

## Chapter IV

### Miscellaneous topics of interest

#### 4A Government companies

##### 4A.1 Punjab State Industrial Development Corporation Limited

###### 4A.1.1 Irregular release of unsecured loan

**Sanction and disbursement of short-term loan as a special case without obtaining any tangible security coupled with inaction to recover the amount resulted in non recovery of Rs. 31.66 crore.**

Punwire Mobile Communications Limited (PMCL), a subsidiary of Punjab Wireless Systems Limited (PUNWIRE), approached (25 March 1998) the Company for a short term loan of Rs. 20 crore for three months in connection with its project of radio paging service in 9 States for which funding was being arranged from Commonwealth Development Corporation (CDC) and Industrial Finance Corporation of India (IFCI). The Managing Director of the Company sanctioned (27 March 1998) the loan as a special case at the interest rate of 20.5 *per cent* per annum and an amount of Rs. 17.00 crore was released to PMCL on the same day. The *ex post facto* approval of the Board of Directors, however, was obtained on 11 May 2000 after disbursement of the loan.

A review of records revealed that the Company neither obtained any tangible security nor sought any firm commitment from CDC and/or IFCI for making direct payment to it out of the loans to be released by them to PMCL. However, a corporate guarantee was obtained from the holding Company, i.e., PUNWIRE, which itself was in default in repayment of Company's short-term loans amounting to Rs. 9.25 crore.

Though, PMCL failed to repay the loan including interest within stipulated period, no legal action was initiated by the Company to recover the amount. An amount of Rs. 31.66 crore was outstanding (principal: Rs.17 crore and interest:

Rs.14.66 crore) against PMCL as on 31 December 2001. The chances of recovery were bleak because PUNWIRE as well as PMCL were under liquidation since August 2000 and July 2001, respectively. The Company had not fixed any responsibility in this case (November 2002).

Thus, sanction of loan in haste without obtaining tangible security from PMCL coupled with inaction to recover the amount resulted in non recovery of Rs.31.66 crore.

The matter was referred to the Company/Government in March 2002; replies had not been received (July 2002).

#### **4A.1.2 Irregular payment of ex gratia**

**Payment of ex gratia of Rs. 22.36 lakh was made to employees without having allocable surplus in contravention to the instructions of Department of Public Enterprises.**

Government of Punjab, Department of Public Enterprises (DPE) issued (October 1998) a composite policy for payment of bonus/ex gratia to the employees of State Public Sector Undertakings (SPSUs) including co-operative Apex Institutions. The policy, *inter alia*, envisaged that ex gratia would be allowed only if the financial health of the PSU was sound, i.e., it had adequate "allocable surplus", as defined under the Payment of Bonus Act, 1965, after discharging its statutory bonus and other repayment liabilities. Further prior payment of dividend was a pre condition for sanction of ex gratia. Any deviation from these instructions needed the specific approval of the Administrative Department of the State Government in consultation with DPE/Finance Department.

A review of the records of the Company revealed that the Company had loss of Rs. 28.74 crore (1999-2000) and Rs. 53.10 crore (2000-01- provisional) and did not pay dividend to the State Government, yet the Company had paid ex gratia of Rs. 22.36 lakh to its employees for the years 1999-2001. The Company had not declared/paid dividend to the State Government after 1994-95 except for the year 1997-98. Thus, the payment of ex gratia was in deviation of the instructions issued by DPE. The Company stated (January and May 2002) that the balance sheets of the Company were under audit and dividend could only be declared after the Annual General Meeting was held. It was further stated that ex gratia was paid with the approval of Administrative Secretary to have cordial relations with the employees. Reply was not tenable as the Company had no allocable surplus due to accumulated losses and the prior payment of dividend was the pre condition for payment of ex gratia. Moreover, approval of Finance Department was also not taken.

The matter was reported to the Government (February 2002); reply had not been received (July 2002).

## **4A.2 Punjab State Civil Supplies Corporation Limited and Punjab Agro Industries Corporation Limited**

### **4A.2.1 Misappropriation of rice**

#### **Lack of control over milling operations resulted in misappropriation of 11,648.58 tonnes of rice and non recovery of Rs. 16.35 crore.**

Procurement agencies of the State procure paddy and get it milled from allotted millers for delivery of rice to the Food Corporation of India (FCI) for Central Pool. Some of the terms and conditions of the policy for milling of paddy during 1997-2000 were as under:

-In case of failure to supply rice within the stipulated period, he would be liable to pay cost of rice fixed by the FCI alongwith interest at the rate of 21 *per cent* for the first year of default and 30 *per cent* for the subsequent period.

-Rice miller having a capacity of one tonne per hour was to be allotted a maximum of 2,500 tonnes of paddy during 1997-98 and 3,000 tonnes of paddy during 1998-2000. For additional capacity of one tonne per hour, additional 2,000 tonnes of paddy was to be allotted during 1997-98 and 2,500 tonnes during 1998-2000.

-The paddy was to be issued to the miller against the receipt of advance rice from them to the tune of 48 tonnes for 1997-98, 72 tonnes during 1998-99 and 100 tonnes during 1999-2000 or after obtaining bank guarantee of equivalent value.

- The paddy was to remain in the joint custody of the miller and procuring agency till its conversion into rice; and was to be issued to the rice miller in lots of 100 tonnes; next lot of paddy was to be issued only after the resultant rice of previous lot had been delivered to FCI; and defaulting rice miller was not to be considered for allotment in the first stage.

-Agreements executed with the millers, *inter alia*, provided that (a) the miller was required to keep the record of paddy and submit fortnightly reports to the Company; and (b) the delivery of paddy was to be made on book weight to the miller covered by a bank guarantee or receipt of advance rice, who was to complete delivery of rice within 10 days of the issuance of paddy.

Despite having been pointed out consistently in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1995, 1996, 1998 and 1999 (Commercial)- Government of Punjab, regarding misappropriation of paddy due to lack of control and non following the milling policy properly, the Government of Punjab had failed to take the remedial action in this regard so far. Resultantly, misappropriation of rice continued as discussed below:

(a) A test check of records of two district offices (Sangrur and Jalandhar) of Punjab State Civil Supplies Corporation Limited revealed that the Company entered into agreements, *inter alia*, with twelve rice millers of Sangrur and one rice miller of Jalandhar for milling of paddy for the crop years 1997-98 and 1998-2000 as detailed in *Annexure 14*. Scrutiny in audit revealed that whereas one miller (Sl. No. 6 of the *Annexure*) was not entitled to milling during 1998-99 being defaulter for the previous year, another miller (Sl. No. 13 of the *Annexure*) was not allotted to the Company by the Government. The Company did not obtain bank guarantee or advance rice from these millers. The Company also issued 2505.02 tonnes paddy in excess of entitlement of millers (Sl. Nos. 4, 7 and 10 of the *Annexure*). Further, the Company failed to exercise proper control over milling operations. As against the due quantity of 23,832.30 tonnes of rice, the millers delivered 13,006.88 tonnes of rice only and balance 10,825.42 tonnes of rice was not delivered and misappropriated for which an amount of Rs.15.50 crore (including interest: Rs. 5.18 crore, cost of other material: Rs. 5.55 lakh) was recoverable from them.

Due to slow pursuance of the cases by the Company, it could get the FIRs registered against twelve millers (Sl. Nos. 2 to 13 of the *Annexure*) as late as between May and December 2000.

The Company stated (April 2002) that delinquent officers/officials had been chargesheeted and arbitration proceedings were being initiated against defaulting millers.

Thus, the Company not only failed to obtain bank guarantees/advance rice and allot paddy according to millers' capacity but also allotted paddy to defaulter and an unallotted miller. Besides, inadequate monitoring of receipt of rice and physical verification of stocks, as required, facilitated misappropriation of 10,825.42 tonnes of rice and non-recovery of Rs. 15.50 crore.

The matter was reported to the Government (January 2002); reply had not been received (July 2002).

(b) A test-check of records of Sangrur district office of the Punjab Agro Industries Corporation Limited revealed that the Company executed agreements, *inter alia*, with three rice millers\* for milling of paddy for the crop years 1997-2000. The Company not only issued 6,515.10 tonnes of paddy against the provision of

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\* (i) Rama Rice Traders, Dhuri  
(ii) Navrattan Rice Processors, Dhuri  
(iii) S.K. Traders, Sangrur

milling policy of obtaining advance rice or bank guarantee but also issued excess paddy to the tune of 1,674.94 tonnes than the entitlement of one miller\*. It was observed in audit that the Company also failed to exercise proper control over milling operations. As against the due quantity of 4,041.84 tonnes of rice from two millers, the millers delivered 3,437.81 tonnes only whereas one miller did not deliver any rice against the due quantity of 219.13 tonnes. Since the millers had failed to deliver balance 823.16 tonnes of rice, an amount of Rs. 0.85 crore was recoverable from these rice millers as detailed in *Annexure 15*.

The Company lodged the FIRs with the Police against these rice millers in September 1999, December 2000 and July 2001 respectively.

Thus, due to issue of excess paddy than the millers' capacity, non-obtaining of bank guarantee or advance rice coupled with inadequate control over the paddy had resulted in loss of Rs. 0.85 crore to the Company.

The matter was referred to the Company/Government in January 2002; replies had not been received (July 2002).

#### **4A.3 Punjab State Civil Supplies Corporation Limited**

##### **4A.3.1 Loss due to non placement of repeat order within stipulated period**

##### **Failure of the Company to place order for matching quantity within the stipulated period resulted in avoidable expenditure of Rs. 6.23 lakh.**

The Company while acting as a nodal agency on behalf of other procuring agencies (Markfed and Food & Supplies Department, Punjab) placed (12 February 1999) a joint supply order on Indian Petrochemicals Corporation Limited, Ludhiana (IPCL) for supply of 11,000 Low Density Poly Ethylene (LDPE) covers at the rate of Rs. 4,910 per cover F.O.R destination. As per terms and conditions of the tender, the Company reserved the right to place order for matching quantity within six months from the date of placement of the order on the same terms and conditions.

The Company had placed eight matching orders (March to May 1999) on IPCL for the supply of 9,500 covers. The Company could also place the order for the balance matching quantity of 1,500 covers before 12 August 1999. The Company received a demand of additional 2,200 covers (5 August 1999) and matching order for the same was placed on IPCL on 1 September 1999 for executing this order. However, IPCL expressed (September 1999) its inability to execute it as a matching quantity order on the ground

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\* Rama Rice Traders, Dhuri

that the six months period of the order dated 12 February 1999 had already expired. Consequently, fresh tenders were invited (September 1999) against which the purchase of covers was made from a private party\* at the rate of Rs. 5,325 per cover. Thus, due to delay in placing the order by the nodal agency, the State Government had to incur an extra avoidable expenditure of Rs. 6.23 lakh.

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

#### **4A.4 Punjab Agro Industries Corporation Limited**

##### **4A.4.1 Excess payment of infrastructure development cess**

###### **Incorrect calculation of ID cess resulted in excess payment of Rs. 0.55 crore**

The Company, being one of the procurement agencies, procured wheat and paddy from mandis for Central Pool on behalf of Food Corporation of India (FCI) and stored the stocks till its final disposal as per instructions of FCI. Expenses incurred on procurement, storage and delivery of wheat and paddy were reimbursed by FCI at the rates fixed by the Government of India (GOI) from time to time.

With a view to accelerate the development of infrastructure, the State Government levied infrastructure development cess (ID cess) at the rate of one *per cent ad valorem* on the sales or purchases (effected after 15 October 1998), *inter alia*, of all agricultural produce (except fruits, vegetables and pulses) to be borne by the purchaser. It was observed in audit that the Company purchased wheat (24.98 lakh MT) and paddy (7.54 lakh MT) valued at Rs. 1,861.95 crore during April 1999 to June 2001 at minimum support price (MSP) fixed by the GOI and incurred expenditure on *arhtia* commission (Rs. 46.54 crore) and mandi labour (Rs 9.10 crore). Though the expenditure on *arhtia* commission and mandi labour was borne by the Company itself after procurement of wheat/paddy and did not form part of sales, the Company while calculating the amount of ID cess included these elements in the sales. Consequently, as against the due amount of ID cess of Rs. 18.62 crore (one *per cent* on Rs. 1,861.95 crore), the Company deposited (July 1999 to August 2001) Rs. 19.17 crore with the Sales Tax Authorities thereby resulting in excess payment of ID cess amounting to Rs. 0.55 crore.

The matter was reported to the Company/Government in January 2002; replies had not been received (July 2002).

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\* Bag Poly International (P) Limited, Panipat

## 4A.5 Punjab State Container and Warehousing Corporation Limited

### 4A.5.1 Extra expenditure due to rejection of lower rates and avoidable payment of rent

#### Rejection of lower rates in appointment of architects and delayed surrendering of flats resulted in extra expenditure of Rs. 40.71 lakh.

(a) Punjab State Warehousing Corporation (PSWC) got allotted (1994) a plot measuring 27.5 acres at Navi Mumbai for construction of a container freight station (CFS). Approximate cost for construction of CFS was Rs. 15 crore. Because of objection raised by Central Warehousing Corporation (CWC) for construction of CFS at Mumbai by PSWC, the State Government floated a Company named Punjab State Container and Warehousing Corporation Limited (CONWARE) for taking over the work of CFS.

In the meantime, PSWC requested (January 1995) the Council of Architects, New Delhi to send a list of reputed architects for selection of architects for construction of the CFS. Out of 11 architects suggested by the Council, only three firms of architects viz., Raja Aederi Consultants Private Limited (RAC), New Delhi, Jasbir Sawhney and Associates (JSA), New Delhi and Satnam Namita and Associates (SNA), Chandigarh furnished (January 1995) their bio-data. Of these three, only two firms (RAC and SNA) came for discussion on 30 January 1995 with the selection committee of PSWC.

RAC had quoted a fee of four *per cent* (negotiable) of the project cost as against Rs. 40 lakh lumpsum plus five *per cent* of the project cost offered by SNA. On the basis of estimated project cost of Rs 15 crore, their fee worked out to Rs 60 lakh and Rs. 115 lakh, respectively. The selection committee, however, decided to ignore RAC on the plea that its representative was not able to give any professional information about the organisation and the assignments; and recommended appointment of SNA at negotiated fee and terms and conditions, keeping in view their handling some big projects of the Government and Indian Navy and their presentation of the concept of the Project. Consequently, after negotiation in February 1995, the fee was reduced to Rs. 25 lakh lumpsum plus 2.75 *per cent* of the cost of construction of parking yard and 4.5 *per cent* of the cost of construction of remaining works. Agreement was signed by CONWARE on 9 August 1995.

The CFS was completed in August 1999 at a cost of Rs. 48.13 crore (including parking yard: Rs. 5.83 crore). The CONWARE worked out the due payment to the architect as Rs. 224.34 lakh (including escalation charges of Rs. 3.08 lakh) on the works valued at Rs. 47.38 crore excluding 30 *per cent* portion of fire protection and other works. As against this, the fee payable to RAC worked out to Rs. 189.52 lakh at the rate of four *per cent*.

It was observed in audit that ignoring the offer of RAC was not justified as the firm had already supplied its bio-data which, *inter alia*, indicated that it had undertaken 10 major projects the value of which was Rs. 25 crore and above. Besides, not only its rates were lower but these were further negotiable. Thus, ignoring a lower offer resulted in an extra expenditure of Rs. 31.74 lakh excluding escalation charges.

The management stated (February 2002) that the offer was rejected because the firm failed to satisfy the Committee of experts during discussion. The reply was not tenable because the firm had supplied with the offer complete professional data of its directors, associates and technical staff as well as the assignments undertaken. Moreover, the professional deficiencies found in the firm were not recorded in the minutes of the Committee.

The matter was reported to the Government in November 2001; reply had not been received (July 2002).

**(b)** After acquiring a plot in Navi Mumbai for construction of the CFS, PSWC requested (September 1994) Jawahar Lal Nehru Port Trust, Mumbai (JNPT) for allotment of 32 flats (A type: 16, B type: 8, C type: 8) on leasehold basis on the terms similar to CWC so that the staff supervising the civil works for setting up of the CFS and its operation could be accommodated. PSWC took possession of 30 flats (A type: 26, B type: 2, C type: 2) during September 1994 and September 1995.

With the floating of CONWARE in June 1995, the flats were also transferred to it. The Managing Director of CONWARE sanctioned (February/March 1996) hiring of 25 flats only against which 24 flats were actually occupied. The remaining 6 flats not required by the Company were not de-hired immediately. These 6 flats (A type: 5, B type: 1) were finally surrendered in August 2000, i.e., after a period of more than four years.

Abnormal delay in de-hiring these flats resulted in extra expenditure of Rs.8.97 lakh on account of rent for the period from April 1996 to August 2000.

The matter was reported to the Company/Government in January 2002; replies had not been received (July 2002).

## **4B. Statutory corporations**

### **4B.1 Punjab State Electricity Board**

#### **4B.1.1 Extra expenditure in the purchase of cables**

**Ignoring the cables manufactured with SIOPLAS technology resulted in extra expenditure of Rs. 48.91 lakh.**

The Board opened (7 February 2001) tenders for the procurement of 70 kms of three core 11 KV Cross Linked Polyethylene (XLPE) cables of four sizes (35 mm<sup>2</sup>, 70 mm<sup>2</sup>, 150 mm<sup>2</sup> and 300 mm<sup>2</sup>) manufactured with Continuous Catenary Vulcanisation (CCV) technology. Out of eight tenders received, the rates of Polycab Wires Private Limited, New Delhi, who had offered cables manufactured with SIOPLAS technology, were the lowest at Rs. 2,97,275, Rs. 3,97,150, Rs. 5,78,100 and Rs. 9,21,200 per km respectively for the above sizes. However, this was rejected simply on the plea (July 2001) that the firm was manufacturing cables with SIOPLAS technology instead of CCV technology. Accordingly, orders were placed (16 August 2001) on three firms for 41 kms of cables at the rates of Rs. 3,81,400 (12 kms), Rs. 4,87,342 (2 kms), Rs. 7,12,124 (21 kms) and Rs. 10,68,914 (6 kms) per km.

It was observed in audit that the Board had already recognised the SIOPLAS technology up to 33 KV cables and procured the cables manufactured by this technology against order placed in January 1999. Besides, several Public Sector Undertakings and Government departments like Railways had also been procuring cables manufactured with SIOPLAS technology without any complaint. Indian Institute of Technology, New Delhi also offered its opinion on the SIOPLAS technology and as per their opinion, the cables manufactured with this technology were equivalent to or slightly better than those manufactured with CCV technology. Evidently, restricting the tender to CCV technology and rejection of offer received with SIOPLAS technology was not justified and thereby resulted in extra expenditure of Rs. 48.91 lakh as compared to the lowest rates.

The matter was reported to the Board/Government in March 2002; replies had not been received (July 2002).

#### **4B.1.2 Favour to a consumer indulging in theft of energy**

##### **Non-observance of Board's instructions for allowing reconnection in theft cases deprived the Board of recovery of Rs. 45 lakh.**

Sales Manual of the Board provides that whenever any consumer is found indulging in theft of energy, the Board may disconnect the consumer's supply without any notice. The supply in such cases after first offence shall be restored as soon as the consumer has suitably compensated the Board and deposited the additional amount of advance consumption deposit (ACD). However, for the second offence, supply shall be restored only after lapse of one month's period from disconnection subject to the consumer suitably compensating the Board and so on. Further, the Board reiterated (February 1992) that before putting the theft cases detected by the distribution officers or enforcement agency for review by the competent authority, the consumer should deposit 50 *per cent* or 33 *per cent* of the compensation amount (as the case may be) as laid down in office order dated 6 February 1991 or as decided by the Spot Review Committee (SRC) along with an undertaking from the consumer to accept the decision of the competent authority. However, the maximum amount to be deposited was Rs. 50 lakh for availing a reconnection in such cases.

Audit scrutiny revealed that the electric connection of Ludhiana Steels, under Focal Point Operation Division (Special), Ludhiana was checked by the Enforcement Wing of the Board on 7 July 1999 and it was found that six lead seals installed on the terminal ends of CTs were fake, hence, the consumer indulged in theft of energy. Accordingly, connection was disconnected and the consumer was charged a sum of Rs. 2.77 crore including additional ACD amounting to Rs. 0.61 crore. However, on representation by the consumer, the SRC allowed (15 July 1999) reconnection and referred the case to Dispute Settlement Authority (DSA) after getting a deposit of Rs. 25 lakh as against Rs. 50 lakh as required under the instructions in this case. The DSA served a notice on the consumer for appearing on 11 October 1999 followed by eight other dates up to April 2000, which he evaded on one pretext or the other. When the Enforcement Wing again checked the connection on 26 and 28 April 2000, the consumer was again found indulging in theft by using same means. Hence, the consumer was asked (April 2000) to deposit a further sum of Rs. 2.77 crore including Rs. 0.61 crore as additional ACD.

The consumer again made a representation and the SRC, without considering the facts that it was consumer's second theft case and that he was evading the proceedings of DSA, further allowed (May 2000) reconnection after deposit of Rs. 30 lakh instead of Rs. 0.50 crore and without disconnecting his electricity for one month as required under Sales Manual instruction, *ibid*. Due to continuous non-appearance of the consumer before DSA, its former case was decided

(May 2001) *ex-parte* in favour of the Board. Due to failure on the part of consumer to deposit the awarded amount (Rs. 3.43 crore), his electric connection was finally disconnected on 27 September 2001.

The decision of the SRC to allow reconnection after getting deposits of lesser amounts than Rs. 0.50 crore in each case was in violation of the Board's instructions. This had also been confirmed by the DSA in May 2001. The decisions of the SRC not only resulted in favour to the consumer but also deprived the Board from recovering Rs. 45 lakh from the consumer at the reconnection stage.

The matter was referred to the Board/Government in February 2002; the replies had not been received (July 2002).

#### **4B.1.3 Loss due to lack of action in time**

**Non-enforcing of risk purchase clause within limitation period resulted in extra expenditure of Rs. 32.53 lakh in the purchase of 1,158.325 kms ACSR weasel conductor.**

The Board placed (February 1994) orders on Industrial Links Private Limited, Mehatpur (H.P.) and Steque Equipment Private Limited, Chandigarh for supply of 1,250 and 500 kms of ACSR weasel conductor, respectively at variable rate of Rs.7,180 per km. The firms were to complete the supplies by February 1995, which were subsequently extended up to May 1995. According to the terms and conditions of the purchase orders, the Board was entitled to enforce risk purchase clause and claim compensation from the firms in case of their failure to execute the order within the stipulated period. Whereas the Mehatpur firm could supply only 209 kms up to September 1994, the Chandigarh firm supplied 382.675 kms conductor up to May 1995. Consequently, the Board issued (December 1995) notices asking the firms to supply the material within 21 days, failing which material would be purchased at their risk and cost. When the firms did not complete the supplies despite issuing of reminders in March 1997, the Board floated fresh tenders for 23,000 kms of weasel conductor and also asked (May 1997) these firms to participate in the tender enquiry. Both the firms, while admitting their contractual liability, requested the Board (June 1997) to allow them the supplies at current rates and through their business associates. In order to meet the requirement, after finalising the tender enquiry opened on 24 June 1997, the Board placed (February and March 1998) two purchase orders on a Ludhiana and a Barnala firm for the supply of 1,700 kms of ACSR weasel conductor at the variable rate of Rs. 10,097 per km, against which 1,492.796 kms were supplied (July 1999) thereby incurring an extra expenditure of Rs. 33.79 lakh on the purchase of 1,158.325 kms of weasel conductor not supplied by above firms.

It was observed in audit that since both the firms had acknowledged their contractual liability in June 1997, fresh limitation period of three years each was available to the Board up to 10 June 2000 and 9 June 2000, respectively under Section 18 of the Limitation Act. Even then, the Board did not work out and prefer the risk purchase claims. Consequently, the purchase orders had to be cancelled (July/August 2001) by forfeiting their security deposits of Rs.0.90 lakh and Rs. 0.36 lakh, respectively. Thus, non-enforcing of risk purchase clause within limitation period resulted in extra expenditure of Rs. 32.53 lakh (after adjusting the amount of forfeited security deposits of Rs. 1.26 lakh).

The Board stated (January 2002) that based on practical experience of non-recovery of risk purchase amount, the matter was not pursued. The reply was not tenable because as per purchase orders, the Board was legally entitled to recover the risk purchase amount but the Board failed to take action within limitation period.

The above matters were reported to the Government in October 2000; reply had not been received (July 2002).

#### **4B.1.4 Loss of interest on locked up funds**

##### **Non-use of suspension clamps in violation of Board's instructions resulted in loss of interest amounting to Rs. 28.43 lakh on the locked up funds.**

With a view to provide 24 hours urban pattern supply to the villages in Punjab, a technically better system in respect of safety erection of 11 KV semi suspension type lines was to be made with 9 metre poles, disc insulators, cross arms suspension clamps, etc., in terms of the instruction No.26 issued (March 1995) by the Directorate of Distribution Engineering and Systems Implementation of the Board. The implementation of the instruction was relaxed from time to time till December 1997 mainly due to non-availability of 9 metre poles. However, it was decided to follow the system mentioned in the above instruction with effect from 1 January 1998.

Accordingly, to meet with the requirement of suspension clamps for the year 1998-99, the Chief Engineer/Material Management placed (April 1998) eight purchase orders for the supply of 95,250 suspension clamps at the rate of Rs. 129.50 per suspension clamp against which the Board received 89,500 suspension clamps up to January 2000 (including 22,480 clamps received in 1998-99).

A test check of estimates for execution of the related works in seven divisional offices of the Board (Sangrur, Sunam, Sunam suburban, Barnala, Dhuri, Dirba

and Malerkotla) revealed that in 205 estimates prepared during 1998-99 onwards, the Board used pin type insulators instead of disc insulators and suspension clamps and consequently, a major portion of suspension clamps (94.79 per cent) purchased during 1998-2001 remained unutilised. This has resulted in locking up of funds to the extent of Rs.1.10 crore on purchase of clamps and loss of interest of Rs. 28.43 lakh thereon from January 2000 to March 2002 at the rate of 11.5 per cent (minimum rate at which the Board raised loans from financial institutions during this period). Besides, the objective of safety and ensuring quality supply to villagers could also not be achieved.

The matter was reported to the Board/Government in January 2002; replies had not been received (July 2002).

#### **4B.1.5 Loss due to non-recovery of grinding media**

##### **Incorrect calculation of consumption of grinding media resulted in non-recovery of grinding media of Rs. 22.03 lakh.**

To overcome excessive wear rate of grinding media\* and to meet full load requirement of coal, the Board got modified all the 12 coal mills installed at Guru Nanak Dev Thermal Plant (GNDTP), Bathinda from Bharat Heavy Electricals Limited (BHEL) against purchase order dated 19 November 1996. As per performance guarantee given by BHEL, the wear rate of high chrome grinding media was to be 75-100 gms/MT of coal crushed. As per this agreement, BHEL was to supply additional grinding media free of cost, in case the wear rate was more than 100 gms/MT.

It was observed in audit that the wear rate for the grinding media used during the period from March 1997 to September 1998 was worked out as 105.3 gms/MT in the joint meeting of the Board and BHEL (October 1998). Accordingly, BHEL supplied 10.586 MTs of grinding media free of cost. However, when the wear rate was again jointly computed up to June 2000, it was observed that two store requisitions dated 3 October 1997 and 17 August 1998 were omitted in October 1998. Consequently, actual wear rate for March 1997 to September 1998 was 127.585 gms/MT of coal crushed. As a result, grinding media weighing 44.512 MTs valuing Rs. 22.03 lakh was less replaced by BHEL. Though the Board had included this quantity in its claim against subsequent order of May 1999, BHEL expressed their inability to honour the same on account of presence of stone and other foreign material in raw coal and substantial benefits accrued to PSEB on account of modification of mills.

Thus, non-inclusion of the 2 store receipts while computing the wear and tear rate for the period March 1997 to September 1998 had resulted in non-recovery of Rs.22.03 lakh.

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\* Grinding media are steel/high chrome balls of various sizes used in coal mills of thermal plants for grinding coal.

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

#### **4B.1.6 Loss due to unnecessary construction of annexe building**

##### **Construction of annexe building without actual requirement and its leasing out at a meagre rent resulted in loss of Rs. 14.34 lakh.**

Deputy Commissioner, Muktsar requested (March 1997) the Board to add 8 rooms to the already existing Rest House (with two rooms) of the Board at Malout so that senior officers of the Board and Government departments visiting Malout need not go to next guest house at Edward Ganj. The whole time members (WTMs) of the Board agreed (April 1997) to construct 4 additional suites, one kitchen, alteration in dining room and to convert two garages (out of four) into accommodation for security staff/drivers at an estimated cost of Rs. 15.50 lakh. The work started in September 1997 was completed in June 1999 at a total cost of Rs. 23.24 lakh. Despite having made the provision of security staff as above, the WTMs also approved (May 1998) the construction of an annexe building at this rest house for 40 security personnel at an estimated cost of Rs. 18 lakh and the work was started in June 1998. The annexe building having eight rooms was completed (July 1999) at a total cost of Rs. 41.04 lakh.

Meanwhile, the Principal of Malout Institute of Management and Information Technology (MIMIT), an autonomous institute, approached (March 1999) the Board to rent out the annexe building for its use as hostel accommodation for girl students at a nominal rent. The Board approved (May 1999) renting out of the building for two years at the mutually agreed rates considering that there was sufficient accommodation at Malout to meet the requirement of the security personnel and that a new guest house constructed at Sub-Station, Badal was also not far off. Consequently, the building was leased out (June 1999) to MIMIT at a meagre rent of Rs. 0.14 lakh per annum against the market rent of Rs. 3.72 lakh per annum.

Thus, construction of annexe building without actual requirement and its leasing out at a nominal rent not only resulted in locking up of funds amounting to Rs. 41.04 lakh but also recurring loss of Rs. 4.78 lakh per annum on account of difference of loss of interest on locked up amount (calculated at the rate of 12 *per cent*) and actual rent received. The total loss to the Board on this account worked out to Rs. 14.34 lakh during June 1999 to May 2002.

The Board/Government stated (April/May 2002) that annexe was constructed to provide proper accommodation to security staff to visiting VIP persons. The reply was not tenable because it was not obligatory on the part of the Board to provide proper accommodation to security staff of visiting VIP persons. Moreover, the annexe building had never been utilised by the security personnel.

#### **4B.1.7 Loss due to converting healthy parts into scrap**

##### **Non-fixing of responsibility for conversion of healthy retrieved parts into scrap resulted in loss of Rs. 13.97 lakh.**

As per prevailing practice in the Board, healthy parts such as HT/LT brass rods, bushings and other brass components were extracted from the damaged transformers and used in Transformers Repair Workshops (TRW's) of the Board for repair of transformers.

It was, however, observed in audit that in the Central Store, Ferozpur, 21,834 healthy HT/LT rods extracted from the damaged transformers during 1996-2001 were converted into scrap weighing 3,493.44 kgs. As per the rate mentioned in item code directory of the Board for the month of April 1999, the value of healthy rods was Rs. 15.72 lakh. However, all these healthy rods were sold as scrap at the rate of Rs.50 per kg at a value of Rs.1.75 lakh only. On being pointed out by audit, the Senior Executive Engineer, Central Store, Ferozpur initiated (October 2000) action against two officials responsible for converting 8,476 HT/LT rods into scrap but while recommending (May 2001) disciplinary action against the two officials reduced the quantity from 8,476 HT/LT rods to 3,361 rods only. However, further action was awaited. No action was taken against the officials responsible for converting remaining 13,358 HT/LT rods valuing Rs. 9.63 lakh into scrap.

Thus, conversion of healthy parts retrieved from the damaged transformers into scrap resulted in loss of Rs. 13.97 lakh to the Board for which no responsibility had been fixed so far (October 2001).

The matter was reported to the Government/Board in January 2002; replies had not been received (July 2002).

## **4B.2 Punjab State Warehousing Corporation**

### **4B.2.1 Excess payment of infrastructure development cess**

**Incorrect calculation of ID cess resulted in excess payment of Rs. 0.79 crore.**

Infrastructure development cess was payable by the Corporation on purchases of wheat and paddy from 15 October 1998, as per instructions discussed in para 4A.4.1 *supra*. The Corporation purchased wheat (26.62 lakh MT) and paddy (26.13 lakh MT) valued at Rs. 2,893.70 crore during the years 1999-2001 at minimum support price (MSP) fixed by the GOI and incurred expenditure on *arhtia* commission (Rs.63.38 crore), mandi labour (Rs. 13.90 crore) and machine stitching (Rs 0.74 crore). Though the expenditure on *arhtia* commission, mandi labour and machine stitching was borne by the Corporation itself after procurement of wheat/paddy and did not form part of sales, the Corporation while calculating the amount of ID cess included these elements in the sales. Consequently, as against the due amount of ID cess of Rs. 28.94 crore (one *per cent* on 2,893.70 crore), the Corporation deposited Rs. 29.73 crore with the Sales Tax Authorities thereby resulting in excess payment of ID cess of Rs. 0.79 crore.

The matter was reported to the Corporation/Government in December 2001; replies had not been received (July 2002).

### **4B.2.2 Loss due to waiver of container freight station charges**

**Non-observance of proper procedure coupled with waiver of container freight station charges resulted in loss of revenue to the extent of Rs. 19.44 lakh.**

The Corporation had been running its container freight station (CFS) at Ludhiana where containerised goods are dealt with for import/export purposes after clearance from the Customs Department. Section 48 of the Customs Act, 1962 stipulated that if the goods imported into India were not cleared for home consumption within 30 days from the date of their unloading at a custom station or within such further time as the proper officer may allow, such goods may, after notice to the importer and with the permission of the proper officer, be sold by the person having custody thereof except in cases they are confiscated by the Customs Department.

It was observed in audit that instead of resorting to the provisions of the Act, the Corporation waived CFS charges resulting in loss of revenue of Rs. 19.44 lakh as discussed below:

(i) A consignment of scrap/second hand engines, imported by Kumar Overseas Limited, Ludhiana in November 1995 and seized by the customs, was got cleared from the customs on 7 January 1999. The consignee represented (April 1999) that lifting of cargo by paying full CFS charges (Rs. 23.50 lakh up to 26 March 1999) was a losing proposition for him and requested to reduce the same to the level of less than Rs. 12 lakh. Instead of taking action under the Act, the Corporation agreed (June 1999) to levy CFS charges at Rs. 12.50 lakh only. The cargo was cleared in July 1999 after receipt of CFS charges of Rs.12.50 lakh against due amount of Rs. 26.24 lakh. The Managing Director waived (August 1999) the balance amount of Rs. 13.74 lakh.

(ii) Two containers containing atmospheric rope machines (second hand) imported by Citizen Overseas Limited, Ludhiana were received at the CFS on 5 November 1998. Though the containers were not got cleared by the importers within the stipulated period, the Corporation did not initiate any action to dispose of the goods under the Act. The Managing Director of the importer firm pleaded (9 September 1999) for waiver of full CFS charges (Rs. 6.34 lakh) as he had not been attending his office on account of illness. The Managing Director of the Corporation waived (17 September 1999) CFS charges of Rs. 5.70 lakh. The firm got its containers cleared on 8 October 1999 after making balance payment of Rs. 0.64 lakh. Since there were no rules for waiver of CFS charges, the Board of Directors (BOD) constituted (August 2001) a Committee of three officers empowering it to give relief in such cases up to Rs. 5.00 lakh with the prior concurrence of the Managing Director; and also decided that cases involving waiver of more than Rs. 5.00 lakh would be put up before it for decision. Accordingly, the Committee waived CFS charges of Rs. 5.00 lakh each in both the cases and referred (November 2001) these cases to the BOD for balance amounts. The BOD decided (November 2001) to recover the balance amount of Rs. 7.50 lakh from Kumar Overseas Limited thereby leaving discrepancy of Rs. 1.24 lakh which occurred due to reporting of waived amount to BOD as Rs. 12.50 lakh instead of Rs. 13.74 lakh. However, BOD agreed to waive Rs. 0.70 lakh recoverable from Citizen Overseas Limited, considering it not worthwhile to waste time to recover it. Kumar Overseas refused to make the payment (February 2002).

The Corporation stated (December 2001) that the waivers of Rs. 10.70 lakh had since been regularised by the BOD and it had initiated action for the recovery of remaining amount from Kumar Overseas Limited. The reply was not tenable because Kumar Overseas had clearly refused to make the payment. The Corporation had, in fact, failed to initiate timely action despite enabling provisions of the Customs Act for realisation of lawful dues from the parties. Besides, the decision of the Corporation to regularise these waivers and introduce a system of waiver in future in the garb of forming a committee was imprudent and lacked justification as it might encourage inaction on the part of the Corporation under the provisions of the Act, *ibid*, and deprive it of earning its lawful revenue.

The matter was reported to the Government in November 2001; reply had not been received (July 2002).

### **4B.3 PEPSU Road Transport Corporation**

#### **4B.3.1 Embezzlement of cash**

##### **Non-observance of instructions regarding maintenance of cash book resulted in embezzlement of Rs. 20.62 lakh.**

In a depot of PEPSU Road Transport Corporation (Corporation), Depot Manager was the drawing and disbursing officer and was assisted by one Assistant Controller, Finance and Accounts (ACFA), one Section Officer and a Cashier, besides other accounts staff of the depot. Chapter VIII regarding cash transactions and maintenance of cash book (Accounting Rules, Procedures and Forms of the Corporation) provides that all vouchers would be serially numbered, paid vouchers must be stamped "paid", all payments exceeding Rs.100 to firms and suppliers, etc., generally be made by cheques/bank drafts and cash book, duly completed, checked and balanced, be put up daily to the ACFA /Depot Manager for signatures. Bank reconciliation statements in respect of the operating accounts with the banks would be prepared each month and recorded in the cash book. The rules further provide that all the receipts at the depot should be deposited in a bank and a monthly statement of receipts of revenues and taxes deposited in the bank would be sent to the head office of the Corporation by depots/sub-depots in the first week of the following month. The head office cashier on receipt of the statement would reconcile the remittances received from its depots/sub-depots with the credits received in the bank at head office and discrepancy, if any, be set right promptly.

Scrutiny of records of Faridkot depot of the Corporation revealed that instructions as quoted above were not being followed. Neither any serial number was assigned to the vouchers nor the passed vouchers were stamped as paid and cancelled. The cash book was also not closed daily. It was also observed that the monthly statements were sent to the head office with delays ranging from two to eight months during the period from April 1999 to March 2001. Further, the statements sent to head office included the figures other than those recorded in the cash book.

Non-observance of the instructions facilitated the cashier of the depot to embezzle Rs.20.62 lakh as mentioned below:

(i) The cash book for seven days from 10 to 16 January 2000 was closed and signed by ACFA and General Manager on 17 January 2000. Payment amounting to Rs. 0.38 lakh on account of electricity charges was entered twice on the same page of the cash book, i.e., once in cash column and the other in bank column. The cash column entry was fake without any supporting voucher as the payment was made by cheque, thus, resulting in embezzlement of cash of Rs. 0.38 lakh.

(ii) The head office of the Corporation had made an advance payment of Rs. 4.00 lakh to Indian Oil Corporation Limited (IOC) for supply of diesel to its Faridkot depot vide cheque no. 725116 dated 13 January 2000 and endorsed a copy of the forwarding letter to the General Manager of Faridkot depot for making the entry in the cash book of the depot as receipt from head office and payment to the IOC. The Cashier made entry only for payment of Rs.4.00 lakh in the cash book dated 17 to 22 January 2000. Again entry for receipt and payment of Rs.4.00 lakh was made in the cash book dated 28 to 30 January 2000. Thus, payment of Rs. 4.00 lakh entered in the cash book dated 17 to 22 January 2000 was embezzled.

(iii) Cheque no. 0492296 dated 1 June 2000 amounting to Rs. 4.00 lakh drawn for salary of staff of the depot, though entered on both sides of the cash book, was included in totals of payment side only resulting in embezzlement by not including the amount on receipt side.

(iv) In the cash book, Rs. 27.25 lakh was shown as transferred to head office during 2 September 2000 to 15 February 2001 as against Rs. 16.25 lakh actually transferred. The balance amount of Rs. 11 lakh was embezzled and the fake counterfoils were destroyed by the cashier.

(v) While completing the cash book up to 16 April 2001, the cashier showed Rs.1.10 lakh with two Assistant Cashiers and Rs.0.14 lakh with himself but the Assistant Cashiers did not agree with his statement.

In addition to the above, there were 19 cases of temporary embezzlements in which the cashier retained amounts ranging between Rs. one lakh and Rs.5.50 lakh with him for periods ranging from nine to 27 days.

The embezzlement of Rs. 20.62 lakh during the period from January 2000 to May 2001 was facilitated as:

(a) Cash book was not closed daily by the cashier and individual entries in the cash book were not checked and attested by the Drawing and Disbursing Officer (DDO). This facilitated the cashier to make double entries of the same amount in the cash book.

(b) The DDO/Controlling Officer did not conduct periodical review of the cash book owing to which the manipulation of records and fraud by the cashier could not be detected.

(c) The DDO did not observe prescribed control against fraudulent drawals by not cancelling the sub-vouchers.

(d) The monthly statement of amounts transferred to head office during the month was signed by the DDO without correlating the same with the cash book.

The management lodged (April 2001) an FIR against the Cashier. The Cashier, a Junior Assistant, a Section Officer and the ACFA were suspended during April to November 2001. General Manager was also transferred in December 2001. However, the Section Officer and the ACFA were reinstated in February/March 2002 pending enquiry. No recovery had been effected from the delinquent officials so far (July 2002).

The management stated (July 2002) that General Manager, ACFA, Section Officer, Junior Assistant and Assistant Cashier had been chargesheeted and further action was under process.

The matter was reported to the Government in February 2002; reply had not been received (July 2002).

#### **4B.4 Punjab Financial Corporation**

##### **4B.4.1 Irregular payment of *ex gratia***

**Payment of *ex gratia* of Rs. 45.10 lakh was made in contravention to the instructions of Department of Public Enterprises.**

According to policy issued in October 1998 by the State Government, discussed in paragraph 4A.1.2 *supra*, *ex gratia* to the employees was to be allowed if the financial health of PSU was sound and dividend had been paid to the Government.

A review of the records of the Corporation revealed that the Corporation had a loss of Rs. 0.79 crore during 1997-98 and no payment of dividend was made to the State Government. In spite of the fact that the Corporation was in loss during 1997-98, it paid (October 1998) *ex gratia* amounting to Rs. 23.20 lakh

to its employees for the year 1997-98 in deviation of the instructions *ibid*, and without any approval of the State Government. The Corporation further paid *ex gratia* amounting to Rs. 21.90 lakh to its employees for the year 1999-2000 without any approval from the Government. In this connection, it is pertinent to point out that the Corporation had been continuously incurring losses and their request for grant of *ex gratia* for the year 1998-99 was rejected by the Government.

Thus, the payment of *ex gratia* of Rs. 45.10 lakh for the years 1997-98 and 1999-2000 in violation of the instructions of DPE and without specific approval of the State Government was irregular.

The Corporation stated (November 2001) that the State Government's instructions (October 1998) could not be considered as directive and are not applicable to it unless the same were adopted by the Board of Directors (BOD). The BOD had considered these instructions and paid the *ex gratia* to its employees. The reply was not tenable, as according to Section 39 of the State Financial Corporations Act, 1951, in case of dispute between the State Government and the Board on a policy, the decision of the State Government had to prevail. Moreover, the guidelines issued by the DPE were mandatory for Public Sector Companies/ Corporations.

The matter was reported to the Government in February 2002; reply had not been received (July 2002).

CHANDIGARH  
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Countersigned

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