CHAPTER–VII

COMMERCIAL ACTIVITIES

AUDIT PARAGRAPHS

CHAPTER – VII

COMMERCIAL ACTIVITIES

Audit Paragraphs

7.1 General

Lack of accountability for the use of public funds in departmental commercial undertakings

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare annual *pro forma* accounts in the prescribed format showing the results of financial operation so that the Government can assess the results of their working. The Heads of Departments in the Government are to ensure that the undertakings, which are funded by the budgetary release, prepare the accounts on timely basis and submit the same to Accountant General for audit.

As of March 2002, there were 6 departmental commercial undertakings with the Government of Haryana. Rs 941.48 crore had been invested by the State Government in these undertakings at the end of the financial year up to which their accounts were completed. The department-wise position of preparation of accounts in respect of these undertakings was as follows:

Department	No. of undertakings under the department	Accounts not finalised (name of undertakings)	Year upto which accounts finalised	Investment as per last accounts (Rupees in crore)
Agriculture	2	(i) Purchase and Distribution of Pesticides[1] (ii) Seed Depot. Scheme[1]	1981-82 1985-86	0.11 NA
Printing and Stationery	1	Nationalised Text Book Scheme	1998-99	7.28
Transport	1	Haryana Roadways	1998-99	315.21
Animal Husbandry	1	Veterinary Vaccine Institute, Hisar	2000-2001	0.01
Food and Supplies	1	Grain Supply Scheme	2000-2001	618.87
			Total	**941.48**

It would be seen that the two undertaking relating to Agriculture Department had not prepared their accounts for more than 10 years. Similarly, accounts of undertakings relating to departments of Printing and Stationery and Transport were in arrears by 2 years.

[1] These schemes are defunct since 1986-87 (Purchase and Distribution of Pesticides) and 1983-84 (Seed Depot scheme).

The summarised account of Food and Supplies Department for the year 2000-2001 revealed that the loss of Rs 71.77 crore incurred during the year was understated by Rs 9.31 crore mainly due to (i) non-provision of labour charges, storage charges, milling charges, transport charges, short provision of interest on capital, wrong booking, etc. (Rs 7.17 crore) and (ii) rejection of claim for auction fee, non-delivery of wheat as per linkage plan, moisture cut, non-accountal of gunny bags, bonus on wheat purchased by Food Corporation of India, etc. (Rs 2.14 crore).

The matter was referred to the Government in May 2002; reply had not been received (August 2002).

Food and Supplies Department

7.2 Avoidable expenditure

Rs 1.28 crore was paid in excess as DGS&D, Kolkata was not insisted upon to arrange supplies of balance allocated quantity of gunny bales at pre revised rates

The Director, Food and Supplies Department Haryana, Chandigarh placed (October 1999) an indent for supply of 1,43,520[2] gunny bales (one bale = 500 bags) of 50 kgs pack for procurement of wheat during *Rabi* season 2000-2001 with Director General, Supplies and Disposals (DGS&D), Kolkata. As per terms and conditions settled by DGS&D with the suppliers, gunny bales were to be supplied between November 1999 and January 2000[3]. The department paid Rs 127.08 crore in advance to DGS&D, Kolkata between November 1999 and January 2000.

Against the indented quantity of 1,43,520 gunny bales, DGS&D issued production control orders (PCOs) for 1,04,130 gunny bales. This supply was required to be completed by January 2000. The millers, however, supplied 72,962 bales only upto January 2000 at Rs 1,544.86 per 100 bags.

A meeting of the Co-ordination Committee was held on 1 February 2000 to review the supplies of gunny bales under the chairmanship of Chairman-cum-Managing Director, Food Corporation of India, wherein it was decided that delivery period for supplies be extended upto 28 February 2000, without liquidated damages and the rate of supplying of bags should remain the same. The delivery period was further extended upto April 2000 by the Co-ordination Committee on the same terms and conditions.

2 Food and Supplies Department: 43,290 bales; Haryana State Co-operative Supply and Marketing Federation Limited: 59,280; Haryana Ware Housing Corporation: 18,200; Haryana Agro Industries Corporation: 12,480 and Haryana State Federation of Consumers Co-operative Wholesale Stores Limited: 10,270.

3 November 1999: 49,140; December 1999: 50,700 and January 2000: 43,680.

The Deputy Jute Commissioner, Government of India, Ministry of Textile, Kolkatta revised the rates for gunny bales from Rs 1,544.86 to Rs 1,606.77 per 100 bags for February 2000 and to Rs 1,635.77 for March 2000. The jute millers supplied 31,168 bales to Director, Food & Supplies Department, Haryana. 12,500 bales were supplied in February 2000 and 18,668 bales in March 2000 at the enhanced rate of Rs 1,606.77 and Rs 1,635.77 per 100 bags respectively.

Though payment was made to the Controller of Accounts of DGS&D in advance the department did not insist upon the DGS&D to arrange the supplies for balance allocated quantity at pre-revised rates. Thus, the payment at higher rates had resulted in excess payment of Rs 1.28 crore (including Sales Tax).

The matter was referred to the Government in April 2002; reply had not been received (August 2002).

7.3 Avoidable loss due to delay in disposal of rice

DFSC, Kaithal/millers did not deliver the rice to FCI in accordance with the terms of agreement causing loss of Rs 28.48 lakh to Government

The Director, Food and Supplies Department, Haryana, Chandigarh procures paddy from *mandis* for Central pool and provides the same to the millers, who deliver the rice to the Food Corporation of India (FCI) after milling. The milling agreements entered with millers, *inter-alia,* provide that the millers would take delivery of paddy either against bank guarantee or delivery of rice in advance to FCI.

During *Khariff* 1999, District Food and Supplies Controller (DFSC), Kaithal procured 16,242 metric tonnes (MT) of paddy for Central pool. As per agreements with the millers, the rice was to be delivered to the FCI by the end of February 2000. Delivery period was extended upto April 2000 by Government of India. DFSC, Kaithal without obtaining bank guarantee or delivery of rice in advance, allowed the millers to take 15,429 MT of paddy for milling upto 30 April 2000. For 15,429 MT of paddy supplied to millers, 10,305 MT of rice was required to be delivered against which only 9,469 MT of rice was delivered to FCI, Kaithal. To make good the shortage, DFSC, Kaithal held auctions and could sell (January 2002) only 728 MT of rice actually found available with millers. Thus, there was a shortage of 108 MT of rice resulting in a loss of Rs 9.97 lakh as detailed below:

Varity of rice	Quantity of rice found short (In MT)	Rate (Rupees per quintal)	Amount (Rupees)
Rice Grade A	1.31	954.73	12,507
Sela Grade A	46.35	949.00	4,39,861
Sela Common	60.52	899.46	5,44,353
Total	**108.18**		**9,96,721**

Besides, auction of 728 MT of rice by the Food and Supplies Department resulted in loss of Rs 18.51 lakh as detailed below:

Varity of rice	Quantity sold in auction (In MT)	Rate at which supplied to FCI (Rs per quintal)	Rate at which sold during auction (Rs per quintal)	Difference in rates (Rs per quintal)	Total loss (In rupees)
Rice Grade A	101.62	954.73	701	253.73	2,57,840
Sela Grade A	427.90	949.00	715	234.00	10,01,286
Sela Common	198.42	899.46	601	298.46	5,92,204
	727.94 say 728 MT				**18,51,330 Rs 18.51 lakh**

Thus, the failure of DFSC, Kaithal to deliver the rice to FCI in accordance with the terms of agreement resulted in a loss of Rs 28.48 lakh to Government for which neither any action had been taken against the millers nor against the officers at fault as of May 2002.

The matter was referred to the Government (May 2002); reply had not been received (August 2002).

Transport Department (Haryana Roadways)

7.4 Excess payment of passenger tax

Failure to enhance operation of buses due to shortage of buses and non-availability of route permits, 7 Depots of Haryana Roadways made excess payment of Rs 1.36 crore to Punjab Government as passenger tax for 1.37 lakh route kilometres less covered in Punjab area

Under the Punjab Passengers and Goods Taxation Act, 1952 (Act) and Rules framed thereunder, as applicable to Haryana, passenger tax is levied and charged on all fares and freights in respect of passengers and goods carried by a motor vehicle. When passengers and goods are carried by a motor vehicle on a joint route, the tax shall be payable in respect of the fare or freight for distance covered within the State at the rates laid down under Section 3 of the Act *ibid*. In Punjab State, this tax is named as special road tax and rates were notified on 30 June 1998. In Haryana, passenger tax is charged at the rate of 60 *per cent* of the value of fare charged.

Prior to May 1998, the Haryana Roadways was operating 65,000 kilometres (kms) per day in Punjab area on the basis of an inter-state agreement. In May 1998, both the states agreed to enhance the operation to 1,05,000 kms on reciprocal basis. But no formal agreement between the two states was signed till 19 August 1998 as the proceedings of the joint meeting of State Transport Commissioners (held in May 1998) were not received by the Punjab Transport Commissioner. As such Haryana Roadways never directed its depots to operate the enhanced kms. and continued to operate only upto 65,000 kms.

When the Punjab State Regional Transport authorities asked for the payment of tax for enhanced kms, Haryana Roadways agreed and issued (September 1998) directions to its depots to operate 88,000 kms and pay special road tax (passenger tax) from June 1998. Thus, the depots paid tax for enhanced kms with effect from June 1998.

A test-check of records of Haryana Roadways (June 1998 to November 2000) and information collected subsequently revealed that during the period June 1998 to July 2002, 7 out of 17 Haryana Roadways depots[4] actually operated 9.13 lakh kms in Punjab area against the agreed mileage of 10.50 lakh kms but the payment of passenger tax was made for 10.50 lakh kms. This resulted in excess payment of Rs 1.36 crore as passenger tax for 1.37 lakh kms less covered causing loss to the Government.

While admitting the loss, the General Manager, Haryana Roadways, Yamunanagar attributed the less coverage to non-availability of route permits/shortage of vehicles/staff. However, no reply was received from other depots.

The matter was referred to Government in April 2002; no reply had been received (August 2002).

Chandigarh **(ASHWINI ATTRI)**
Dated: **Accountant General (Audit), Haryana**

Countersigned

New Delhi **(Vijayendra N.Kaul)**
Dated: **Comptroller and Auditor General of India**

[4] Fatehabad, Gurgaon, Jind, Kaithal, Rohtak, Sirsa and Yamunanagar.