor (L1 licence<sup>18</sup>) at Karnal, after obtaining permission from the Excise and Taxation Department (Department). The Company also shifted (August 2020) the wholesale depot from Karnal to Gurugram (West) to ensure prompt supply of liquor to these retail outlets in Gurugram and save on transportation cost. The Company took (August 2020) *post facto* approval of its Board of Directors (BoDs) for this activity, wherein BoDs emphasised that supply to these retail outlets must be ensured from the Company's own wholesale depot to ensure quality and purity.

As per Provision 3.3.1 of the Haryana Excise Policy for the year 2020-21 (Policy), the licensee i.e. Company was to lift a basic quarterly allocated quota of liquor from wholesaler and failure to lift the quota was to attract short quota penalty.

During operation of the retail outlets, the Company realised that prescribed basic quota for lifting of liquor for the outlets was more than actual sales and it was becoming liable for short quota penalty. Moreover, due to the meagre sales it was barely able to meet the liability of payment of prescribed licence fee. The Company also realised that in addition to sizable stock at wholesale depot to feed the retail outlets, it was required to maintain stocks worth at least rupees one crore at each retail outlet to obtain the required sales. The paucity of working capital also led the Company to be not able to maintain adequate stock of all brands demanded by customers. The Company, therefore, decided (December 2020) to surrender all liquor licenses for the financial year 2020-21. While the matter regarding waiver from payment of short lifting penalties is under process (June 2023), the Company has already ended up with loss of ₹ 6.99 crore in operation of retail liquor outlets.

Audit observed that the Company decided to open retail liquor outlets without conducting any economic and logistics feasibility study to assess market conditions, sales potential and working capital requirements. The Company was not able to arrange adequate working capital as it was already running in losses since 2016-17 and was already experiencing financial crunch. Further, since as per the Policy, supplies to retail liquor outlets in an excise district could be made only from the wholesale outlets in that excise district, resultantly, the Company could not make supplies from its wholesale depot in Gurugram (West) to its retail outlets situated in Gurugram (East) and had to procure liquor from other private

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<sup>16</sup> Licence for retail outlet for sale of foreign liquor.

<sup>17</sup> Atul Kataria Chowk (West Zone), Hero Honda Chowk (East Zone) and Bakhtawar Chowk (East Zone).

<sup>18</sup> Licence for wholesale depot for sale of foreign liquor.

wholesalers in Gurugram (East). Moreover, due to poor retail sales, its wholesale outlets (L1) could not pay off dues of its suppliers in time, who refused to make further supplies. This in turn worsened the availability of various brands at retail outlets, thereby further impacting their sales.

The Management in its reply stated (July 2023) that the major reason for loss was due to discontinuance of supply from L1 (situated in Gurugram West) to L2 vends (in Gurugram East), which was earlier allowed by the Department. The Management further stated that the Company participated in e-bidding of L2 vends to convey a message to private players who were not participating in the e-bidding process during COVID 19 scenario. The reply of the management is not tenable as the Excise policy allows supplies to L2 vends in an excise district only from the L1 outlets in that particular excise district and the Excise department had allowed (July 2020) the Company to lift quota from L1 situated at Karnal to various L2 vends in Gurugram as a special case. However, no specific approval for lifting of quota from Gurugram West to Gurugram East was granted by the Excise department. It was incumbent on the Company, it being a commercial entity, to carry out a proper economic and logistics feasibility study to assess the challenges flowing from the existing Excise policy before participating in the bidding process. Resultantly, the Company had to bear an avoidable loss of ₹ 6.99 crore.


The matter was referred (March 2023) to the Government for reply/ comments, their reply was awaited (January 2025).

**Chandigarh**  
**Dated: 29 July 2025**

  
**(ASHUTOSH SHARMA)**  
**Principal Accountant General (Audit) Haryana**

**Countersigned**

**New Delhi**  
**Dated: 06 August 2025**

  
**(K. SANJAY MURTHY)**  
**Comptroller and Auditor General of India**