सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings (Social, General and Economic Sectors) for the year ended 31 March 2017

Government of Haryana

Report No. 2 of the year 2017

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PREFACE

This report deals with the results of audit of Government companies and Statutory corporations for the year ended 31 March 2017.

The accounts of Government companies (including companies deemed to be government companies as per the provisions of the Companies Act, 2013) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of the Companies Act as amended from time to time. The accounts certified by the statutory auditors (Chartered Accountants) appointed by the Comptroller and Auditor General are subject to supplementary audit by officers of the CAG and CAG gives his comments or supplements the reports of the statutory auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government company or corporation are submitted to the Government by CAG for laying before State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2016-17 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

This Report contains 17 paragraphs and one performance audit on 'Acquisition of land, Development of Industrial Estates and their management' by Haryana State Industrial and Infrastructure Development Corporation Limited involving a financial effect of ₹ 5,725.18 crore relating to avoidable expenditure, loss of interest, non-safeguarding of the financial interests *etc*. Some of the major findings are mentioned below:

1. About the State Public Sector Undertakings

The State of Haryana had 26 working PSUs (24 companies and two Statutory corporations) and 5 non-working companies which employed 27,763 employees. As on 31 March 2017, the investment (paid-up capital, long-term loans and free reserves) in 31 PSUs was ₹ 44,361.19 crore. Out of the total investment in State PSUs, 99.40 *per cent* was in working PSUs and the remaining 0.60 *per cent* in non-working PSUs. The total investment consisted of 26.81 *per cent* towards paid-up capital, 72.98 *per cent* in long-term loans and 0.21 *per cent* in free reserves. The State Government contributed ₹ 14,852.18 crore towards equity, loans and grants/ subsidies in 13 PSUs during 2016-17.

(Paragraphs 1.1, 1.6, 1.7 and 1.8)

Performance of Public Sector Undertakings

Out of 26 working PSUs, 17 PSUs submitted their 20 accounts up to September 2017. Of these, nine accounts reflected profit of ₹ 271.48 crore and 11 accounts reflected loss of ₹ 1,107.51 crore. Further, as per the dividend policy of the State Government, all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital contributed by the State Government. Out of profit making PSUs only four PSUs declared dividend of ₹ 6.85 crore.

(Paragraphs 1.16, 1.18 and 1.20)

Arrears in finalisation of accounts

23 working PSUs had arrears of 45 accounts as of 30 September 2017. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

(Paragraphs 1.10 and 1.11)

2. Performance audit of Government Company

Performance audit of 'Acquisition of land, Development of Industrial Estates and their management' by Haryana State Industrial and Infrastructure

Development Corporation Limited was conducted. The important audit findings are as under:

The Company has not prepared any perspective plan for acquisition and development of land for balanced industrial development in the State and failed to boost the Micro, Small and Medium Enterprises sector as per the requirements of the Industrial Policy.

(Paragraphs 2.6 and 2.6(ii))

Land measuring 7542.76 acres valuing ₹ 4,488.86 crore acquired between January 2006 and April 2013 has not yet been taken up for development of Industrial Estates.

(Paragraph 2.6(i))

The Company incurred extra expenditure of ₹ 742.92 crore and ₹ 112.61 crore in acquisition of land due to delay in filing of appeals in court and application of incorrect rates respectively.

(Paragraphs 2.7(i) and 2.7(ii)(a))

There was delay in execution of development works and against the leviable Liquidated Damages (LD) of ₹ 19.34 crore, the Company levied LD of ₹ 5.86 crore only leaving a shortfall of ₹ 13.48 crore.

(Paragraph 2.8.1(iv))

The percentage of recovery of enhancement in cost of land decreased drastically from 43 in 2014-15 to 12 in 2016-17. Due to poor recovery performance the overdue amount from allottees increased from ₹ 1,144.56 crore to ₹ 1,871.04 crore during the period 2015-17.

(Paragraph 2.8.2(iv))

3. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of State Government Companies and Statutory Corporation, which had serious financial implications. Important findings are as under:

Haryana Power Generation Corporation Limited

- The Company had incurred loss of ₹ 1.87 crore on account of excess transit loss *vis-a-vis* HERC norms due to entering into deficient contract with coal agent.

(Paragraph 3.1)

- The award of work of preparing tender documents before obtaining a firm coal linkage resulted in unfruitful expenditure of ₹ 62.54 lakh.

(Paragraph 3.4)

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

- DISCOMs had incurred avoidable expenditure of ₹ 127.23 crore on purchase of short term non-solar renewable power instead of purchasing Renewable Energy Certificates by Haryana Power Purchase Centre.

(Paragraph 3.6)

- DISCOMs introduced the Meter Pillar Box Scheme without obtaining approval from HERC and initiated the scheme for the entire State without waiting for outcome of pilot project. A Firm has been benefitted by DHBVNL as 65 *per cent* of the total work orders awarded were issued to this firm. The scheme could not be implemented effectively as only 34 *per cent* of total material to be supplied was utilised in the project.

(Paragraph 3.8)

Dakshin Haryana Bijli Vitran Nigam Limited

- The Company made irregular reimbursement of ₹ 1.41 crore towards payment of Central Sales Tax to the contractor without obtaining documentary evidence.

(Paragraph 3.10)

Uttar Haryana Bijli Vitran Nigam Limited

- The Company issued sales circulars which were non-compliant of Electricity Supply Code Regulations, 2014, resulting in short recovery of ₹ 10.04 crore.

(Paragraph 3.11)

Haryana Agro Industries Corporation Limited and Haryana State Warehousing Corporation

- HAIC and HSWC raised bills for differential claims of wheat and Custom milled rice on FCI with a delay ranging between 8 to 333 days which resulted in avoidable payment of interest of ₹ 2.66 crore.

(Paragraph 3.14)

Haryana Agro Industries Corporation Limited

- Out of nine recommendations of the Committee on Public Undertakings, one recommendation has been fully implemented; partial progress was made in two cases and in six cases, the Company made no progress.

(Paragraph 3.15)

Chapter-I

Functioning of State Public Sector Undertakings

Chapter I

Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature and occupy an important place in the State's economy. As on 31 March 2017, there were 31 PSUs. Of these, only Haryana Financial Corporation was listed on the Bombay Stock Exchange (BSE). During the year 2016-17, three[1] PSUs were incorporated and one[2] PSU was dissolved. The details of the State PSUs as on 31 March 2017 are given in table 1.1 below:

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies	24[4]	5	**29**
Statutory Corporations	2	Nil	**2**
Total	**26**	**5**	**31**

The working PSUs registered a turnover of ` 36,269.41 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 8.35 *per cent* of the State's Gross Domestic Product (GDP) for 2016-17. The working PSUs earned profit of ` 72 crore as per their latest finalised accounts as of 30 September 2017. They had 27,763 employees as at the end of March 2017.

Accountability framework

1.2 Audit of Government Companies is governed by Section 143(6) of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s) and includes a subsidiary company of a Government company. Further, as per Section 143(7) of the Act, in case of any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments, the Comptroller and Auditor General of India (CAG), may, by an order, cause test audit to be conducted of the accounts of such Company and provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and

[1] Saur Urja Nigam Haryana Limited, Faridabad Smart City Limited and Panipat Plastic Park Haryana Limited.
[2] Harup Coal Corporation Limited.
[3] Non-working PSUs are those which have ceased to carry on their operations.
[4] Includes one company *i.e.* Faridabad Smart City Limited under Section 143(7) of the Companies Act, 2013.

Conditions of Service) Act, 1971, shall apply to such test audit. Audit of the financial statements in respect of the financial years that commenced earlier than 1 April 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of Government Companies (as defined in Section 2(45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Companies Act, 2013. As per provisions of Section 143(6) of the Act, *ibid*, these financial statements are also subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under Section 143(5).

Audit of Statutory Corporations, is governed by their respective legislations. The audit of Haryana State Warehousing Corporation (HSWC) and Haryana Financial Corporation (HFC) is conducted by Chartered Accountants and supplementary audit by CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature within three months of their finalisation or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Haryana

1.5 The State Government has substantial financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans:** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support:** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees:** State Government also guarantee the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As per latest finalised accounts of working PSUs as on 30 September 2017, the Investment (Paid-up capital, Free Reserves and Long-term loans) in 31 PSUs was ` 44,361.19 crore as depicted below:

Table 1.2: Total Investment in PSUs

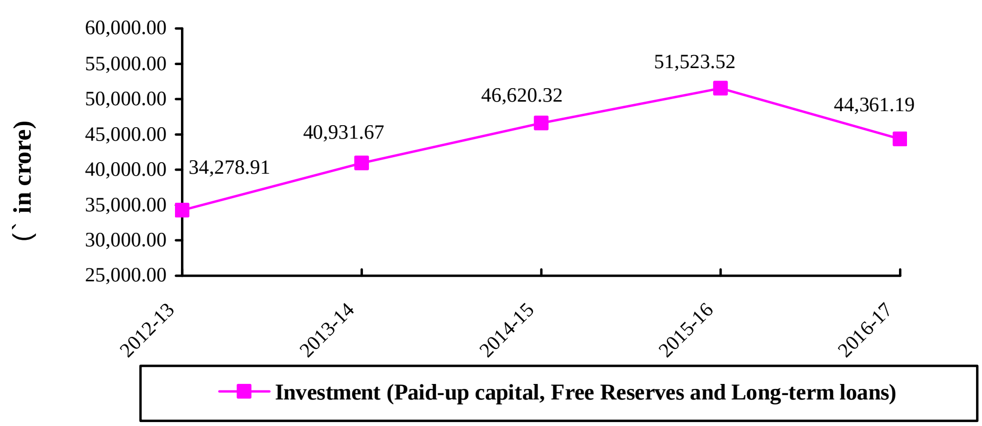
(` in crore)

Type of PSUs	Government Companies				Statutory Corporations				Grand Total
	Paid-up Capital	Long Term Loans	Free Reserves	Total	Paid-up Capital	Long Term Loans	Free Reserves	Total	
Working PSUs	11,658.66	32,321.21	92.14	44,072.01	213.50	50.21	-	263.71	44,335.72
Non-working PSUs	19.22	3.69	2.56	25.47	-	-	-	-	25.47
Total	**11,677.88**	**32,324.90**	**94.70**	**44,097.48**	**213.50**	**50.21**	**-**	**263.71**	**44,361.19**

Source: Information collected from PSUs

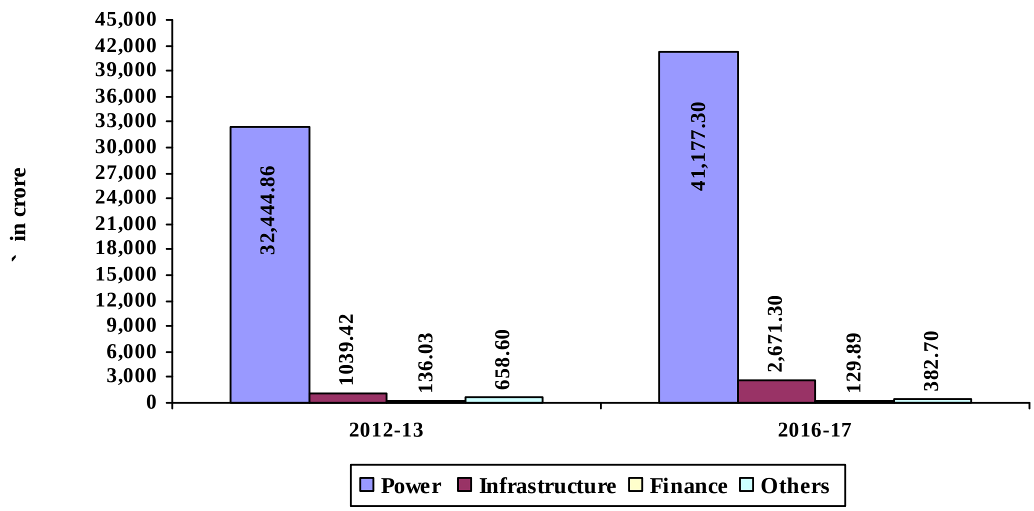
As on 31 March 2017, of the total investment in State PSUs, 99.40 *per cent* was in working PSUs and the remaining 0.60 *per cent* in non-working PSUs. This total investment consisted of 26.81 *per cent* towards paid-up capital, 72.98 *per cent* in long-term loans and 0.21 *per cent* in free reserves. The investment has grown by 29.41 *per cent* from ` 34,278.91 crore in 2012-13 to ` 44,361.19 crore in 2016-17 as shown in chart 1.1 below:

Chart 1.1: Total Investment in PSUs



1.7 The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in chart 1.2 below*:*

Chart 1.2: Sector wise Investment in PSUs



- It is observed that investment in power sector[5] has increased from ` 32,444.86 crore in 2012-13 to ` 41,177.30 crore in 2016-17.

- It is also observed that investment in infrastructure companies[6] has increased from ` 1,039.42 crore in 2012-13 to ` 2,671.30 crore in 2016-17, but investment in finance companies[7] has decreased from ` 136.03 crore to ` 129.89 crore during this period.

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards share capital, loans, grants/ subsidies, loans written off and interest

[5] Haryana Power Generation Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited and Saur Urja Nigam Haryana Limited.

[6] Haryana State Industrial and Infrastructure Development Corporation Limited, Haryana Police Housing Corporation Limited and Haryana State Roads & Bridges Development Corporation Limited.

[7] Haryana Scheduled Castes Finance and Development Corporation Limited, Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited, Haryana Women Development Corporation Limited and Haryana Financial Corporation**.**

waived in respect of State PSUs are given in table 1.3 below for the three years ended 2016-17.

Table 1.3: Details regarding budgetary support to PSUs

(` in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Share Capital outgo from budget	7	68.22	9	1,638.53	6	1,931.08
2.	Loans given from budget	2	153.25	2	156.83	3	1,974.67
3.	Grants/ Subsidy from budget	9	5,357.76	12	6,588.45	11	10,946.43
4.	**Total Outgo (1+2+3)**		**5,579.23**		**8,383.81**		**14,852.18**
5.	Waiver of loans and interest	1	81.24	-	-	1	81.24
6.	Guarantees issued	6	3,966.62	7	4,380.42	6	765.01
7.	Guarantee Commitment	8	28,746.85	9	15,447.21	9	6,647.54

Source: Information collected from PSUs

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee subject to limits prescribed by the Constitution of India for which a guarantee fee is charged. The State Government charged guarantee fee at the rate of 0.125 *per cent* to two *per cent* depending upon the PSUs. The guarantee commitment decreased to ` 6,647.54 crore during 2016-17 from ` 28,746.85 crore in 2014-15. During 2016-17, four PSUs paid guarantee fee of ` 12.77 crore. There were three PSUs which did not pay guarantee fee during the year and the accumulated/ outstanding guarantee fee thereagainst was ` 18 crore as on 31 March 2017. The defaulters were Haryana State Industrial and Infrastructure Development Corporation Limited (` 12.75 crore), Haryana State Warehousing Corporation (` 5.23 crore) and Haryana Scheduled Castes Finance and Development Corporation Limited (` 0.02 crore).

Reconciliation with Finance Accounts

1.9 The figures in respect of share capital, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2017 is given in table 1.4 below:

Table 1.4: Share Capital, loans, guarantees outstanding as per finance accounts v*is- a- vis* records of PSUs

(` in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs*	Difference (+ excess/ - deficit)
Share Capital	10,834.85	11,101.91	(+)267.06
Loans	17,005.42[8]	10,677.59	(-)6,327.83
Guarantees	6,650.03	6,647.54	(-)2.49

*Source: Information collected from PSUs

Audit observed that the differences occurred in respect of 17 PSUs and some of the differences were pending reconciliation since 2004-05. Non reconciliation of the figures may lead to fraud and leakage of public money apart from violation of the provisions of the relevant statutes. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end, in accordance with Section 96 (1) read with Section 129 (2) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act *ibid*. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.5 below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2017.

Table 1.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of Working PSUs	24	24	25	23	26
2.	Number of accounts finalised and received for supplementary audit during the year	18	23	22	21	20
3.	Number of accounts in arrears	34	35	36	39	45
4.	Number of Working PSUs with arrears in accounts	19	19	19	22	23
5.	Extent of arrears (numbers in years)	1 to 4	1 to 4	1 to 5	1 to 5	1 to 5

PSUs having arrears of accounts need to take effective measures for early clearance of backlog and to make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised so as to restrict further accumulation of arrears.

[8] This includes loans of ` 15,570 crore advanced to Haryana DISCOMs and Haryana Vidyut Prasaran Nigam Limited on 31 March 2017 under Ujjwal Discom Assurance Yojana scheme.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the Finance Department was informed quarterly by the Audit, of the arrears in finalisation of accounts, adequate remedial measures were not taken. As a result, the net worth of these PSUs could not be assessed in audit.

1.11 The State Government had invested ` 1,549.94 crore in 11 PSUs {share capital: ` 371.70 crore (six PSUs), loans: ` 173.26 crore (two PSUs), given grants: ` 821.78 crore (six PSUs) and subsidy ` 183.20 crore (five PSUs)} during the years for which accounts have not been finalised as detailed in ***Appendix 1***. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested was achieved or not. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of five non-working PSUs, two[9] were in the process of liquidation. Of remaining three non-working PSUs[10], Yamuna Coal Company Private Limited had no arrear of accounts. Haryana Minerals Limited had arrears of accounts for the year 2016-17 and Haryana State Minor Irrigation and Tubewell Corporation Limited had arrears of accounts for two years (2015-16 and 2016-17).

Placement of Separate Audit Reports

1.13 The Separate Audit Report (SAR) up to 2015-16 issued by the CAG on accounts of Haryana Financial Corporation was placed in the Legislature while for Haryana State Warehousing Corporation the SAR up to 2014-15 was placed in Legislature.

Impact of non-finalisation of accounts

1.14 Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the contribution of PSUs to the State GDP for the year 2016-17 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of Government companies and Statutory Corporations are detailed in ***Appendix 2***. The ratio of PSUs

9 Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

10 Haryana Minerals Limited, Haryana State Minor Irrigation and Tubewell Corporation Limited and Yamuna Coal Company Private Limited.

turnover to State GDP shows the extent of PSUs activities in the State economy. Table 1.6 below provides the details of turnover of working PSUs and State GDP for the period of five years ending 2016-17.

Table 1.6: Details of working PSUs turnover *vis-a-vis* State GDP

(` in crore)

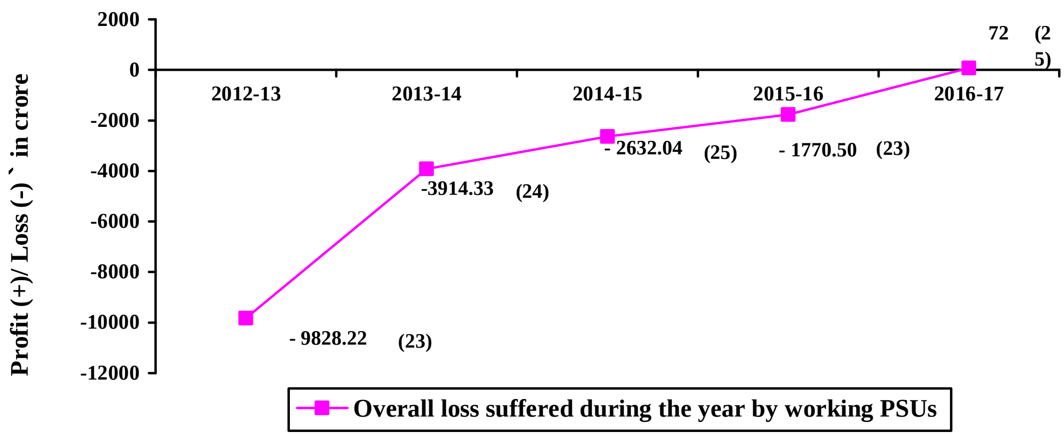
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover[11]	22,384.88	25,262.69	36,608.23	34,109.41	36,269.41
State GDP[12]	3,50,406.61	3,95,747.73	4,41,864.26	4,92,656.90	4,34,607.93
Percentage of Turnover to State GDP	6.39	6.38	8.28	6.92	8.35

Source: Information collected from PSUs and State GDP Data

It is observed that the turnover of State PSUs to the State GDP in percentage terms increased from 6.39 *per cent* in 2012-13 to 8.35 *per cent* in 2016-17.

1.16 The profit earned / losses incurred by working PSUs during 2012-13 to 2016-17 are given in a chart 1.3 below:

Chart 1.3: Profit/ Loss of working PSUs



(Overall profit/ loss is net effect of profit/ loss during the year for which accounts were finalised and figures in brackets show the number of working PSUs in respective years)

- It is observed that the overall losses suffered by the working PSUs to the extent of ` 9,828.22 crore in 2012-13 has turned to profit of ` 72 crore during 2016-17.
- The main reason for turnaround was grant of financial package in the form of share capital, loans and grants-in-aid by the State Government to DISCOMs and HVPNL under Ujjwal DISCOM Assurance Yojana (UDAY) Scheme.

The summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised are given in ***Appendix 2***. During the period from 01 October 2016 to 30 September 2017, 20 accounts were received in respect of 17 working PSUs. Three working PSUs *viz.* Saur Urja Nigam Haryana Limited,

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[11] Turnover as per the latest finalised accounts as of 30 September 2017.

[12] At current prices.

Faridabad Smart City Limited and Panipat Plastic Park Haryana Limited have not prepared their first accounts. Out of 20 accounts received, nine accounts reflected profit of ` 271.48 crore and 11 accounts reflected loss of ` 1,107.51 crore as depicted below:

Table 1.7(a): Details of working PSUs registering profit

(` in crore))

Name of the Company	Period of accounts	Year in which accounts finalised	Net profit
Haryana Scheduled Castes Finance and Development Corporation Limited	2012-13	2017-18	1.99
Haryana Financial Corporation	2015-16	2016-17	3.55
Haryana State Industrial and Infrastructure Development Corporation Limited	2015-16	2017-18	60.30
Haryana Vidyut Prasaran Nigam Limited	2015-16	2016-17	153.99
Haryana Power Generation Corporation Limited	2015-16	2016-17	31.12
Hartron Informatics Limited	2015-16	2016-17	0.18
Dakshin Haryana Bijli Vitran Nigam Limited	2016-17	2017-18	11.96
Haryana Tourism Corporation Limited	2013-14	2016-17	1.47
Haryana State Electronics Development Corporation Limited	2015-16	2016-17	6.92
Total			**271.48**

Table 1.7(b): Details of working PSUs registering loss

(` in crore)

Name of the Company	Period of accounts	Year in which accounts finalised	Net loss(-)
Haryana Agro Industries Corporation Limited	2014-15	2016-17	-82.48
Haryana Seeds Development Corporation Limited	2015-16	2016-17	-2.38
	2016-17	2017-18	-5.75
Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	2012-13	2016-17	-1.36
Haryana Women Development Corporation Limited	2011-12	2016-17	-0.66
Uttar Haryana Bijli Vitran Nigam Limited	2015-16	2016-17	-336.37
	2016-17	2017-18	-205.01
Dakshin Haryana Bijli Vitran Nigam Limited	2015-16	2016-17	-471.58
Gurgaon Technology Park Limited	2014-15	2016-17	-0.14
Haryana Mass Rapid Transport Corporation Limited	2015-16	2016-17	-0.28
Haryana Medical Services Corporation Limited	2014-15	2017-18	-1.50
Total			**-1,107.51**

- The major contributors to profit were Haryana Vidyut Prasaran Nigam Limited (` 153.99 crore), Haryana State Industrial and Infrastructure Development Corporation Limited (` 60.30 crore) and Haryana Power Generation Corporation Limited (` 31.12 crore).
- Heavy losses were incurred by Dakshin Haryana Bijli Vitran Nigam Limited (` 471.58 crore during 2015-16) and Uttar Haryana Bijli Vitran Nigam Limited (` 336.37 crore during 2015-16 and ` 205.01 crore in 2016-17).

1.17 Return on Investment indicates how efficiently a PSU can generate profits from its investment by comparing net operating profit (before interest, tax and dividend) to investment. A debt to turnover ratio on the other hand is a measure that compares PSUs debt payment to its overall turnover. A debt-to-turnover ratio is PSU's ability to manage monthly payment and repay debts. Some key parameters of PSUs are depicted below:

Table 1.8: Key Parameters of State PSUs

(` in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Equity	-13,795.48	-15,149.63	-15,274.29	-19,528.36	-17,284.70
Investment	34,278.91	40,931.67	46,620.32	51,523.52	44,361.19
Profit before interest, Tax and Dividend	324.12	612.86	2,247.46	2,350.78	4,044.65
Net profit after tax less Preference dividend	-3,227.09	-3,808.31	-2,652.64	-1,782.62	72.94
Return on Investment[13] *(per cent)*	0.95	1.50	4.82	4.56	9.12
Return on Equity[14] (*per cent*)	The return is not measurable as equity is negative in all the years.				
Debt	26,861.94	32,265.75	37,847.90	42,712.65	32,375.11
Turnover	22,384.88	25,262.69	36,608.23	34,109.41	36,269.41
Debt/ Turnover Ratio	1.20:1	1.28:1	1.03:1	1.25:1	0.89:1
Interest Payments	3,526.20	4,361.24	4,411.32	3,960.52	3,835.19
Accumulated losses	21,210.01	23,813.48	24,043.86	28,338.17	29,269.73

Source: As per latest finalised Annual Accounts of PSUs

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

- Return on Investment (RoI) has increased from 0.95 *per cent* in 2012-13 to 9.12 *per cent* in 2016-17.

The main reason for improvement in RoI was grant of financial package in the form of share capital, loans and grants-in-aid by the State Government to DISCOMs and HVPNL under Ujjwal DISCOM Assurance Yojana (UDAY) Scheme.

- The ratio of the debts to the turnover which was 1.20:1 in 2012-13 decreased to 0.89:1 in 2016-17. This was due to increase in the turnover during this period.

1.18 The State Government had formulated (October 2003) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital of the State Government. As per their latest finalised accounts, 14 working PSUs earned an aggregate profit of ` 369.22 crore but only four[15] PSUs declared a dividend of ` 6.85 crore. The remaining ten PSUs did not declare dividend despite earning profit of ` 281.32 crore.

[13] Return on Investment= Net profit before dividend, tax and interest/ Investment where Investment = Paid up Capital + Free Reserves + Long term loans

[14] Return on Equity = (Net Profit after tax minus Preference dividend)/ Equity where Equity = Paid up share capital + Free Reserves and Surplus minus Accumulated losses minus Deferred Revenue Expenditure.

[15] Haryana Forest Development Corporation Limited– 30 *per cent*; Haryana State Warehousing Corporation– 15 *per cent*, Haryana Tourism Corporation Limited - 4 *per cent* (of net profit) and Haryana State Industrial and Infrastructure Development Corporation Limited- 10.24 *per cent*.

Winding up of non-working PSUs

1.19 There were five non-working PSUs (all companies) as on 31 March 2017. Of these, two PSUs[16] have commenced liquidation process for a period ranging from 13 to 18 years and instructions for closure have been issued for remaining three PSUs as depicted below:

Table 1.9: Closure of Non-working PSUs

Sl. No.	Particulars	Companies
1	Total No. of non-working PSUs	5
2	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	-
(b)	Voluntary winding up (liquidator appointed)	2
(c)	Closure, *i.e.* closing orders/ instructions issued but liquidation process not yet started.	3

During 2016-17, remaining three non-working PSUs incurred an expenditure of ` 0.34 crore towards salary and establishment expenditure. This expenditure was managed through interest on FDR.

Accounts Comments

1.20 Sixteen working companies forwarded their 19 audited accounts to Principal Accountant General, Audit (PAG) during the period October 2016 to September 2017. Of these, 12 accounts of 10 companies were selected for supplementary audit. Besides, three accounts of three companies which were under finalisation as on 30 September 2016 were also finalised during the above period. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are depicted below:

Table 1.10: Impact of audit comments on working Companies

(` in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in profit	5	2.83	9	122.69	-	-
2.	Increase in profit	-	-	-	-	8	27.47
3.	Increase in loss	6	1,074.35	9	1,067.77	-	-
4.	Decrease in loss	-	-	-	-	6	248.65
5.	Non-disclosure of material facts	4	3,805.09	7	2,448.82	2	111.17
6.	Errors of classification	5	5,979.35	11	1,239.19	8	701.83

- It was observed that during the year, the statutory auditors gave qualified certificates for 12 accounts and adverse certificate (*i.e.* accounts do not reflect a true and fair position) for two accounts.

[16] Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

- Qualifications by statutory auditors had the effect of decreasing the reported loss (` 471.58 crore) of Dakshin Haryana Bijli Vitran Nigam Limited by ` 380.23 crore for the year 2015-16. In addition to the above, after taking into consideration the effect of CAG's qualifications on the accounts of DHBVNL, the loss for the year 2015-16 (after statutory auditor's qualification) of ` 471.58 crore would increase to ` 541.13 crore. Similarly, qualifications by the CAG had the effect of increasing the reported profit (` 31.12 crore) of Haryana Power Generation Corporation Limited for the year 2015-16 by ` 79.68 crore.
- The compliance of Companies with the Accounting Standards remained poor. There were 43 instances of non-compliance in 18 accounts finalised during the year**.**

1.21 Similarly, out of two working statutory corporations, Haryana Financial Corporation forwarded its accounts for the year 2015-16 for supplementary audit during the period October 2016 to September 2017. The comments for the year 2015-16 have been finalised. Besides, accounts of Haryana State Warehousing Corporation for the year 2015-16, which were under finalisation as on 30 September 2016 were also finalised during the above period as depicted below:

Table 1.11: Impact of audit comments on Statutory Corporations

(` in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in profit	1	2.28	3	7.49	3	10.71
2.	Increase in loss	-	-	-	-	-	-
3.	Non-disclosure of material facts	-	-	2	7.07	2	1.23
4.	Errors of classification	2	4.39	2	28.82	2	19.99

- The Audit Reports of statutory auditors and supplementary audit of CAG indicated the need to improve the quality of maintenance of the accounts.
- During the period October 2016 to September 2017, accounts of Haryana Financial Corporation for the year 2015-16 were received and were given qualified certificate by the statutory auditors.

Response of the Government to Audit

Performance Audits and Paragraphs

1.22 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one performance audit and 17 compliance audit paragraphs were issued to the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of nine compliance audit paragraphs were awaited from the State Government as of November 2017.

Follow up action on Audit Reports

Replies outstanding

1.23 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The State Finance Department, Government of Haryana, issued (July 1996) instructions to all administrative departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature. However, explanatory notes were not received in 33 *per cent* of the performance audits and 55 *per cent* of the audit paragraphs as on 30 November 2017 as depicted below:

Table No.1.12: Explanatory notes not received (as on 30 November 2017)

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014-15	14.3.2016	2	15	1	8
2015-16	27.2.2017	1	14	-	8
Total	**-**	**3**	**29**	**1**	**16**

Discussion of Audit Reports by COPU

1.24 The status as on 30 November 2017 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as depicted below:

Table No.1.13: Reviews/ Paras appeared in Audit Reports *vis-a-vis* discussed as on 30 November 2017

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2012-13	2	10	1	10
2013-14	2	9	1	7
2014-15	2	15	-	-
2015-16	1	14	-	-
Total	**7**	**48**	**2**	**17**

Compliance to Reports of Committee on Public Undertakings (COPU)

1.25 Action Taken Notes (ATN) to 36 paragraphs pertaining to seven Reports of COPU presented to the State Legislature between March 2011 and

March 2017 had not been received (30 November 2017) as depicted below:

Table No.1.14: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2010-11	1	10	1 (Para No. 8)
2011-12	1	8	2 (Para No. 3 & 5)
2012-13	1	16	2 (Para No. 4,5)
2013-14	1	10	4 (Para No.3,5,6 &10)
2014-15	1	12	6 (Para No. 4,5,8,10 to 12)
2015-16	1	16	7 (Para No. 1 to 4 & 12 to 14)
2016-17	1	15	14 (Para No. 1 to 14)
Total	**7**	**87**	**36**

These Reports of COPU contained recommendations in respect of paragraphs pertaining to nine departments[17] which appeared in the Reports of the CAG of India for the years 2003-04 to 2012-13.

It is recommended that the Government may ensure sending of replies to inspection reports/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule, recovery of loss/ outstanding advances/ overpayments within the prescribed period and revamping of the system of responding to audit observations.

Disinvestment, Restructuring and Privatisation of PSUs

1.26 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2016-17.

Coverage of this Report

1.27 This Report contains 17 paragraphs and one Performance Audit *i.e.* ‘Acquisition, development of land and management of industrial estates by Haryana State Industrial and Infrastructure Development Corporation Limited’ involving financial implications of ` 5,725.18 crore. The management did not reply to three paragraphs while the response of the Government of Haryana was awaited to nine paragraphs and to the performance audit.

[17] Agriculture, Forest, Home, Industries, Power, PWD (B&R), SC and BC Welfare, Transport and Tourism.

Chapter-II

Performance Audit relating to Government Company

Chapter II

2 Performance Audit relating to Government Company

Haryana State Industrial and Infrastructure Development Corporation Limited

Acquisition of land, Development of Industrial Estates and their management

Haryana State Industrial and Infrastructure Development Corporation Limited was incorporated in 1967 for promoting medium/ large scale industries and developing Industrial Estates in the State. Some of the significant findings are as under:

Highlights

The Company has not prepared any perspective plan for acquisition and development of land for balanced industrial development in the State and failed to boost the Micro, Small and Medium Enterprises sector as per the requirements of the Industrial Policy.

(Paragraphs 2.6 and 2.6(ii))

Land measuring 7542.76 acres valuing ` 4,488.86 crore acquired between January 2006 and April 2013 has not yet been taken up for development of Industrial Estates.

(Paragraph 2.6(i))

The Company incurred extra expenditure of ` 742.92 crore and ` 112.61 crore on acquisition of land due to delay in filing of appeals in court and application of incorrect rates, respectively.

(Paragraphs 2.7(i) and 2.7(ii)(a))

There was delay in execution of development works, against the leviable Liquidated Damages of ` 19.34 crore, the Company levied Liquidated Damages of ` 5.86 crore only leaving a shortfall of ` 13.48 crore.

(Paragraph 2.8.1(iv))

The percentage of recovery of enhancement in cost of land decreased from 43 in 2014-15 to 12 in 2016-17. Due to poor recovery performance, the overdue amount from allottees increased from ` 1,144.56 crore to ` 1,871.04 crore during the period 2015-17.

(Paragraph 2.8.2(iv))

2.1 Introduction

Haryana State Industrial and Infrastructure Development Corporation Limited (Company) was incorporated in 1967 for promoting and administering medium/ large scale industries and developing Industrial Estates in the State.

The Company also decided to undertake (December 2005) the function of development of infrastructure in the State.

The Management of the Company is vested in the Board of Directors (BoDs) comprising a Chairman and seven directors including a Managing Director, who are appointed by the State Government. The Managing Director is the Chief Executive of the Company and is assisted by officers in the field and at Head Office of the Company. The Company has 17 field offices to carry out its activities.

2.2 Audit objectives

The audit objectives were to ascertain whether the:

- Company had a perspective plan for industrial development in synchronisation with the industrial policy of the State and was effective in achieving the same;
- legal, financial and social obligations were fulfilled in acquisition of land;
- the industrial areas were developed and managed in an economic, efficient, effective and transparent manner; and
- adequate internal controls (record maintenance, reconciliation and Management Information System *etc.*) were in place.

2.3 Scope of Audit

The working of the Company for the period 2007-12 was earlier reviewed and the review featured in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2012 – Haryana. The performance review was discussed by Committee on Public Undertaking (COPU) of the State Legislature in its 62nd report.

The present audit, conducted from November 2016 to May 2017, assessed the activities of acquisition of land, development of Industrial Estates and their management during the period 2012-13 to 2016-17. To achieve audit objectives, apart from scrutiny of records at Head Office of the Company, six field offices[1] out of 17 were selected for detailed scrutiny selected through Statistical Sampling method, where 88 *per cent*[2] of total expenditure was incurred on land acquisition and development.

An entry conference for the performance audit was held in January 2017 with the Managing Director of the Company. The audit findings were reported to the Company and the State Government in May 2017 and discussed in an exit conference held in July 2017, which was attended by Principal Secretary to the

[1] Manesar, Gurgaon, Kundli, Faridabad, Rohtak and Bawal.

[2] Expenditure of ` 10,114 crore out of ` 11,493 crore incurred on land acquisition and development during 2012-13 to 2016-17 (up to October 2016).

Government of Haryana, Industries Department and Managing Director of the Company. The views expressed by the Company and Government have been considered while finalising this Performance Audit.

2.4 Audit criteria

The audit findings are evaluated against audit criteria sourced from the following:

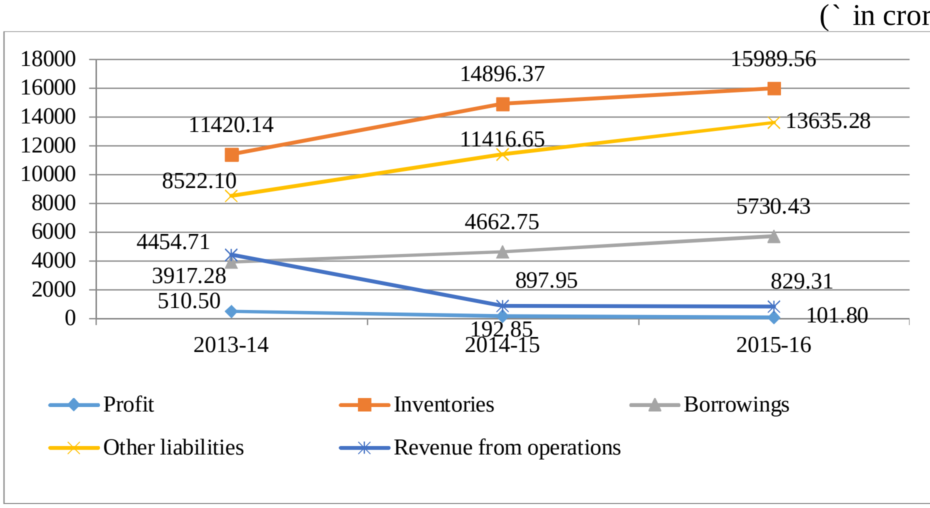
- Land Acquisition Act 1894, Land Acquisition Act 2013, State Industrial Policy, Rehabilitation and Resettlement Policy and awards of Land Acquisition Collectors;
- Decision of the BoDs relating to land acquisition, development, allotment of plot and estate management;
- Provisions of Works Manuals/ Haryana PWD Code, Notice Inviting Tenders, Work Orders for award and execution of works;
- Estate Management Procedure-2011 and 2015; provisions of Regular Letter of Allotment; and
- Internal control procedures of the Company.

2.5 Financial management

The Company adopted accrual system of accounting in place of cash system of accounting from the year 2013-14. The chart below indicates the financial position of industrial area activity for the three year period ending 31 March 2016[3]:

Chart 2.1: Financial position of industrial area activity

(` in crore)



[3] The Company has not finalised the accounts for the year 2016-17 as yet.

Audit observed the following:

i) To meet the cost of land acquisitions and enhanced compensations, the Company resorted to borrowings which increased from ` 3,917.28 crore in 2013-14 to ` 5,730.43 crore in 2015-16. The increased borrowings put an extra burden on the cost of plots resulting in reduced demand and increase in unsold inventories. The debt to equity ratio[4] of the Company increased from 40:1 during 2012-13 to 94:1 during 2016-17 against the ideal norm of 2:1.

ii) Due to poor financial position, out of enhancement in compensation of ` 9,140.57 crore awarded by the Courts in selected units during the period 2010-11 to 2016-17, the Company could pay ` 6,359.64 crore only, leaving unpaid balance of ` 2,780.93 crore pending for periods ranging from one year to seven years (March 2017). The delayed payments of compensation to land owners will entail payment of interest, leading to increase in cost of plots as all costs including interest are recovered from the allottees. The Management stated that enhanced compensation was pending payment due to paucity of funds. The Company therefore needs to work out modalities and business plans to deal with the situation.

iii) As per the Rehabilitation and Resettlement policy 2007, annuity @ ` 15,000 per acre per annum was payable to the landowners for a period of 33 years which was to be increased by ` 500 every year. In cases where land was acquired for Special Economic Zone (SEZ) purpose, the annuity was to be paid at double the rates. Audit observed that though the land acquired (2006) at Gurugram could not be used for SEZ and had been de-notified in June 2014, the Company continued to pay annuity at double the rates. It had paid ` 1.07 crore in excess from 23 June 2014 to December 2014. During exit conference, the Management stated that payment was made as per Government decision. The reply is not acceptable as the Company has been overburdened due to payment of annuity at double rates, even after the de-notification in June 2014.

2.6 Perspective planning for balanced development

The State Government has declared the Company as the nodal agency for development of infrastructure and industrialization in the State. The key objectives of the Industrial Policy 2011 and 2015 of the State Government, *inter-alia,* were:

a. higher and sustainable economic growth by attracting investments in focused manner,
b. sustainable development by adopting environment friendly technologies and supports the Micro, Small and Medium Enterprises (MSME) sector and
c. simplification of estate management procedures.

Audit observed that the Company had not prepared any perspective plan for acquisition and development of land. The Company rather acquired land considering the expansion requirements in the existing estates and areas

[4] Debt Equity Ratio = Long term borrowings/ Share Capital.

earmarked in the master plans of the towns without assessing the market conditions. Resultantly, there was non-utilization of land after its acquisition, lack of balanced industrial growth of the State, the MSME Sector not getting the boost as envisaged in the Industrial Policy and accumulation of unsold plots as discussed below:

i) Non-utilization of land after its acquisition

The lack of planning and unresolved issues in development of land resulted in non-utilization of 7542.76 acres land valuing ` 4,488.86 crore acquired during January 2006 to April 2013 as detailed below:

Sl. No.	Purpose of acquisition of	Area (acres)	Value (` in crore)	Remarks/ Reasons for non- utilization
1.	Development of Phase-V in Industrial Model Township Manesar	668	368.55	The Company acquired (March 2006) land under section (u/s) 17 (emergency clause) of the LA Act. However, the land was not in contiguity and remaining 216.17 acres land required for integrated development was acquired in January 2017. Thus, the purpose of acquiring land under emergency clause was not achieved.
2.	Setting up of SEZ at Gurugram	1590	1,619.28	The land was acquired in January 2006. After abandonment of SEZ project, the State Government decided (May 2013) to utilize 1100 acres of land for Global City Project in joint venture with Delhi Mumbai Industrial Corridor Development Corporation. Further developments were awaited (March 2017).
3.	For Institutional purpose at Sector 39, Rai	385.90	110.31	The land earmarked for institutional purpose in the Master plan of the town was acquired in June 2008. The layout plan was finalized by February 2013. The land is yet to be developed (March 2017).
4.	Land for Industrial Model Township Mewat (Nuh)	1501.54	734.62	The Company acquired land in May 2010. The contract for its development was awarded in February 2014, but the same was put on hold as there is a proposal to allot the entire land to some prospective developer. The decision was pending (March 2017).
5.	For 2100 MW Gas based Power Plant in Bahadurgarh	174.79	63.76	The land was acquired in July 2011. But after abandonment of the SEZ project at Gurugram, no plan has been made for utilization of this land. 174.79 acres land is not in contiguity. Decision for consolidation of the land was pending so that integrated planning could be done (March 2017).
6.	Sewerage Treatment Plant, Bahadurgarh	21.36	14.65	
7.	For development of Industrial Model Township Kharkhoda, (Sonepat)	3201.17	1,577.69	The Company acquired this land in March/ April 2013 as the same was earmarked for Industries in the Master plan of the town. In June 2014, it was decided to develop the land under Public Private Partnership mode and a Memorandum of Understanding was signed in January 2016. No further progress has been made (March 2017).

The Management in exit conference stated that the land would be utilized in near future.

ii) The Company had not made any plans for construction of sheds/ flatted factories in its Industrial Estates during 2012-17. Audit noticed that 31 sheds planned during 1994 at Gurugram have not been constructed even till date after a lapse of more than 22 years leading to non-utilization of 1.80 acres land valuing ` 24.06 crore. Thus the Company failed to boost the MSME sector as per the requirements of the Industrial Policy. During exit conference, it was stated that the land would be utilized in near future.

iii) The Company acquired 26,794.66 acres of land up to 31 March 2017, out of which 24,760.75 acres (92.41 *per cent*) fall within National Capital Region (NCR)[5]. Of the land acquired in NCR, as much as 7542.76 acres has not been taken up for development so far. Further, out of 43.71 lakh sqm of unsold plots, 10.46 lakh sqm plots (24 *per cent*) were lying unsold in vicinity of Delhi as on March 2017.

Thus, inadequate planning coupled with implementation issues resulted in poor implementation of industrial policy which failed to give boost to MSMEs.

2.7 Acquisition of land

For the purpose of development of industrial infrastructure, the Company acquires land through the Department of Industries, Government of Haryana as per the provisions of the Land Acquisition Act (LA Act). The Company acquired 5,800.11 acres of land valuing ` 4,424.82 crore during 2012-17. For acquisition of land, the Company is actively involved with the Government starting from the drafting of notification under section 4 (u/s 4) of the LA Act to the announcement of the award and disbursement of compensation. For acquisition of land, the State Government issues notification u/s 4 and 6 of the LA Act on the basis of draft notifications prepared and forwarded by the Company. Objections received, if any, u/s 5A of the LA Act, are heard by the Land Acquisition Collector (LAC) and after completion of hearing, the recommendation on the objections made by the LAC is forwarded to the Company for their remarks. The Company after scrutiny submits draft notification u/s 6 of the LA Act to the State Government for issue within one year of issue of notification u/s 4. Before announcement of award, the LAC submits proposed award to the Company detailing the amount of compensation to be announced and intimating them to deposit the amount in its account. The award is announced by LAC u/s 11 of the Act within two years from the date of issue of section 6 notification. The Company deposits the compensation amount in the account of LAC before the announcement of award. Section 17 of the LA Act empowers the Government for acquisition of land in case of emergency wherein hearing of objections u/s 5A of the LA Act is dispensed with. The State Government has also the power to withdraw any land from acquisition under section 48 of the LA Act.

[5] Faridabad, Gurgaon, Mahendergarh, Bhiwani, Nuh, Rohtak, Sonepat, Rewari, Jhajjar, Panipat, Palwal, Jind and Karnal.

Audit observed the following:

i) Extra expenditure due to delay in filing of appeal

The Company acquired (9 March 2006)[6] 955.92 acres of land under section 17 of the LA Act at a cost of ` 176.55 crore[7] (land cost @ ` 12.50 lakh per acre) under emergency clause at Industrial Model Township Phase V, Manesar. The land holders approached the Hon'ble Punjab and Haryana High Court against this acquisition which quashed (16 April 2009) the acquisition order except in those cases where (a) compensation was accepted by the land owners or (b) the petitions were filed after the award (9 March 2006). The Company could acquire 611.67 acres of land. After quashing (April 2009) of acquisition proceedings by the High Court, the Company was to file appeal in all the cases within the time limit allowed by the Court but it filed appeal in 10 cases in which the Court allowed (28 January 2011) acquisition of another 56.33 acres land. This process was completed during October 2013 and September 2016 at the rate of ` 12.50 lakh per acre. The State Government/ Company were negligent in pursuing their remedy of appeal and failed to provide appropriate reasons for condoning the inordinate delay in filing the appeals. Further, there was also lack of co-ordination between the Government and the Company as they were filing appeal separately. There was delay of 337 to 415 days in filing appeal in another 19 cases[8]. As a result, the Court quashed (January and September 2011) the acquisition proceedings. The acquired land measuring 668 acres was not in contiguity and could not be taken up for development. The Company therefore decided (October 2013) to acquire the land acquisition proceedings of which had been quashed by the Court by initiating fresh procedure. It acquired (20 January 2017) 216.17 acres of land at a cost of ` 818.10 crore[9] (cost of land ranging between ` 1.50 crore to ` 1.90 crore per acre).

Thus, had the appeals been filed timely in all cases, the Company could have acquired the land at old rate of ` 12.50 lakh per acre and extra expenditure of ` 742.92 crore[10] on 216.17 acres land could have been avoided.

The Management stated that delay was inherent in Government working. The reply was not acceptable as there was lack of co-ordination between Company and State Government as both were filing the appeals separately and the very purpose of invoking emergency clause was defeated.

ii) Non compliance of LA Act

a) Extra expenditure due to application of incorrect rates

As per LA Act, the Land Acquisition Collector (LAC) shall take into consideration the market value of the land on the date of notification u/s 4.

[6] Notification u/s 4 of the LA Act was issued on 17 September 2004.

[7] Cost of land – ` 119.49 crore + Solatium @ 30 *per cent* – ` 35.85 crore + interest @ 12 *per cent* – ` 21.21 crore = ` 176.55 crore.

[8] In 12 cases by the State Government and in seven cases by the Company.

[9] Cost of land – ` 346.65 crore + Solatium @ 100 *per cent* – ` 346.65 crore + interest @ 12 *per cent* – ` 124.80 crore = ` 818.10 crore.

[10] Calculated for the period September 2004 to January 2017 after allowing interest @ 12 *per cent* per annum from the date of notification u/s 4 of LA Act issued in September 2004.

The price of land is fixed by a committee comprising of Divisional Commissioner, Deputy Commissioner, District Revenue Officer cum LAC and representative of the Company.

For acquisition of 6.2 acres of land in a village Kharawar, Tehsil Sampla, for Industrial Model Township Phase II, Rohtak, the Company got notified (6 October 2010) land u/s 4 of the LA Act. After fixing (25 May 2012) the price of ` 25.65 lakh per acre, the land was acquired on 10 October 2012.

The Company notified acquisition of another 964.43 acres land in Baliyan, Kherisadh, Kharawar and Nonand villages, Tehsil Sampla, u/s 4 on 11 January 2010. The same Committee while fixing (16 November 2012) the price observed that the average sale rate of the land during 2009-10 ranged between ` 2.43 lakh and ` 22.98 lakh per acre, but it fixed the price at ` 31 lakh per acre citing current market situation and increased (December 2012) to ` 33 lakh per acre on the farmers' representation. The Company acquired (January 2013) 924.33 acres land @ ` 33 lakh per acre.

Audit observed that the Committee violated the provisions of the LA Act by fixing the price prevailing on the date of its meeting *i.e.,* December 2012 instead of the rate on the date of notification (11 January 2010) as stipulated u/s 4 of the LA Act. This resulted in acquisition of 924.33 acres land at a higher rate by ` 7.35 lakh (` 33.00 lakh - ` 25.65 lakh) per acre leading to an extra expenditure of ` 112.61 crore[11].

The Management stated that the acquisition rates were fixed considering market rates, collector rates *etc.* and taking into consideration the representations of the farmers. The reply was not acceptable as the Committee was to consider the collector rates *etc.* for the year 2009-10, whereas, it had considered the same for the year 2010-11 and current rates as well which was a violation of the LA Act. Thus the Company ended up paying higher rates for acquisition of land notified in 2009-10 *vis-à-vis* that of 2010-11.

b) Payment of interest

For acquisition of 5309.59 acres of land during 2012-17 at six selected units, the Company paid interest @ 12 *per cent* from the date of gazette notification instead of from date of publication of such notification in local newspapers which was at a later date which was a violation of Section 23 (i) (a) of the LA Act. This resulted in avoidable payment of interest of ` 9.34 crore for the period ranging from three to 61 days to the land owners.

The Management stated that there is single date of notification whereas there are at least two dates of publication in the newspapers and therefore the date of notification in the official gazette was considered. The reply was not acceptable as the LA Act provides that the later date of publication in newspaper would be considered as the date of public notice.

[11] Cost of land of 924.33 acres @ ` 7.35 lakh – ` 67.94 crore + interest amount (11 January 2010 to 2 January 2013) – ` 24.28 crore + solatium @ 30 *per cent* – ` 20.39 crore = ` 112.61 crore.

iii) Unfruitful expenditure due to acquisitions in pockets

The Company got notified (5 October 2005) 885.02 acres land at Kundli u/s 4 of the LA Act. Subsequently, 824.63 acres land was notified (4 October 2006) u/s 6 of LA Act. In the meanwhile, the Director Town and Country Planning had already granted licenses for major portion of land to the private colonizer in the area notified for acquisition. The Company agreed (September 2008) to release 653.84 acres of land developed/ being developed by the colonizer and acquired (17 October 2008) 168.07 acres land valuing ` 45.38 crore which was scattered and unsuitable for contiguous development.

Audit observed that no development activity had been taken up even after lapse of more than eight years. Of this, 95.91 acres land valuing ` 25.39 crore had also been encroached (March 2017). Thus, due to acquisition of land in pockets, the Company incurred unfruitful expenditure of ` 45.38 crore and suffered interest loss of ` 33.24 crore[12].

During exit conference the Management stated that the efforts would be made to utilize this land.

iv) Extra expenditure due to incorrect release of land

The Company got notified (22 June 2006) 476.73 acres land u/s 4 of the LA Act at Rai, Sonepat. After receiving representation from the landowners, 132.63 acres land was released and 344.83 acres land was acquired (28 November 2008) @ ` 55.72 lakh per acre. Thereafter, while finalising the layout, the Company found (October 2012) that some more land is required and again acquired on 16 February 2016, 10.64 acres land (1.47 acres land related to four persons released earlier and 9.17 acres land of *Rasta and Dhanas* (common land) pertains to Panchayat left out inadvertently) @ ` 167.76 lakh per acre. Audit observed that due to release of land earlier/ left out inadvertently at the initial stage, the Company had to incur extra expenditure of ` 7.96 crore[13].

The Management stated that the expenditure incurred on acquisition would be loaded on the saleable area and be recovered from the allottees. The reply is not acceptable as this would burden the allottees with higher cost.

v) Avoidable payment due to overvaluation of shadow/ fruit trees

As per the Rehabilitation and Resettlement Policy of the State, ground survey of land to be acquired is required to be done three to six months before issue of notification u/s 4 of the LA Act. The Company got notified (April 2010) 3,364.64 acres land u/s 4 of the LA Act for setting up of IMT Kharkhauda, Sonepat. Thereafter, the award for 3201.20 acres land was announced in March-April 2013. The supplementary awards for payment of compensation for tubewells, shadow/ fruit trees were also made in October 2013.

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[12] (` 42 crore for 101 months @ 8.76 *per cent* – ` 30.97 crore) + (` 3.38 crore for 92 months @ 8.76 *per cent* – ` 2.27 crore) = ` 33.24 crore.

[13] ` 17.86 crore less ` 9.90 crore (after loading interest @ 9.25 *per cent* p.a. on ` 55.72 lakh per acre for 87 months from December 2008 to February 2016).

The field office at Kharkhauda reported (6 November 2013) that some of the farmers had planted shadow/ fruit trees after notification of the land u/s 4 to take undue benefit as the *khasra/ girdawari*[14] showed no such entries for the crops of Kharif 2009 and Rabi 2010. The Company paid (October 2013) compensation of ` 18.45 crore to the farmers for these trees.

The Company constituted (November 2013) a Committee[15] headed by Additional Deputy Commissioner (ADC), Sonepat to conduct an inquiry in the matter. The sub-committee[16] constituted by the Committee, after a joint survey concluded (June 2014) that the valuation of trees was on higher side and assessed its value at ` 7.91 crore only. However, the Committee has not submitted its report even after lapse of more than three years. The Management stated that the report was delayed due to shifting of ADC, Sonepat repeatedly. The Management contention is not tenable as the change of officers notwithstanding the report should have been finalised by the office concerned. Thus, considering the valuation made in June 2014, the Company made avoidable payment of ` 10.54 crore (` 18.45 crore – ` 7.91 crore).

Audit observed that before acquisition of land, the Company neither conducted any survey of land nor verified the khasra/ girdawari for the crops of Kharif 2009 and Rabi 2010 showing entries of shadow/ fruit trees which resulted in avoidable payment of ` 10.54 crore.

During exit conference it was stated that ADC, Sonepat would be requested to submit the report in time bound manner.

vi) Under valuation of Kundli Manesar Palwal Expressway and excess recovery from allottees

The Company acquired 555.34 acres of land at Industrial Estate (IE) Bahadurgarh during October 2003 to January 2004 and 1015.07 acres of land at Industrial Model Township (IMT) Bawal, Phase II in May 2006. Thereafter, the Company transferred (June 2009) statutory green belt of 112 acres[17] land valuing ` 11.99 crore from these Industrial Estates to the Forest Department, Haryana for compensatory afforestation pertaining to Kundli Manesar Palwal (KMP) Expressway project[18].

We observed that the Company paid (2010-12) enhancement of ` 115.02 crore on the total land of Industrial Estate Bahadurgarh and the same is being recovered from the allottees since July 2014, without considering the fact that 46.22 acres of land had already been transferred to Forest Department. This resulted in excess recovery of ` 9.57 crore from allottees.

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[14] Khasra/Girdawari is a document containing name of owner/ cultivator, type of land, cultivated and non cultivated, source of irrigation, name of crop *etc*.

[15] Comprised of three members from Company and one from Revenue Department.

[16] Comprised of two members from Horticulture Department, three from Company and one from Revenue Department.

[17] 46.22 acres at Bahadurgarh and 65.78 acres at Bawal.

[18] The project is being executed by the Company to provide high speed link to northern Haryana with its southern districts.

Similarly, the Company paid (December 2016) enhancement of ` 76.37 crore on total land at IMT Bawal. Of this, ` 5.18 crore pertained to 65.78 acres land transferred to Forest Department which had not been charged to the KMP Expressway (March 2017). Thus, ` 9.57 crore has been recovered in excess from the allottees and ` 14.75 crore (` 9.57 crore + ` 5.18 crore) had not been added to the cost of KMP Expressway.

The Management while accepting the facts stated that necessary steps are being taken to load the cost on KMP project.

The Company thus incurred extra expenditure of ` 883.37 crore due to delay in filing the appeal, non-compliance of LA Act, acquisition of land at higher rate which was released earlier/ left out inadvertently and over valuation of shadow/ fruit trees. The Company also incurred unfruitful expenditure of ` 45.38 crore in acquisition of land in pockets.

2.8 Development and Management of Industrial areas

2.8.1 Development of industrial areas

After acquisition of land, the Company prepares a detailed layout plan for its development and executes development works *viz*. providing roads for access to site, water supply system and drainage system *etc.* The Company has neither prepared its Works Manual nor adopted the Haryana PWD Code for award and execution of its works in economical and transparent manner. However, it prepares its cost estimates on the basis of Haryana Schedule of Rates (HSR). During 2012-17, the Company incurred expenditure of ` 2,070.77 crore (October 2016) on infrastructure activities. The Company awarded 132 works valuing ` 1,615.77 crore during 2012-17, out of these, 76 works valuing ` 1,224.49 crore pertaining to the six selected units were examined. The Company does not also prepare any time schedule for development of a particular Industrial Estate after acquisition of land.

In this regard, Audit noticed as under:

i) Lack of uniformity and transparency in award of work

Out of 76 works valuing ` 1,224.49 crore examined in audit, 14 works valuing ` 1,024.89 crore were awarded on turnkey/ lumpsum basis and remaining 62 works amounting to ` 199.60 crore were awarded on Single Percentage Basis above or below the detailed notice inviting tender (DNIT) cost.

We observed that the Company received single bids for 17 works and decided to go for re-tendering for two works only. Remaining 15 works valuing ` 23.40 crore were awarded on single tender basis without specifying any special circumstances. It was also observed that out of these 15 works, eight works valuing ` 19.02 crore were awarded to M/s Shiv Construction Company, Jind.

During exit conference it was stated that the Company broadly follows PWD code however, the same would be adopted in future and the works awarded on single tender were of urgent nature. The reply was not acceptable as no such justification was found on record to substantiate the management plea of urgency. Moreover, there remains inherent risk of cartelization and lack of discovery of competitive rates when award of work is done on single tender basis.

ii) Extra expenditure due to delay in finalization of estimates

Estate Office, Kundli submitted (June 2007) proposal for construction of 5,105 metre boundary wall in Industrial Estate Kundli at an estimated cost of ` 69.84 lakh to the Head Office at Panchkula. The Head Office raised various observations regarding layout plan *etc*. during September 2007 to September 2012 and revised (22 July 2013) the estimate to ` 1.81 crore. The work was awarded (January 2014) at ` 1.97 crore.

We observed that the Company took about six years in finalization of the estimates which led to cost escalation of ` 90.38 lakh.

The Management stated that the cost of estimate increased due to provision of RCC beam and columns which was not considered earlier. The reply is not acceptable as the extra expenditure has been worked out in audit on the changed specifications and the rate at which it would have been executed at the time of initial planning.

iii) Delay in completion of development works

Scrutiny of records relating to award and execution of the above 76 works revealed that 50 works valuing ` 293.68 crore were completed by 31 March 2017 and the remaining 26 works valuing ` 930.81 crore were in progress as on 31 March 2017. Of the completed works, 36 works valuing ` 266.69 crore were completed with delays ranging from seven to 831 days. Six works were delayed by the Company as there was delay in approvals, revision of drawings *etc*. In 20 works, delay was on the part of the contractor and 10 works were delayed due to unavoidable circumstances *viz*. agitations from the farmers *etc*.

Of the 26 nos. of works, which are in progress, we observed that scheduled completion date in respect of 15 works, on which expenditure of ` 393.35 crore was incurred, had already passed and the delay ranged between 35 and 1032 days (up to March 2017), thereby leading to blockade of funds.

The Management assured to streamline the system.

iv) Liquidated damages not levied on contractors

As per terms and conditions of contracts, if the contractors fail to complete the work within the stipulated time, liquidated damages were to be levied at the rates provided in the work orders. Further, if the contractor desires an extension of time on the grounds of unavoidable hindrance or any other ground, they have to apply within 30 days of the date of the hindrance.

Audit observed that in 24 works[19] valuing ` 216.82 crore, where the delay was attributable to contractors and against the leviable liquidated damages of ` 19.34 crore, the Company levied liquidated damages of ` 5.86 crore only, leaving a shortfall of ` 13.48 crore as per ***Appendix 3***. In 16 cases, time extension was granted without/ short levy of penalty where the contractor specified the reasons of general nature, *i.e.* shortage of labour, material *etc.* The contractors made request for time extension after a lapse of 37 to 615 days from the schedule date of completion, instead of applying within the mandatory 30 days of the date of the hindrance. No documentary evidence *viz.* hindrance register showing nature of hindrance, items of work affected *etc.* was maintained by the Company. In the remaining eight works, the Company neither granted time extension nor levied requisite liquidated damages.

During exit conference it was stated that time extension cases are examined by the committee and accordingly time extension and levy of penalty is decided. Further, it was assured that hindrance register would be maintained in future. The fact however remains that there was non/ short recovery of liquidated damages.

2.8.2 Management of Industrial areas

After development of industrial area, the saleable industrial plots are carved out for allotment/ sale. The allotment price of the plots is determined on the basis of land cost (including interest), development cost, interest capitalized and other overheads of the Company. The same is revised every year with the approval of the State Government on the basis of holding cost, enhancements in land cost and the market rates in the adjoining areas.

To regulate its Estate Management activities, the Company has prepared the Estate Management Procedure (EMP) under the Industrial Policy which prescribes the terms and conditions for allotment, transfer and resumption of plots and related procedures to be followed by the allottees. During the period under review, the EMP-2011 and EMP-2015 were framed by the Company. The High Level Plot Allotment Committee[20] allots the plots to the applicants as per the prevailing EMP. The Company had however, not fixed any time frame for inviting applications for allotment of plots and for processing of applications received.

Scrutiny of records revealed the following points:

i) Status of allotment and surrender of plots

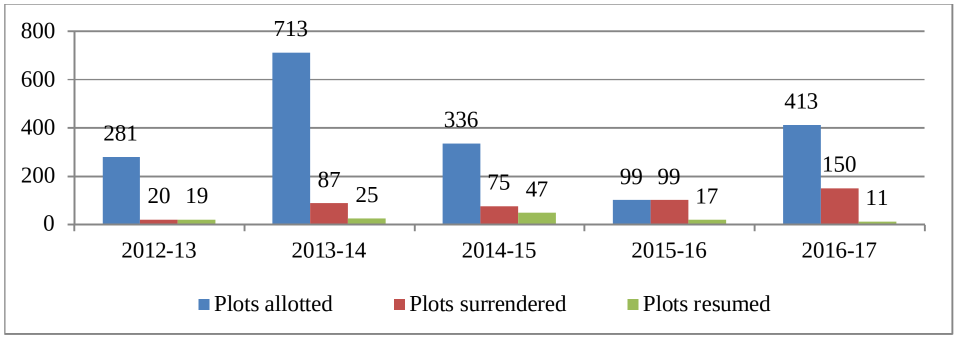
The chart below shows number of plots allotted, surrendered and resumed

[19] Comprising 20 completed works and four works in progress as discussed in para 2.8.1(iii).

[20] Comprising Principal Secretary, Industries Department, Director Industries and MD of the Company.

during the period 2012-17:

Chart 2.2: Number of plots allotted, surrendered and resumed



Number of plots allotted decreased from 713 in 2013-14 to 99 in 2015-16 and it increased to 413 in 2016-17. The decrease in allotment during 2015-16 was mainly due to change in the Estate Management Procedure (EMP) in October 2015 when the Company decided to reject/ return 1851 pending applications received at various estate offices. The number of plots surrendered increased from 20 in 2012-13 to 150 in 2016-17 mainly due to economic slowdown and liberalization in EMP-2015. The Company had not maintained any data bank at its Head Office for regular monitoring of overall progress of the plots lying unsold at the beginning of the year, carved out during the year, allotted, surrendered and resumed in various estates. As on 31 March 2017, 1843 plots measuring 43.71 lakh sqm having a sale value of ` 4,437.88 crore were lying unsold.

The Management stated that the Company could not make allotment due to revision of EMP during 2015-16 and surrender of plots increased due to heavy enhancements in cost of plots, overall economic slowdown *etc.* during 2016-17. However, the fact remains that the allotment of plots has decreased over the years which adversely impacts the industrialization in the State.

ii) Non-levy of extension fee

The Company allotted (30 August 2005) a plot[21] of 37800 sqm at Phase-1, Bawal to M/s Sunfest Infratech & Power Private Limited, Bawal. As per agreement, the allottee was required to implement the project with an investment of ` 40 crore by 29 August 2009 and construction of minimum 15 *per cent* of Permissible Covered Area (PCA). The allottee could invest only ` 21.70 crore and constructed 14.79 *per cent* of PCA by 29 August 2009 as such occupation certificate was not issued to allottee. In December 2011, the allottee switched over to EMP-2011, which provided construction of minimum 25 *per cent* of PCA and allowing extension of three years without payment of extension fee provided the allottee had obtained occupation certificate. Though occupation certificate was not issued, the Company without charging any extension fee extended (July 2012) the time limit up to December 2013

[21] Plot no. 3,4,15 & 16 at Sector 6, Growth Centre Bawal.

and further extended (August 2014) up to August 2016 without levying extension fee. The allottee did not undertake any construction after 29 August 2009 and invested ` 24.53 crore only (June 2013). There is no change in the status as of March 2017.

Audit observed that the allottee could neither construct minimum 25 *per cent* of PCA nor invest ` 40 crore till date (March 2017). Therefore, extension fee of ` 5.22 crore (including interest of ` 1.60 crore) from August 2009 to March 2017 should have been charged and recovered by the Estate Manager.

The Management stated that the allottee had implemented the project after construction of 15 *per cent* of PCA within three years as required originally and after switching over (December 2011) to EMP-2011 further extension of three years was available. The reply is not tenable as extension of three years without levy of fee in EMP-2011 was applicable only if the allottee had obtained occupation certificate whereas in this case occupation certificate was not issued. Further, after switching over to EMP-2011, the condition of 15 *per cent* of PCA was revised to 25 *per cent.*

iii) Irregularity in surrender of plots

The Board of Directors (BoDs) decided (29 August 2013) that if an allottee could not implement the project due to adverse economic scenario and surrenders the plot within six months *i.e*. by 28 February 2014; the Company would refund entire principal amount without deducting penalty of 10 *per cent* leviable as per EMP. Further, the cases already decided in the past where surrender request had been considered were not to be reopened.

Audit observed in test check of records that the Company was selective in waiving penalty and suffered loss of ` 1.47 crore due to irregularity in surrender of plots:

a) M/s Crew B.O.S. Products Limited, Manesar requested (10 June 2013) for surrender of plot[22] as it could not implement the project. The Company accepted (17 July 2013) the request and levied applicable penalty of ` 0.81 crore. The Company however, reopened (January 2014) the surrender case and did not deduct the requisite penalty of ` 0.81 crore in view of the *ibid* decision of BoDs.

The management stated that the BoDs decision was in force at the time of refund. The reply is not acceptable as the Company reopened the case in violation of the *ibid* BoDs decision.

b) M/s Atlas Steel Tube Industries, Bawal requested (23 July 2013) for surrender of partial plot[23] measuring 14535 sqm but his request was not approved within stipulated period of 30 days. The allottee again requested (13 September 2013) for partial surrender. The Company approved (11 August 2014) the case under *ibid* BoDs decision and could not levy the applicable penalty of ` 43.60 lakh.

[22] Plot no. 446-1 at Sector 8, IMT Manesar.
[23] Plot no.1, Sector 5 at IMT Bawal.

c) The Company resumed (16 November 2011) a plot[24] of M/s Excell Infotech Services Private Limited, Kundli for non-payment of dues and non implementation of the project and levied (March 2012) the penalty of ` 22.28 lakh. As the allottee was keen to implement the project, the Company re-allotted (12 June 2012) the plot subject to the condition that the project would be implemented within two years. The allottee however surrendered (December 2013) the plot in view of the *ibid* BoDs decision without any deductions. Since this was a conditional re-allotment, the surrender request of allottee should not have been considered by the Company without levy of penalty.

The Management stated that the Company has reallotted these plots at higher rate and suffered no loss. The reply is not acceptable as the Company in any case was to sell the plots after surrender and it needs to fix responsibility of the concerned Estate Managers.

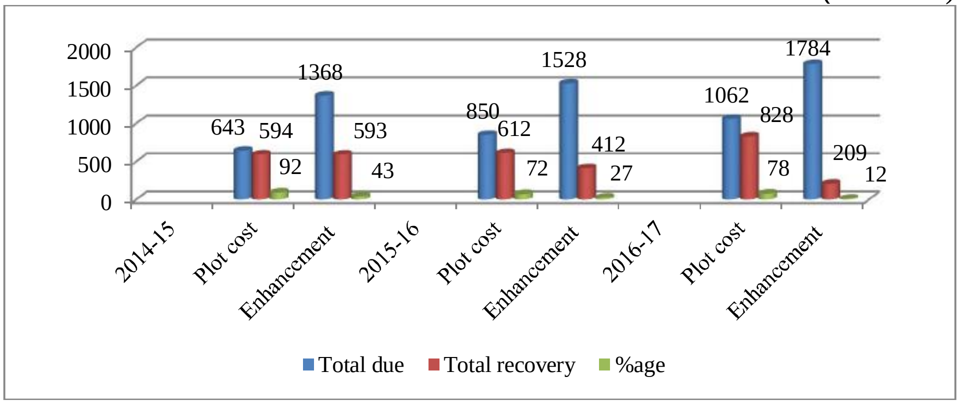
iv) Outstanding recoveries from allottees

As per the Estate Management Procedure (EMP) of the Company, the possession of the plots is offered to the allottees after payment of 25 *per cent* of the cost of plot and balance 75 *per cent* is payable in eight equal half yearly instalments along with applicable interest. The plot is liable for resumption in case of non-payment of dues and violation of other terms and conditions of allotment by the allottees.

We observed that the Company had not devised any system to regularly monitor the recovery from the allottees. The year wise breakup of overdue amount recoverable from allottees had also not been maintained. The position of recoverable amount on account of plot cost, enhancement cost and actual recoveries made thereagainst during 2014-17 is as under:

Chart 2.3: Recoverable amount of plot cost, enhancement cost and actual recoveries made

(` in crore)



Source: Data provided by the Company

[24] Plot No.114, Sector 56, Industrial Estate, Kundli.

Due to poor recovery performance of the Company, the overdue amount from allottees increased from ` 1,144.56 crore as on 31 March 2015 to ` 1,871.04 crore as on 31 March 2017.

Audit scrutiny at selected units revealed the following:

- The Company was not regular in pursuing the recoveries from the allottees and issue of show cause notices to the defaulting allottees for resumption of plots in case of non-payment of their dues.

- At IMT Faridabad, 22 allottees **(*Appendix 4*)** who were allotted plots during June 2013 to April 2014 had deposited 25 *per cent* of plot cost and no further amount was received despite lapse of more than three years. As on 31 March 2017, ` 32.89 crore was outstanding from these allottees. The Company did not initiate any action for resumption of plots for non-payment of their dues as per the provisions of EMP.

During exit conference it was assured that necessary steps would be taken to strengthen the system of recoveries.

Thus there was overall decrease in the allotment of plots mainly due to economic slowdown, liberalization and frequent changes in EMP.

2.9 Internal Control

Internal control is a business practice, policy or procedure established within an organization to ensure reliability and integrity of financial information and promote efficient and effective operations. The following deficiencies were noticed in the internal control systems:

- The Company has not evolved any system to reconcile the payments deposited with the Land Acquisition Collectors (LACs) and ensure that undisbursed amount lying with LACs is deposited in Court. We observed that ` 15.05 crore was lying un-disbursed with LACs in Manesar and Rohtak for the period ranging from 11 to 51 months. Further the Company paid (26 October 2015) interest of ` 0.62 crore to a land holder at Industrial Estate, Rai, Sonepat due to non-compliance of the provisions of LA Act.

- The Company has not maintained a consolidated position of land encroachments for monitoring from Head Office. As on 31 March 2017, 183.74 acres land valuing ` 45.52 crore was under encroachment in the selected units. Besides, ten industrial plots[25] of 7.5 acres at Udyog Vihar, Gurugram were also under encroachment leading to non-realization of ` 142.76 crore (March 2017).

- The e-governance project for computerization of the activities of the Company and generation of Management Information System (MIS)

[25] Four acre land at Plot No. 109, 110 & 111, three acre land at Plot No. 366, 367, 368 and 0.5 acre land at Plot No. 50A, 334, 335 & 336.

reports schedule to be completed by March 2013 has not yet been completed despite lapse of more than four years. During exit conference the Management stated that the system is under stabilization and MIS reports are under testing.

- The Company has not evolved any system for conducting physical survey and revenue audit of its allottees to monitor the implementation of projects and updated amount recoverable from them. As such, the Company was not aware of the amount recoverable from the allottees along with interest thereon and its accuracy. The Management stated that initially the system for monitoring was not there but now the same has been started besides assuring to improve/ strengthen the monitoring system.

Conclusion

The Company has not prepared any perspective plan for acquisition and development of land and continued to acquire land by resorting to bank borrowings without assessing market conditions. As such 7542.76 acres land valuing ` 4,488.86 crore acquired between January 2006 and April 2013 has not yet been taken up for development. The Company incurred an extra expenditure of ` 883.36 crore on acquisition of lands due to delay in filling of appeals in court, non-compliance of LA Act, overvaluation of shadow/ fruit trees *etc*. 1843 plots measuring 43.71 lakh sqm having a sale value of ` 4,437.88 crore were lying unsold. The Company has neither prepared its Works Manual nor adopted Haryana PWD Code which resulted in lack of transparency and uniformity in award of works. There were delays in completion of works and non/ short recovery of liquidated damages for the delay on the part of contractor. The percentage of recovery of plot cost and enhancement cost has decreased from 92 and 43 in 2014-15 to 78 and 12 in 2016-17 respectively. There were deficiencies in the internal control system of the Company due to non-reconciliation of payments made to Land Acquisition Collectors, non-maintenance of consolidated records of land encroachments and non-implementation of e-governance project for generation of MIS reports.

Recommendations

Based on the audit findings, it is recommended that;

- The Company needs to prepare time bound plans for acquisition and development of land keeping in view the market demand in line with the industrial policy. The Company needs to make strenuous efforts to sell unsold plots.

- The Company must comply with the provisions of the LA Act for acquisition of lands in order to avoid extra expenditure.

- The Company should adopt proper work rules to ensure efficiency and transparency in award of works. It also needs to implement provisions of works orders strictly during execution of works.

- The Company needs to put in more efforts for recovery of its dues from allottees to improve its financial position.

- The Company should strengthen its internal control system *viz.* reconciliations with Land Acquisition Collectors, monitor land under encroachments and conduct revenue audit of allottees *etc.*

The matter was referred to the Government (July 2017); their replies were awaited (November 2017).

Chapter-III

Transaction Audit Observations

Chapter III

3 Transaction Audit Observations

Important audit findings emerging from test check of transactions of the State Government companies and Statutory Corporation are included in this Chapter.

Government companies

Haryana Power Generation Corporation Limited

3.1 Avoidable loss due to deficient contract

HPGCL had incurred loss of ` 1.87 crore on account of excess transit loss *vis-a-vis* HERC norms due to entering into deficient contract with coal agent.

Haryana Power Generation Corporation Limited (HPGCL) procures coal from various coal companies of Coal India Limited through rail for its Thermal Power Stations (TPSs). HPGCL (Company) appoints coal agent for supervision of loading, weighment of coal at loading/ unloading points and rendering liasioning services with coal companies/ railways and other agencies so that transit loss of coal from collieries to TPSs of the Company are minimised. HPGCL allows maximum transit loss of 1.50 *per cent* as per Haryana Electricity Regulatory Commission (HERC) norms to its coal agents and in case, it is more than 1.50 *per cent*, penalty is leviable on coal agents as per terms of Notice Inviting Tenders (NIT).

In order to improve the overall coal availability of TPSs, coal companies also offer coal on "as is where is" basis. Western Coalfields Limited (WCL), Nagpur (a subsidiary of Coal India Limited) with whom HPGCL was having coal supply agreement up to 2014-15, offered (August 2014) 3.00 lakh MT of crushed coal to HPGCL on "as is where is" basis. As per offer of WCL, all arrangements *viz.* evacuation, lifting, transporting, loading of coal into railway rakes and dispatch were to be made by HPGCL. For evacuation of this coal quantity, the Company issued (26 September 2014) a work order (WO) to M/s Gupta Global Resources Pvt. Ltd., Nagpur (firm) for evacuation, handling and transportation of coal from WCL to railway siding and loading in the railway rakes at a cost of ` 4.85 crore plus service tax.

Audit noticed that on earlier occasions when HPGCL had deployed (September 2012) coal handling agent for supervision of coal handling from collieries to its TPSs, a clause in the work orders which provided that the payments to coal agent were to be linked with transit loss minimization performance was inserted.

Though HPGCL was well aware that its transit losses were reduced significantly whenever it deployed coal agent (whose job, *inter-alia* included minimising the transit loss also), it did not include the clause to restrict the transit loss within norms in the NIT for deployment of coal agent for evacuation of 3.00 lakh MT coal through WCL, Nagpur. Audit observed (April 2016) that the firm dispatched (September to December 2014) 3,00,904.70 MT[1] coal against which HPGCL received only 2,90,425.13 MT[2] coal at its TPSs. Thus, there was transit loss of 10,479.57 MT (3.48 *per cent*) as against HERC norm (1.50 *per cent*) of 4,513.57 MT. Resultantly HPGCL had to suffer loss of ` 2.29 crore[3] due to excess transit loss of 5,966 MT (10,479.57 MT - 4,513.57 MT).

Government stated (August 2017) that the firm was engaged for transportation on "as is where is" basis coal, from WCL mines to railway siding and then loading into railway rakes for dispatch to TPSs of HPGCL. The transit loss after dispatch from loading points was not in the scope of work of firm and for minimising the transit loss, services of coal agents are required which would had resulted in extra financial burden on the Company. The reply is not acceptable as the Company had not made any cost benefit analysis before inviting tenders for inclusion of clause for transit loss minimisation and had HPGCL included such a clause in its work order, it would have had to bear an additional cost of only ` 0.42 crore[4] and it could have avoided loss of ` 1.87 crore (` 2.29 crore - ` 0.42 crore).

3.2 Infructuous expenditure on overhauling of Unit–I of Panipat Thermal Power Station

The Company had incurred expenditure of ` 2.07 crore on overhauling of Unit-I of Panipat Thermal Power Station without analysing its financial feasibility and overlooking its own decision to phase out Units I to IV.

Units I to IV of Panipat Thermal Power Station (PTPS) were the oldest coal based power generating plants in the State and had outlived their useful life of 25 years. Their auxiliary power and oil consumption was much higher as compared to targets set by Haryana Electricity Regulatory Commission (HERC). HERC in tariff order for the year 2014-15 had also observed (May 2014) that these Units had outlived their life and were the least efficient generating units. The average cost of power purchase for DISCOMs from PTPS (Units I to IV) was ` 10 per kWh against maximum tariff of ` 6.95 and ` 7.45 per kWh[5] charged by the DISCOMs during 2013-14 and 2014-15 respectively. Consequently, the Board of Directors in their 96th meeting (August 2014) decided to phase out existing Units I to IV at PTPS, Panipat and set up a supercritical unit of 800 MW. The proposal was approved by State Government in November 2014.

Meanwhile, a problem of low vacuum in turbine occurred in Unit-I of PTPS in September 2014 and it was noticed that there were cracks in the bottom of the low pressure casing of turbine.

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[1] RGTPP – 1,08,414.63 MT, DCRTPP – 72,893.02 MT and PTPS – 1,19,597.05 MT.

[2] RGTPP – 1,04,798.30 MT, DCRTPP – 63,132.07 MT and PTPS – 1,22,494.76 MT.

[3] 5,966 MT x ` 3,833 (approximate cost of coal per MT).

[4] 3,00,904.70 MT x ` 13.85 per MT (Work order issued to firms M/s AKA Logistics Pvt. Ltd, Kolkata to act as coal agent for the period May 2015 to May 2016).

[5] Independent Hoarding and Decorative Lighting category.

Audit observed (January 2016) that the Company issued (January 2015) a work order to Bharat Heavy Electricals Limited for overhauling/ repair[6] of Unit–I for ` 2.07 crore overlooking the fact that the State Government had already approved (November 2014) Company's proposal to phase out Units I to IV. The quantum of backing down[7] of these units were 83.19 and 81.41 *per cent* in 2013-14 and 2014-15 respectively. After overhauling, Unit-I was synchronised on 16 May 2015 on 35 MW load against its rated capacity of 117.8 MW and thereafter due to backing down it was closed on 17 May 2015. Units I to IV were finally phased out on 9 December 2015. Thus, the Company incurred expenditure of ` 2.07 crore and that too, without running the Unit I.

The Government stated (August 2017) that the repair was carried out to keep the plants in healthy condition as fixed cost was being recovered from the DISCOMs. The reply is not tenable as fixed cost was being recovered by taking Units I to IV as a single composite unit and the Company could have continued operating Units II to IV without incurring expenditure on repair of Unit I. Therefore, the decision of the Management to get the plant repaired/ overhauled without cost benefit analysis, resulted in infructuous expenditure of ` 2.07 crore.

3.3 Loss due to non-completion of dry fly ash system

Due to non-completion of dry fly ash system, the Company suffered loss of ` 16.91 crore on account of non-disposal of dry fly ash and avoidable expenditure on extra water consumption for evacuation of ash in wet mode.

The Haryana Power Generation Corporation Limited (Company) awarded (August 1999) the work for construction of Ash Handling System for Unit-VI of Panipat Thermal Power Station (PTPS), to M/s Melco India Pvt. Ltd. (Firm 1). The Firm 1 completed (July 2001) the work of wet ash disposal system but could not complete the work of dry fly ash evacuation system due to change in capacity of Ash silo[8] and location as suggested by Central Electricity Authority (CEA).

For completion of the balance work, the Company entered (May 2006) into a tripartite agreement, by bringing in another contractor**,** M/s Shree Cement Ltd. (Firm 2), who was to complete at its own cost by August 2007. The Company in return agreed to supply dry fly ash to Firm 2 free of cost up to September 2009 and thereafter up to May 2026 at the rates which would be charged from other firms lifting fly dry ash from PTPS, Panipat. Firm 1 was required to demonstrate the successful completion and running of complete ash handling system. The Company obtained Bank Guarantees (BGs) of ` 37.40 lakh and ` 15 lakh for successful completion of work from Firm 1 and Firm 2 respectively. As the ash handling system was not completed within the stipulated period, the Company encashed (8 June 2011) BGs of both the firms. The matter regarding non operation of dry fly ash evacuation system at full

[6] Metal stitching of cracks in LP turbine and overhauling of LP turbine.
[7] Quantum of backing down means shutting down of units due to no demand from DISCOMs.
[8] Ash Silos are storage tanks for evacuation of ash.

capacity was taken up with both the firms from time to time but the system was not rectified.

Audit observed that there was no provision in the agreement for termination of contract in the event of non-completion of work and penalty in the event of short-lifting of dry fly ash. The Company took no action to complete the unfinished work of dry fly ash evacuation system even after lapse of ten years (August 2007 to July 2017). Due to non-completion of system, there was less evacuation of 4.72 lakh MT dry fly ash valuing ` 14.51 crore during April 2012 to March 2017 which had to be perforce disposed off to ash pond in wet mode in the form of slurry[9]. The conversion of dry fly ash to wet mode required water on which the Company incurred expenditure of ` 2.40 crore[10]. Meanwhile, Firm 2 which was to lift dry fly ash by payment of charges, continued to lift the slurry free of cost as the contract never provided for any rates for the same. The Firm 2 lifted 24.99 lakh MT slurry during 2011-17.

Thus due to non-completion of dry fly ash system, the Company suffered loss of ` 16.91 crore on account of less evacuation of dry fly ash and extra water used for evacuation of ash in wet mode.

The Government stated (August 2017) that the Company was not in a position to cancel the tripartite agreement as this would have led the parties to deny the completion of pending works by taking excuse of such cancellation. It was also stated that there was no penal provision in the contract for short lifting of dry fly ash. The reply upholds the contention of Audit that the agreement was deficient of clauses for termination of the contract in the event of non-completion of work and imposition of penalty in case of short lifting of dry fly ash. However, Section 55 of Indian Contract Act 1872, provides option to the Company to terminate the contract in case the firms fail to perform their obligations provided in the contract. Thus, the Company did not safeguard its interests in the tripartite agreement by incorporating requisite exit clause.

3.4 Improper planning resulting in unfruitful expenditure

The Company awarded work of preparing tender documents before obtaining a firm coal linkage resulting in unfruitful expenditure of ` 62.54 lakh.

Haryana Power Generation Corporation Limited (HPGCL) decided (September 2009) to set up a 660 MW coal based supercritical unit at Yamunanagar and applied (October 2009) to the Ministry of Coal (MoC) Government of India for coal linkage. Despite pursuing with the MoC, HPGCL could neither get the coal linkage nor any assurance for the same up to December 2011. In the meantime, HPGCL awarded (May 2011) work for design consultancy services[11] for the proposed unit to M/s TATA Consultancy Engineers Limited, Bangalore (firm) at a cost of ` 11.37 crore. The firm prepared the draft tender documents and submitted (September 2011) them to

9 A semi-liquid mixture of coal powder and water.

10 4,71,726.46 MT (short lifted ash) x 5 (ratio of water required for evacuation of ash through wet mode) x ` 10.19 (rate of water per MT as worked out by Company) = ` 2.40 crore.

11 Preparation of tender specifications for selecting Engineering Procurement and Construction (EPC) contractor, review of design engineering *etc.*

HPGCL. On evaluation of the tender documents, HPGCL realised that the boiler design could be finalised only after coal linkage was allocated and detailed specifications of the coal were decided. MoC communicated (May 2012) that there was no scope for grant of any letters of assurances for coal linkage in the 12th Five year Plan Power projects up to March 2017. HPGCL released (April 2013) payment of ` 62.54 lakh to the firm for the work done. Further, work of preparation of tender documents and finalisation of tender specifications were stalled for want of coal linkage.

As the validity of the consultancy contract was expiring on 30 June 2016, HPGCL asked the firm to continue the existing contract but for an upgraded 800 MW unit at the same location. The firm, however, refused to work on the existing terms and conditions and HPGCL decided to close the contract.

Audit observed that despite no assurance from MoC for coal linkage which, if awarded, would have made known the quality specifications of coal likely to be received for firing in the boiler, HPGCL awarded the consultancy contract for preparation of tender documents and allowed its commencement. Consequently, the expenditure of ` 62.54 lakh incurred on tender documents prepared by the firm proved unfruitful.

The Government stated (August 2017) that activities like taking statutory clearances, appointment of consultants, preparation of tender documents by consultant take at least two to three years and these activities were generally initiated/ completed simultaneously. The reply was not tenable as obtaining a coal linkage was the starting point for the project and in any event, plant specifications cannot be finalised without details of calorific value of coal to be used. Hence, the award of the contract for design consultancy services and allowing to start the work in absence of coal specifications was not justified which resulted in unfruitful expenditure of ` 62.54 lakh.

3.5 Avoidable expenditure due to non-observance of instructions of Operational Manual

The Company did not observe procedures prescribed in the Operational Manual while shutting down the Unit-I of RGTPP, Hisar and had to bear an avoidable expenditure of ` 13.18 crore.

The Rajiv Gandhi Thermal Power Plant (RGTPP), Khedar, Hisar of Haryana Power Generation Corporation Limited (HPGCL) with two units of 600 MW each was commissioned in 2010-11. State Load Despatch Centre (SLDC), which manages the supply of power in the State, directs the power generators of the State, including RGTPP, to generate and supply power or to shut down the plant on the basis of demand of power in the State on real time basis.

The Operational Manual provided by the Original Equipment Manufacturer (OEM), *i.e.* M/s Shanghai Electric Corporation, China stipulated to confirm that fuel system was good, oil pressure and its temperature were normal and oil guns[12] should be inspected to ensure their usage at any time before shutting down the plant. The manual further provides that during the process of load

[12] Instruments to inject oil in boilers to maintain the flame.

reduction (below 210 MW) when supply of coal is reduced, the oil guns should be casted into the furnace for its stable combustion. Meanwhile, the Company decided (December 2013) to minimise the application of oil gun during load reduction in order to reduce the variable cost.

On 1 July 2015, the SLDC conveyed 'no demand' to RGTPP and the plant authorities commenced the load reduction. During the process of shut down of Unit, there was an explosion in the furnace and was damaged. Due to the accident, the Unit remained shut down for 54 days. The preliminary fact finding committee[13] constituted to find out the reasons for damages brought out (July 2015) that when the load was reduced up to 190 MW and the furnace was in disturbed condition, the plant did not use the recommended oil support for stable combustion of fuel. Further, three coal mills continued to feed coal into the furnace whereas flame of one coal mill was extinguished which led to the partial combustion and accumulation of unburnt fuel leading to the explosion. These findings were corroborated (August 2015) by a Committee[14] of Experts. The Company incurred fixed cost of ` 3.16 crore for shut down period and an avoidable expenditure of ` 10.02 crore for making the Unit operational.

The Management had issued (December 2015) charge sheets to four officers/ officials for lapses in their duties but these were subsequently dropped (July 2016) on the basis of their responses which *inter-alia* stated that the manual procedures and superior instructions were followed whereas both the fact finding committee and the Committee of Experts concluded that manual procedure was not followed during shut down of the plant. HERC too disallowed (April 2017) this expenditure on the grounds that the required procedure was not followed and the incidence of fire was within the reasonable control of the Company and avoidable. Despite the conclusions of both Committees and HERC about the non-compliance with manual provisions/ procedures leading to avoidable expenditure of ` 13.18 crore, the Company did not fix responsibility for the lapse leading to additional financial burden.

The Government stated (May 2017) that earlier when the backing down of the Unit was not so frequent, oil guns were always being used for safe shutdown. However, due to excessive backing down of units, the focus was to reduce the cost of generation, therefore, instructions were issued to minimise the practice of taking oil guns into service. Further, oil guns are being taken in service while shutting down the Units to ensure furnace stability. Moreover, Standard Operating Procedures (SOPs)[15] are now being developed by M/s PWC Ltd. for strict compliance in future. The reply is not acceptable as the Company resorted to minimising the use of oil guns without any technical study and in violation

[13] Chief Engineer, Superintending Engineer, two Executive Engineers of HPGCL thermal power plants and two Ex- National Thermal Power Corporation Limited experts.

[14] Director, Central Electricity Authority, New Delhi, Superintending Engineer (Technical), HPGCL, two Assistant General Managers from National Thermal Power Corporation Limited.

[15] A set of step by step instructions compiled by an organization to help workers' carryout complex routine operations. SOPs aim to achieve efficiency, quality output and uniformity of performance, while reducing miscommunications and failure to comply with industry regulations.

of manualised procedure and only after the explosion, it started using it for furnace stability as per the manual. Further, since HERC has also held that it was a controllable and an avoidable incidence, responsibility for the same needs to be fixed for the negligence leading to avoidable financial burden of ` 13.18 crore.

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

3.6 Avoidable expenditure on purchase of short term non-solar renewable power

DISCOMs incurred avoidable expenditure of ` 127.23 crore on purchase of short term non-solar renewable power instead of purchasing Renewable Energy Certificates by the Haryana Power Purchase Centre.

Haryana Electricity Regulatory Commission (HERC) issued Renewable Purchase Obligation (RPO) Regulations, 2010 under Section 181 of the Electricity Act 2003 for distribution licensees to meet Renewable Purchase Obligations (RPO) by purchase of Renewable Energy and/ or Renewable Energy Certificates (RECs). Further, Ministry of Power, Government of India issued (May 2012) guidelines under Section 63 of the Electricity Act 2003, for short term procurement of power by Distribution Licensees through a tariff based competitive bidding process. The bids would be evaluated at the procurer's periphery after taking into account the applicable Point of Connection charges[16]. If any deviation from these guidelines is required, prior approval from Commission has to be sought.

Under Renewable Purchase Obligation (RPO) Regulations, 2010, HERC fixed year wise targets[17] for RPO in its tariff orders. The shortfall of previous years was carried forward to the succeeding year. Cumulative shortfall up to June 2015 was 2,391.40[18] MUs. During the period 2014-16, Haryana had surplus power of 1,903.40 MUs and hence had no need for additional power. For meeting RPO, Haryana Power Purchase Centre (HPPC)[19] had two options *viz.*, Option A was purchase of Renewable Energy Certificates (REC)[20] and Option B was short term purchase of renewable power.

However, HPPC exercised Option B and purchased (August 2014 to March 2016) 974.50 MUs of non-solar power from Himachal Pradesh State Electricity Board Limited (HPSEBL) through M/s Mittal Processors Pvt. Ltd. (firm) at a cost of ` 516.04 crore.

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[16] These are transmission charges computed on the basis of sharing of Inter-state Transmission charges and losses depending on the location of the node in the grid.
[17] 1,232.58 MUs (2013-14), 1,463.41 MUs (2014-15) and 1,635.59 MUs (2015-16).
[18] 527.77 MUs up to 2012-13, 860.71 MUs (2013-14), 813.48 MUs (2014-15) and 189.44 MUs (April to June 2015).
[19] HPPC is purchasing power on behalf of UHBVNL and DHBVNL.
[20] It is a market based instrument to promote renewable energy and facilitate compliance of Renewable Purchase Obligation.

A comparison of cost involved in both options is tabulated below:

Table 3.1: Statement showing difference between cost involved in exercising Options A & B

Period	Option A	Option B-purchase of non-solar renewable power					Difference (Option A-Option B)
	Purchase cost of REC	Units purchased	Net unit received[21]	Total expenditure[22]	Total amount realised	Net cost of option B	
1	2	3	4	5	6	7 = (5-6)	8 = (7-2)
	(` in crore)	(MUs)		(` in crore)			
August to September 2014	6.60	44.02	42.78	20.35	13.64	6.71	0.11
December 2014 to March 2015	29.66	197.73	189.12	104.16	46.62	57.54	27.88
June 2015 to March 2016	109.91	732.75	709.18	391.53	182.38	209.15	99.24
Total	**146.17**	**974.50**	**941.08**	**516.04**	**242.64**	**273.40**	**127.23**

Audit observed (September 2016) that HPPC could have availed option A *i.e.* purchasing RECs as it had no need of the power purchase thereby saving ` 127.23 crore. It was also noted that HPPC had not invited tenders for short term procurement of power from the non-solar renewable power suppliers/ producers as mandated in the MoP guidelines nor was prior approval sought from HERC for deviating from the laid down MoP guidelines.

Thus, the action of HPPC to opt for option B of purchasing non-solar renewable power was unnecessary and had resulted in avoidable expenditure of ` 127.23 crore which had subsequently to be borne by consumers.

The Government stated (August 2017) that the Steering Committee for Power Planning (SCPP) decided (August 2015) that instead of purchasing RECs, HPPC should explore means to purchase renewable power at reasonable rate. Further, the cost benefit analysis was made and effective rate of this power was only ` 3.20 per unit {` 4.70 (power purchase cost) - ` 1.50 (per unit REC cost)} which was less than allowed power purchase cost. The reply was not acceptable as the cost of power at Himachal periphery was taken for cost benefit analysis by SCPP instead of Haryana periphery which ranged between ` 4.88 to ` 5.60 per unit. The purchase of short term power was clearly avoidable and was undertaken in violation of MoP guidelines stipulating competitive bidding. The position of surplus power and sale of renewable power in the energy exchanges at cheaper rates was also not considered at the time of purchasing non-solar renewable power, causing avoidable expenditure of ` 127.23 crore.

[21] Units received after adjustment of injection losses of Himachal Pradesh and withdrawal losses of Haryana.

[22] Total expenditure includes amount paid to supplier plus transmission charges.

3.7 Loss of revenue due to non-implementation of single point supply metering

DISCOMs did not implement the single point supply metering at RGTPP, Hisar and DCRTPP, Yamunanagar as required by HERC and suffered loss of revenue of ` 26.46 lakh.

Haryana Electricity Regulatory Commission (HERC) issued (9 January 2013) notification for single point supply to residential colonies or office cum residential complexes of employers, group housing societies and commercial cum residential complexes of developers. The notification *inter-alia* provides that at existing employer's colonies, which had 20 or more residential units with restricted entry and had individual electricity connections, the Distribution Licensees *i.e.,* Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) and Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) were required to convert the supply to single point supply at 11 kV or higher voltage, depending upon the feasibility, within three months from the date of notification. The billing to these colonies was to be done on the basis of energy consumption recorded as per single point supply meter after allowing a rebate of 4 or 5 *per cent*[23].

Scrutiny of records of Rajiv Gandhi Thermal Power Plant (RGTPP), Khedar, Hisar and Deenbandhu Chhotu Ram Thermal Power Plant (DCRTPP), Yamunanagar of Haryana Power Generation Corporation Limited (HPGCL) residential colonies showed that DHBVNL and UHBVNL had not converted the electricity supply to single point supply residential as envisaged resulting in continuing revenue losses as depicted in table 3.2 below:

Table 3.2: Showing loss of revenue to DISCOMs

Year[24]	Units received	Unit to be billed (after rebate of 4 *per cent*)	Units actually billed	Units less billed	Tariff rate of Bulk Supply (Domestic) `/kWh[25]	Revenue loss (`)
A	**B**	**C**	**D**	**E (C-D)**	**F**	**G (E x F)**
A – RGTPP Khedar, Hisar						
2013-14	15,69,270	15,06,499	13,64,049	1,42,450	4.2	5,98,290
2014-15	15,68,850	15,06,096	13,85,856	1,20,240	4.2	5,05,008
2015-16	15,02,790	14,42,678	14,15,908	26,770	4.7	1,25,819
2016-17	14,77,740	14,18,630	13,03,216	1,15,414	4.7	5,42,446
Total A	**61,18,650**	**58,73,903**	**54,69,029**	**4,04,874**		**17,71,563**
B - DCRTPP Yamunanagar						
2013-14	4,16,198	3,99,550	3,29,359	70,191	4.2	2,94,803
2014-15	6,78,986	6,51,827	6,16,454	35,373	4.2	1,48,565
2015-16	7,60,522	7,30,101	6,90,049	40,052	4.7	1,88,245
2016-17	10,63,979	10,21,420	9,69,671	51,749	4.7	2,43,220
Total B	**29,19,685**	**28,02,898**	**26,05,533**	**1,97,365**		**8,74,833**
Grand total (A+B)	**90,38,335**	**86,76,801**	**80,74,562**	**6,02,239**		**26,46,396**

[23] 4 *per cent* in case of supply at 11 kV and 5 *per cent* in case of supply at more than 11 kV.

[24] Due date for implementation of HERC notification was 10 April 2013 but for calculation of loss the period has been taken from April 2013 as the segregation of consumption from 1 April to 9 April 2013 is not feasible.

[25] For calculation of loss, the Bulk supply (Domestic) tariff rate has been applied on conservative basis as rates of Bulk supply (Domestic) tariff were lower than non-domestic tariff.

Thus, due to non-implementation of single point supply at these colonies, the DISCOMs have been suffering line losses of approx. 6,700 units[26] per month on average basis and the required action for implementation of single point supply at *ibid* colonies have not been implemented (March 2017) even after lapse of more than four years of issue of HERC notification. Had the DISCOMs implemented the provisions of single point metering regulations within the stipulated period of three months, as prescribed by HERC, the loss of revenue of ` 26.46 lakh could have been avoided.

The DISCOMs stated (November 2016/ June 2017) that single point metering would be implemented at the earliest.

The matter was referred (May 2017) to the Government; their replies were awaited (November 2017).

3.8 Implementation of Meter Pillar Box Scheme

DISCOMs introduced the Meter Pillar Box Scheme without obtaining approval from HERC and initiated the scheme for the entire State without waiting for outcome of pilot project. A Firm has been benefitted by DHBVNL as 65 *per cent* of the total work orders awarded were issued to this one firm who ultimately executed only 19 *per cent* of the work orders. The scheme could not be implemented effectively as only 34 *per cent* of total material to be supplied was utilised in the project.

3.8.1 Introduction

In view of the increase in Aggregate Technical & Commercial (AT & C) losses from 24 *per cent* (2011-12) to 28 *per cent* (2012-13), the Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), the two power Distribution Companies (DISCOMs) in Haryana[27] introduced (April 2013) Meter Pillar Box Scheme (MPBS) in the State. The main objective of the scheme was reduction in AT&C losses and restricting the consumers from tapping energy directly to achieve increase in revenue generation. The scheme involved relocating of existing energy meters positioned inside consumers premises to outside their premises. Audit examined the records relating to MPBS to assess the effectiveness of its implementation. Under the Scheme, the DISCOMs issued 330 work orders (UHBVNL: 48 and DHBVNL: 282) in 16 Circle offices (UHBVNL: nine and DHBVNL: seven) amounting to ` 283.53 crore during April to November 2013 for implementation of MPBS. Of these, Audit examined 104 work orders (UHBVNL: 14 and DHBVNL: 90) in nine circle offices.

3.8.2 Audit findings

A) Assessment of offers for pilot project

i) UHBVNL after inviting tenders[28], awarded (11 April 2013) the work for

[26] 6,40,759 units (Total of units less billed)/ 96 months (total period taken by audit).
[27] UHBVNL and DHBVNL distribute electricity through nine operation circles each in north and south zone respectively of Haryana.
[28] NIT number 27/P&D/2013-14/B-326.

pilot project of MPBS in six villages of Daryapur feeder in OP Circle, Jhajjar to M/s Arun Enterprises, Ghaziabad (L_1) for ` 1.06 crore. Audit observed that the rates awarded were 23 *per cent* higher than the estimated rates of ` 0.86 crore. Audit noticed that the estimated cost of ` 0.86 crore itself was higher by 13 *per cent* as compared to the rates circulated by Planning, Design and Construction (PD&C) wing of UHBVNL.

UHBVNL stated (August 2017) that the estimates were prepared as per its laid down instructions by including overhead charges. The reply is not acceptable as PD&C wing circulated item-wise rates for the purpose of preparation of estimates which were inclusive of overhead charges *i.e.* all taxes, freight, insurance and profit of supplier *etc*. Thus, the estimates prepared were on higher side.

ii) The rates of pillar boxes of various sizes[29] supplied (March 2013) by M/s Arun Enterprises, Ghaziabad (L_1) to UHBVNL were higher than the rates of pillar boxes supplied (February 2013) by the same contractor to DHBVNL by 34 *per cent*.

iii) The procurement manual of DISCOMs stipulates that if L_1 rate obtained is more than 10 *per cent* of the estimated rate, the tender enquiry should be dropped and re-tendering be done. Here, for the pilot project, the L_1 rates accepted were 23 *per cent* higher than the estimated rates. UHBVNL stated that re-tendering was not done as the work was allotted after due negotiation with L_1 bidder. The management reply is not acceptable as despite negotiation, rates were on the higher side *vis-a-vis* estimated rates. Audit also observed that subsequently these inflated rates accepted, of pilot project, were made applicable to the entire State.

B) Implementation of the Scheme in the State

Board of Directors (BoDs) of DHBVNL approved (25 April 2013) the award of work under MPBS scheme at the same rates as of the pilot project of UHBVNL. UHBVNL too awarded the work at same rates as its own pilot project. However, it obtained (22 April 2013) a list of firms from Punjab State Power Corporation Limited (PSPCL) to whom contracts for MPBS were awarded in the Punjab State and decided (23 April 2013) that the work of MPBS be got executed from these firms for all its circle offices by capping the rates at which pilot project of UHBVNL was awarded. The estimated expenditure on this scheme covering 35 lakh consumers of DISCOMs was ` 903 crore[30]. DISCOMs placed work orders for ` 282.47 crore (UHBVNL: ` 20.98 crore on three firms[31] and DHBVNL: ` 261.49 crore on five firms[32]) on turnkey basis between April to November 2013.

Audit observed:

i) As per Delegation of Powers, the turnkey works of value more than

[29] 20 x 1 MMPB, 6 x 1 MMPB and 4 x 1 MMPB.

[30] At ` 2,580 per consumer.

[31] M/s Arun Enterprises, Ghaziabad, M/s Jay Bee Industries, Bhatinda and M/s JR Transformers, Bhatinda.

[32] M/s Ishwar Metals Industries, Jaipur, M/s Aggarwal Traders, Bhiwani, M/s JR Transformers, Bhatinda, M/s Saini Electricals, Palwal and M/s Arun Enterprises, Ghaziabad.

` 50 crore are to be awarded with the approval of High Powered Purchase Committee (Government). However, DISCOMs carried out the works of ` 282.47 crore through its circle offices and at rates 23 *per cent* above the estimated cost.

ii) The decision to carry out the works of MPBS in the entire State and to make applicable the rates at which pilot project was got executed, was taken within 12-14 days from the award (11 April 2013) of pilot project without even waiting for the outcome of the pilot project, which was scheduled for completion within 4 months *i.e.* August 2013.

iii) DISCOMs introduced (April 2013) the Meter Pillar Box scheme, with capital investment of ` 282.47 crore, without obtaining the approval of HERC. Further, DISCOMs did not include (March 2015) the Capital Expenditure of ` 87.46 crore (UHBVNL: ` 2.81 crore and DHBVNL: ` 84.65 crore) incurred on scheme while filing their Annual Performance Review petition for financial year 2015-16 (including true up of ARR for 2013-14).

iv) For execution of turnkey projects through empanelled firms, the PD&C wing of DHBVNL had directed (September 2012) field offices that in order to avoid any favour to any particular contractor, the work should be distributed uniformly to all the empanelled firms. DHBVNL issued 282 work orders to five contractors[33]. Following points were noticed in this regard:

- Out of total 282 work orders valuing ` 261.49 crore, 184 work orders valuing ` 179 crore were awarded by DHBVNL to one contractor M/s Ishwar Metal Industries, Jaipur (Firm A) only.
- Out of these 184 work orders, 86 work orders valuing ` 123 crore were awarded during September to October 2013, even though Firm A was unable to complete 98 work orders issued earlier during April to June 2013.
- Of the 86 work orders issued subsequently, in respect of 38 work orders SE (OP) Faridabad enhanced the quantity of the materials from ` 38.77 crore to ` 71.86 crore without giving any justification.
- Firm A could erect (up to March 2017) material of ` 34.12 crore only, against work orders valuing ` 179 crore.

Thus, 65 *per cent* of the total work orders awarded were issued to a single firm, Firm A, which could complete only 19 *per cent*[34] of the work.

v) Superintending Engineers (OP) were competent to execute the work of MPBS through empanelled contractors up to financial limit of ` five crore[35] in each case. However, Superintending Engineers (SEs) of DHBVNL issued (April to November 2013) work orders valuing ` 241 crore[36] in five circle offices exceeding their financial competence of ` five crore.

C) Incomplete execution of scheme

Company wise details of materials supplied, erected and lying unutilised as on

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[33] M/s Ishwar Metals Industries, Jaipur, M/s Aggarwal Traders, Bhiwani, M/s JR Transformers, Bhatinda, M/s Saini Electricals, Palwal, and M/s Arun Enterprises, Ghaziabad.

[34] ` 34.12 crore/ ` 179 crore x 100.

[35] Initially the limit was ` two crore which was increased up to ` five crore for this scheme only.

[36] Bhiwani: ` 57 crore, Faridabad: ` 123 crore, Hisar: ` 15 crore, Narnaul: ` 35 crore and Jind: ` 11 crore.

March 2017 is given below:

Table 3.3: Value of material unutilised

(` in crore)

Name of the Company	Total Value of work order including supply & erection	Value of material to be supplied	Value of material supplied	Value of material erected	Value of material unutilised[37]
1	2	3	4	5	6
DHBVNL	261.49	199.86	131.20	68.80	58.35
UHBVNL	20.98	15.33	6.44	3.75	2.69
Total	**282.47**	**215.19**	**137.64**	**72.55**	**61.04**

Source: Data provided by DISCOMs

Above table revealed that 34 *per cent* and 24 *per cent* of the total material to be supplied was erected in DHBVNL and UHBVNL respectively and the DISCOMs failed to execute the project in its entirety.

D) Inventory management

Contractors supplied only ` 131.20 crore and ` 6.44 crore of material against ` 199.86 crore and ` 15.33 crore of material to be supplied in respect of DHBVNL & UHBVNL respectively. Even this short supply was not fully used in erection works. As a result DISCOMs were burdened with huge inventory. Audit observed that the DISCOMs did not use the unutilised material of MPBS in subsequently introduced (July 2015) Mhara Gaon Jagmag Gaon (MGJG) scheme, despite specific directions (February 2017) of the State Government. Due to non-utilisation of this material, the DISCOMs had to bear avoidable interest of ` 21.97crore[38] (March 2017) on inventory of ` 61.04 crore procured for implementation of MPBS.

UHBVNL stated that the unutilised material is lying with the firms and the leftover material cannot be used for other scheme *i.e.* MGJG and loss reduction programme. The reply is not acceptable as the State Government had specifically directed to use the material under MGJG scheme in order to avoid it becoming scrap.

Conclusion

Without waiting for the outcome of the execution of the pilot project of the Meter Pillar Box scheme, DISCOMs extended this project to the entire State. In DHBVNL, one single firm *i.e.* M/s Ishwar Metal Industries, Jaipur was benefitted by award of as much as 65 *per cent* of the total work orders who ultimately could execute only 19 *per cent* of the work orders. Implementation of the scheme was poor as only 34 *per cent* of total material to be supplied by contractors was utilised in the project. The DISCOMs did not utilise the material remaining in inventory in its subsequent MGJG scheme and are bearing interest burden.

37 The difference between column 4 and total of column no. 5 & 6 crore is subject to reconciliation by DISCOMs.

38 Calculated @ 12 *per cent* on ` 61.04 crore for three years (April 2014 to March 2017).

The matter was referred to the Government and DHBVNL in May 2017; their replies were awaited (November 2017).

Dakshin Haryana Bijli Vitran Nigam Limited

3.9 Extra expenditure due to payment at higher rate

The Company incurred extra expenditure of ` 2.12 crore due to payment to contractor at the existing higher rates instead of rates finalised in the new NIT.

Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) awarded (January 2012) the work of collection and analysis of meter data[39] on monthly basis through Common Meter Reading Instrument (CMRI) of the consumers having High Tension (HT) and Low Tension (LT) Current Transformer (CT) meters to M/s Signals & Systems (India) Pvt. Ltd. Chennai (contractor) @ ` 239.91 per connection per month. The period of the contract was for two years up to January 2014. The same was extended for one year up to January 2015. The Company floated (September 2014) a Notice Inviting Tender (NIT) for the aforesaid work, to discover fresh rates, but was dropped due to inadequate response. Another new NIT for the work was floated in May 2015 whose price bid was opened in October 2015. Meanwhile, the existing work order was extended by Whole Time Directors (WTDs) from time to time[40] up to March 2016 with the condition that the payment in this extended period would be adjusted with the L_1 rates finalised of NIT under process (September 2014/May 2015), in case the new rates finalised are lower than the existing work order rates.

Audit observed that at every stage of contract extension, Circle Office, Metering & Protection (M&P), Gurugram, DHBVNL issued letters (January, April, August, November 2015 and January 2016) to the contractor for extension of work order with the condition that the rates would be paid as finalised in NIT under process or the existing (January 2012) work order rates, whichever is lower. However, the contractor protested (May, September, December 2015 and February 2016) and intimated Circle Office (M&P), Gurugram that the condition of payment at lower rates as per NIT under process than existing rates was not acceptable and requested to consider the rates of existing work order awarded in 2012. Despite non-acceptance by the contractor to work at lower rates as per WTDs orders, the Circle Office continued the work order with existing contractor at existing rates. The Circle Office in its follow up report (August and November 2015) to the WTDs did not apprise the factual position of non-acceptance of the contractor to work at lower rates[41] as decided by WTDs. After finalisation of NIT floated in May 2015, the work was awarded (11 February 2016) to the existing contractor and another contractor *i.e.* M/s BCITS, Jaipur @ ` 174 per connection which was lower than the existing rates

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[39] Tamper data and load survey.

[40] Extension period: February to March 2015, April to June 2015, July to October 2015, November to December 2015 and January 2016 to March 2016 approved on 14 January, 8 April, 7 August, 6 November 2015 and 18 January 2016 respectively.

[41] Existing work order rates of January 2012 or rates finalised in the NIT under process, whichever is lower.

by ` 65.91 per connection (` 239.91 - ` 174). The new work orders were awarded on 22 July 2016 after completion of procedural formalities. The field offices of DHBVNL released (February 2015 to September 2016) payment of ` 7.23 crore[42] to M/s Signals & Systems (India) Pvt. Ltd. Chennai for work executed during February 2015 to March 2016 on old rates (January 2012 rates) but did not adjust excess payment of ` 2.12 crore already (before opening of price bid in October 2015 - ` 1.34 crore and after opening - ` 0.78 crore) made at existing higher rates of January 2012 from the subsequent bills of the contractor.

This non-compliance with WTDs orders of adjusting payments with reference to the L_1 rates of NIT finalised in February 2016 has resulted in excess payment of ` 2.12 crore to contractor during February 2015 to March 2016. The Company has not fixed accountability for non-compliance with directions.

The Management stated (May 2017) that the recovery of excess payment made to M/s Signals & Systems (India) Pvt. Ltd. Chennai will be effected after re-verification of calculations of excess payment.

The matter was referred (May 2017) to the Government; their replies were awaited (November 2017).

3.10 Irregular reimbursement

The Company made irregular reimbursement of ` 1.41 crore towards payment of Central Sales Tax to a contractor without obtaining documentary evidence.

Central Sales Tax (CST) is levied on interstate sales under CST Act 1956. Section 6(2) of the Act provides that if during movement of goods in the course of interstate sale, the goods are sold in-transit by transfer of documents of title of such goods to the Government or to a registered dealer, the in-transit sale would be exempt from CST.

Dakshin Haryana Bijli Vitran Nigam Limited (Company) issued (3 July 2013) a work order (WO) for supply of material for installation of high tension lines for high voltage distribution system and system strengthening for non-HUDA areas of Gurugram City to M/s Shyam Indus Power Solutions Pvt. Limited, New Delhi (contractor) at a cost of ` 110 crore plus taxes[43] of ` 8.27 crore. As per clause 5 of the WO, taxes in respect of transactions between the Company and the contractor, on all items of supply including bought-out finished items, which were to be dispatched directly from the sub-vendor's work to the Company's site, was to be paid after receipt of each shipment at site against documentary evidence.

Audit observed that the contractor raised (October 2013 to January 2016) invoices towards exempted sale under the aforesaid provision of the CST Act amounting to ` 70.59 crore. No tax had been paid as per returns filed by the contractor against such supply. However, the contractor raised a separate bill for reimbursement of CST amount of ` 1.41 crore in February 2016 without

[42] ` 4.64 crore during February to October 2015 and ` 2.59 crore during October 2015 to March 2016.

[43] Central Sales Tax, Value Added Tax *etc*.

submitting any supporting documentary evidence of tax payment. The Company also did not seek any documentary evidence of payment of CST paid from the contractor before allowing the reimbursement of tax in May 2016.

Government stated (August 2017) that the contractor had raised the claim of taxes which had been paid on purchases made by contractor. The reply was not tenable as taxes paid by the contractor on his purchases were not liable to be paid by Company as the sale price was including all incidental expenses and profit element. As per aforesaid provision of Act no tax was payable under transit supply, hence the tax reimbursement of ` 1.41 crore to the contractor was irregular.

Uttar Haryana Bijli Vitran Nigam Limited

3.11 Short recovery from consumers while replacing stolen transformers

The Company issued sales circulars which were non-compliant of Electricity Supply Code Regulations, 2014, resulting in short recovery of ` 10.04 crore.

Haryana Electricity Regulatory Commission (HERC) notification of 8 January 2014 on Electricity Supply Code Regulations, 2014 *inter-alia* provided that in case of Low Tension connections (other than domestic supply connections), where the transformer has been installed by the consumer exclusively for his supply, the transformer would be replaced, for any reason including theft, by recovering 50 *per cent* of the cost from the consumer. Accordingly, Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) circulated (1 April 2014) the Electricity Supply Code Regulations, 2014 to its field offices for compliance. Prior to aforesaid regulations of 2014, UHBVNL had been recovering 20 *per cent* of the cost of transformers, installed under self financing scheme from consumers.

Audit observed that UHBVNL forwarded (1 April 2014) the *ibid* regulations to its field offices for compliance. It issued (3 April 2014) instructions to its field offices to replace the stolen transformer after recovering 20 *per cent* of the cost from the consumer which was in contravention of Electricity Supply Code Regulations, 2014. Accordingly, field offices continued to recover 20 *per cent* cost of stolen transformers from the consumers till July 2015. Thereafter, UHBVNL instructed[44] (31 August 2015) its field offices to recover 50 *per cent* cost of transformer only if the transformer was under warranty and 20 *per cent* of cost for transformer which was beyond warranty. UHBVNL replaced (May 2014 to May 2017) 5,348 transformers in five circles[45] due to theft after receiving 20 *per cent* where it should have recovered 50 *per cent* of the cost as per the Electricity Supply Code Regulations 2014, resulting in short recovery of ` 10.04 crore from the consumers. Thus, due to non-adherence to the notified regulations, the Company has lost the opportunity to recover the loss of stolen transformers to the extent of ` 10.04 crore.

[44] Vide sales instructions no. U-08/2015.
[45] Karnal, Kurukshetra, Kaithal, Panipat and Yamunanagar.

Management stated (April 2017) that Government decided in April 2013 to recover 20 *per cent* of cost of transformer in case of theft for replacement of stolen transformers. Management added that it has subsequently clarified (31 August 2015) charging the amount as per Supply Code and directed (18 April 2017) Superintending Engineers[46] to recover the balance amount from consumers. The reply is not tenable as instructions of 3 April 2014 and 31 August 2015 were in contravention of the Electricity Supply Code Regulations, 2014 under which UHBVNL was required to recover 50 *per cent* of the cost of stolen transformers. Moreover, since the Government decision was of April 2013 and Electricity Supply Code Regulations, 2014 was effective from the date of publication in the official Gazette *i.e.* since 8 January 2014, UHBVNL should have followed these regulations.

Thus, issue of circulars in contravention of Electricity Supply Code Regulations, 2014, resulted in short recovery of ` 10.04 crore.

The matter was referred to the Government in June 2017; their replies were awaited (November 2017).

3.12 Non-compliance with provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952

Failure to discharge principal employer's statutory responsibility of ensuring compliance with provisions of Employees Provident Fund Act, 1952 resulted in Company being burdened with liability of ` 34.45 lakh.

The Employees' Provident Funds and Miscellaneous Provisions (EPF) Act, 1952 as applicable to all establishments employing 20 or more employees *inter-alia* provides that in respect of employees employed through a contractor, the contractor shall recover the contribution payable by such employee and shall pay to the principal employer the amount of employee's contribution so deducted together with an equal amount of employer's contribution. It shall be the responsibility of the principal employer to pay both the contributions to Employees' Provident Fund Organization (EPFO).

Uttar Haryana Bijli Vitran Nigam Limited engages staff on contractual basis through contractors at various offices of the Company. The terms and conditions of the work orders provided that all formalities *i.e.* insurance of labour, payment of EPF, maintaining records of payment to labour or any other statutory requirement of State and Central Acts shall be fulfilled by the contractor without any liability of the Company.

Audit observed (July 2016) that M/s Haryana Co-operative L&C Society Ltd. Yamunanagar (contractor) submitted monthly bills to Company containing the name of the worker engaged, period of work, leave period and wages paid, but the details of EPF account number of employee and deduction of EPF contribution of employee's share were not provided. The Company made the payment of bills submitted by contactor including the employee contribution share of ` 34.45 lakh for supplying manpower without obtaining the details of EPF account numbers of the employees, EPF dues against each employee and

[46] Panipat, Kurukshetra and Kaithal.

copy of challans as evidence for deposit of EPF contribution by the contractor with the EPFO.

EPFO issued (January 2012) a notice to the Company for ensuring compliance with the provisions of Act *ibid*. However, the Company was unable to produce any documentary evidence regarding payment of EPF dues. Finally, EPFO issued assessment order (11 April 2016) for recovery of ` 73.53 lakh (employer share - ` 39.08 lakh and employee share - ` 34.45 lakh) from the Company as EPF dues for the period April 2010 to December 2013. EPFO recovered (June 2016) ` 73.53 lakh (employee and employer share) from the Company including the employee contribution share of ` 34.45 lakh which has been already paid by the Company to the contractor. No documentary evidence was found regarding efforts made by the Company to recover the employee share of ` 34.45 lakh from the contractor despite the fact that contractor was traceable as the Company was aware of his address. FIR had also not been lodged against the contractor. Further, nothing on record was found that the Company flagged the issue of effecting recovery from the contractor with the bank authorities although his bank account was operative (July 2017). This indicates negligence on the part of the Management which led to the avoidable liability of ` 34.45 lakh.

The Government stated (August 2017) that as per terms and conditions of the work order, the contractor was liable for all the formalities *i.e.* insurance of labour, payment of EPF and any other statutory requirements of the State/ Central Government and there was no liability of the Company on this account. The reply is not acceptable as it was the statutory responsibility of the Company, being principal employer to remit EPF dues as per EPF Act. In any case the Company should have atleast carried out the basic minimum monitoring requirements of proper verification *viz.* details of EPF account numbers of the employees and copy of challans as evidence of deposit of EPF contribution by the contractor before making payment to the contractor for supplying manpower.

Haryana Vidyut Prasaran Nigam Limited

3.13 Avoidable payment of guarantee fee and interest

Injudicious decision of availment of fresh Cash Credit limit and delayed repayment of Medium Term Loan resulted in avoidable payment of guarantee fee and interest of ` 4.44 crore.

Haryana Vidyut Prasaran Nigam Limited (HVPNL) had Cash Credit (CC) limits[47] of ` 482 crore sanctioned from banks bearing interest rates ranging from 9.80 to 10.65 *per cent*, for meeting its working capital requirements, during 2015-16. To meet additional requirement of working capital, the Company got sanctioned (August 2015) a Medium Term Loan (MTL) of ` 100 crore at 12 *per cent* rate of interest from Rural Electrification Corporation (REC) for a period of 36 months (repayable in 18 equal monthly instalments along with interest after a moratorium period of 18 months from the date of first

[47] Andhra Bank, State Bank of India, State Bank of Patiala, Dena Bank and Canara Bank.

disbursement). The Company availed the entire MTL up to March 2016[48]. Thereafter, for improving its liquidity, the Company got sanctioned (February 2016) a fresh CC limit of ` 150 crore from State Bank of India (SBI) for one year from 9 February 2016 to 8 February 2017 for which guarantee fee of ` three crore was paid[49] to the State Government. HVPNL repaid (April 2017) the entire MTL before the scheduled date (October 2018).

Audit observed that the month-wise maximum utilisation of CC limits by HVPNL during 2015-16 and 2016-17 ranged between ` 296.22 crore to ` 474.40 crore and ` 164.62 crore to ` 353.30 crore only, which was within the original CC limits of ` 482 crore. Further, the fresh CC limits of ` 150 crore was not utilised except ` 19 crore in April 2016 though an amount of ` 184 crore was available in that month from the original CC limits of ` 482 crore. As such, the Company need not have obtained fresh CC limit of ` 150 crore for which it paid ` three crore as guarantee fee also. The Company could have prudently repaid the MTL of ` 100 crore out of unutilised CC limits bearing interest rate 10.65 *per cent* in February 2016[50] itself instead of in April 2017 and avoided extra interest of ` 1.44 crore paid on MTL which was availed at 12 *per cent* rate of interest.

Thus, inadequate analysis and computation of total financing cost of fresh CC limit led to an injudicious decision of availing fresh CC limit. In this it paid guarantee fee of ` three crore and delayed repayment of MTL led to avoidable interest of ` 1.44 crore.

Management stated (October 2017) that the distribution companies were struggling for their survival and it was a challenge for HVPNL to survive due to danger of severe defaults in payments by DISCOMs in pre UDAY era and CC limits were kept free intentionally. The reply is not tenable because as per prevalent practice HVPNL recovers the entire transmission charges due from DISCOMs out of RE subsidy released by the State Government. Thus, the fact remains that injudicious decision of availing fresh CC limit and delayed repayment of MTL led to avoidable payment of ` 4.44 crore.

The matter was referred (June 2017) to the Government; their replies were awaited (November 2017).

Haryana Agro Industries Corporation Limited and Haryana State Warehousing Corporation

3.14 Avoidable payment of interest due to delay in raising bills for differential claims

HAIC and HSWC raised bills for differential claims of wheat and custom milled rice on Food Corporation of India with a delay ranging between eight to 333 days which resulted in avoidable payment of interest of ` 2.66 crore.

Haryana Agro Industries Corporation Limited (HAIC) and Haryana State

48 First disbursement – ` 25 crore (October 2015), Second disbursement – ` 50 crore (December 2015) and Third disbursement – ` 25 crore (March 2016).

49 Deducted by State Government from the Rural Electrification subsidy.

50 The unutilised CC limit out of ` 482 crore was never less than ` 128.70 crore between January 2016 and April 2017.

Warehousing Corporation (HSWC) procure foodgrains on behalf of various States and Central Government agencies. The foodgrains procured for central pool are delivered to Food Corporation of India (FCI) and costs incurred by HAIC and HSWC on procurement activities are reimbursed by FCI, initially based on the provisional rates fixed by Government of India (GoI). Subsequently, on fixation of final rates by GoI, HAIC and HSWC (PSUs[51]) direct their field offices to raise claims for the differential amount *i.e.* the difference between provisional and final rates on FCI. Both PSUs avail the facility of cash credit and short term loans from commercial banks for their business activities and as such it is in their financial interest to recover the due amount at the earliest.

GoI finalised the rates of wheat for the period 2009-10 to 2012-13 during January to June 2016 and of Custom Milled Rice (CMR) for the period 2009-10 to 2011-12 during March to June 2015 which were communicated by above PSUs to their field offices.

The HAIC intimated the final rates of wheat and CMR to its field offices with delays of seven to 14 days. Further, the field offices took eight to 324 days and 30 to 333 days for raising their bills of differential claims[52] of wheat amounting to ` 40.51 crore and of CMR amounting to ` 12.76 crore respectively. As such, the bills amounting to ` 53.27 crore (Wheat – ` 40.51 crore plus CMR – ` 12.76 crore) for the period 2009-10 to 2012-13 were raised on FCI with a total delay ranging between eight to 333 days after allowing a margin of 15 days from the dates of receipt of final rates by HAIC as detailed below:

Table 3.4: Showing loss to HAIC due to delay in raising bills

Delay in number of days	No. of Cases	Amount involved (` in crore)	Loss of interest[53] (` in crore)
Wheat			
9 to 25 days	2	9.62	0.03
26 to 50 days	4	9.56	0.09
51 to 100 days	5	5.48	0.10
101 and above	15	15.85	0.80
Total	**26**	**40.51**	**1.02**
CMR			
26 to 50 days	2	0.54	0.01
51 to 100 days	1	0.13	0.01
101 and above	21	12.09	0.73
Total	**24**	**12.76**	**0.75**
Grand Total	**50**	**53.27**	**1.77**

It was observed that District Manager(s) of Kaithal and Karnal raised bills of differential claims of wheat with delay of 190 to 324 days and 141 to 221 days respectively whereas for CMR, District Manager(s) of Kurukshetra and Yamunanagar raised bills of differential claims with delay of 250 to 327 days and 256 to 333 days respectively.

Similarly, HSWC intimated the final rates of wheat of the years 2010-11 and

[51] Public Sector Undertakings.
[52] Wheat: 2009-10 to 2012-13, CMR: 2009-10 to 2011-12.
[53] Calculated at lowest rate of CCL/ STL *i.e.* 9.05 *per cent* per annum.

2011-12 to its field offices with a delay of 26 days each[54].The field offices took further four to 112 days for raising the bills of differential claims for the period 2009-10 to 2011-12. As such, the bills amounting to ` 74.38 crore for the period 2009-10 to 2011-12 were raised on FCI with a total delay ranging between nine to 118 days after allowing a margin of 15 days from the dates of receipt of final rates by HSWC as detailed below:

Table 3.5: Showing loss to HSWC due to delay in raising bills

Delay in number of days	No. of Cases	Amount involved (` in crore)	Loss of interest[55] (` in crore)
9 to 25 days	10	18.49	0.06
26 to 50 days	14	36.54	0.35
51 to 100 days	3	10.89	0.23
101 and above	2	8.46	0.25
Total	**29**	**74.38**	**0.89**

It was observed that District Manager(s) of Palwal, Rohtak, Panipat and Sirsa raised bills of differential amount with delay of 9 to 118 days[56].

Audit observed (January 2017) that lack of monitoring by HAIC and HSWC in intimation of final rates to their field offices and raising of the bills for differential claims by field offices, resulted in avoidable payment of interest of ` 2.66 crore on short term loans availed for their operational activities.

HAIC assured (February 2017) that the action would be taken against the officials for delay in raising claims. In respect of HSWC the Government stated (November 2017) that there was delay in submission of supplementary claims and it will be ensured that such type of delay be avoided in future.

The matter was referred (May 2017) to the Government; their replies were awaited (November 2017).

Haryana Agro Industries Corporation Limited

3.15 Follow up audit on Performance Audit on "Working of Haryana Agro Industries Corporation Limited"

Out of nine recommendations of the Committee on Public Undertakings, one recommendation has been fully implemented; partial progress was made in two cases and in six cases, the Company made no progress.

3.15.1 Introduction

A Performance Audit (PA) on working of Haryana Agro Industries Corporation Limited (Company) was featured in the Audit Report no. 4 (Commercial) of

[54] The final rates of 2009-10 were communicated by HSWC to its field offices without any delay.

[55] Calculated at average rate of short term loan *i.e.* 9 *per cent* per annum.

[56] Palwal-39 to 118 days, Rohtak- 9 to 84 days, Panipat- 17 to 42 days and Sirsa- 9 to 41 days.

CAG of India – Government of Haryana for the year ended 31 March 2010. The Audit Report was presented in the State Legislature on 4 March 2011. The performance audit contained 35 audit observations and six recommendations. The highlights of the performance audit are mentioned in succeeding tables.

The audit observations and recommendations were discussed by the Committee on Public Undertakings (COPU) of the Vidhan Sabha in its 59th report on 20 November 2012 which was laid in the State Legislature on 11 March 2013. The Report highlighted issues relating to deficiencies noticed in submission of claims to Food Corporation of India (FCI), non- reconciliation of accounts of gunny bales with Director General Supplies and Disposal (DGS&D) Kolkata, performance of manufacturing plants, loss due to non-adherence to delivery schedule, improper pursuance and defective documentation for claims, losses due to improper storage, misappropriation of paddy by millers and recoverable amount from FCI. The COPU made nine recommendations.

A follow up audit of the recommendations of this performance audit was conducted to ascertain the action taken by the Company towards implementation of the recommendations and remedying the concerns highlighted in the PA during the period 2011-17. The status of action taken by the Company on these observations and recommendations as discussed in COPU Report (November 2012) are brought out in the succeeding paragraphs.

3.15.2 Implementation of audit recommendations

The status of implementation of nine recommendations (including two on which recommendations of both COPU and of CAG were there) has been arranged in three categories *viz.* (A) insignificant/ no progress, (B) partial implementation and (C) full implementation as below:

(A) Insignificant/ no progress

Gist of Audit findings made in earlier Report	Recomme-ndation made by audit	Recommendation made by COPU	Findings in Follow up audit and current status	Audit comments
1. The Company received 7,280 gunny bales from DGS&D, Kolkata against the indent of 14,950 bales. On reconciliation among the procuring agencies, it was found that Haryana State Warehousing Corporation (HSWC) and Haryana State Co-operative Supply and Marketing Federation Limited (HAFED) had received 5,978 and 1,692 excess gunny bales respectively during Rabi 2009. While HSWC	-	The Committee asked (November 2012) the departmental representatives as to who is responsible in this case and recommended that efforts be made to settle the issue with Food & Supplies Department (FSD), Haryana and inform the Committee.	The Company has not fixed responsibility for the lapse so far. The Company took up the matter with Food & Supply Department, FSD (being nodal agency) and HAFED, after start of follow up audit only in March 2017 i.e. after lapse of almost seven years. The last correspondence was made in August 2010.	The Company did not follow up for recovery of outstanding amount with FSD and HAFED despite COPU‘s recommendation of March 2013 and the amount is still recoverable.

Gist of Audit findings made in earlier Report	Recomme-ndation made by audit	Recommendation made by COPU	Findings in Follow up audit and current status	Audit comments
released payment of 5,978 gunny bales in March 2010 at current prices, payments for 1,387 gunny bales valuing of ` 1.83 crore from HAFED were pending (June 2010) thereby causing blockage of funds of ` 1.83 crore besides incurring the interest loss of ` 19.24 lakh from May 2009 to June 2010. **(Para 2.1.13 of Report 2009-10)**				
2. The District Manager, Sirsa did not adhere to the prescribed schedule and delivered wheat stock of 5,349.45 MT to FCI after cutoff date. Consequently, FCI disallowed (March 2010) carryover charges of ` 70.35 lakh **(Para 2.1.24 of Report 2009-10)**	-	The Committee directed that a detailed reply be sent for its information after departmental action is completed.	In the quarterly progress report for the quarter ending June 2015 submitted to COPU, the Company stated that the matter is under consideration. FCI had declined (January 2013) to make payment of outstanding carry over charges. Thereafter the Company did not pursue with FCI the matter for release of said amount. The Departmental action had not been completed and action to issue charge sheets against officers/ officials was in progress (April 2017).	Audit observed that the Company was not addressing the issue in a systematic manner as similar irregularity was also pointed out at para no. 3.13 of Audit Report on PSUs (Social, General and Economic Sectors) for the year ended 31 March 2016 wherein deduction of carryover charges of ` 2.29 crore by FCI due to non-adherence to delivery schedule was highlighted.
3. Company's failure to ensure complete documentation and improper pursuance for the claims had resulted in blockage of claim amounting to ` 8.76 crore including	The Company should raise the differential claims timely and accurately.	The Committee recommended that the department should ensure that the payment be released at the earliest possible time and directed that the action taken by the department in this	In the quarterly progress report for the quarter ending June 2015 submitted to COPU, the Company stated that the Company has been following up the matter with FCI	This indicates that the Company had not made concrete efforts to recover the amount as no correspondence was made with FCI after July 2016 when the bills of differential claims

Gist of Audit findings made in earlier Report	Recomme-ndation made by audit	Recommendation made by COPU	Findings in Follow up audit and current status	Audit comments
` 0.84 crore on account of bills for differential claims of wheat (March 2010) with corresponding loss of interest of ` 2.17 crore on avoidable cash credits for the period from July 2007 to March 2010. **(Para 2.1.25 of Report 2009-10)**		regard be intimated to it.	for release of payment. FCI vide its communication dated 15 July 2016 returned the bills of differential claims with the remarks that Annexures with the bills are incomplete and asked the Company to depute its representative to reconcile the figures of year wise damage of wheat. However, no further efforts were made by the Company either to reconcile or to recover the amount so far (February 2017).	were returned by FCI.
4. The Company had suffered a loss of ` 25.18 crore on account of damage of wheat pertaining to crop years 2002-03 to 2004-05 at Sirsa and Palwal. FIRs were lodged (June/ September 2008) and recovery suits for ` 25.55 crore with interest were filed (March/ April 2009) against 14 officers/ officials. **(Para 2.1.26 of Report 2009-10).**	-	The Committee observed that it is a serious matter which involved a loss of ` 25.55 crore due to failure in keeping the stocks in safe and healthy condition and recommended that the department should take action for recovery of amount from the erring officials under intimation to the Committee.	The Company had taken action against 15 employees by lodging FIRs/ issuing charge sheets. Out of these 15, Recovery Suits are pending in respect of 13 employees in various courts and retirement dues of one employee had not been released (May 2017). No recovery has been affected from the employees so far (May 2017).	Decision in the cases is pending in courts. Similar irregularity was highlighted at para no. 3.12 of Audit Report on PSUs (Social, General and Economic Sectors) for the year ended 31 March 2015. In this instance, the Company suffered avoidable loss of ` 7.89 crore due to unscientific and improper preservation of 5,974.85 MT wheat stock at Karnal and Kurukshetra for the crop years 2011-13.
5. The Company failed to comply with the guidelines of the Government and extended undue favour to the Miller (M/s Jai Bajrang Rice Mills, Jind) which facilitated misappropriation	The Company should strictly impose milling agreements with millers for custom milling of	During the oral examination of the departmental representatives, the Committee observed that G.M. (Finance) was not fully prepared to give answers to the queries raised by the Committee;	In the quarterly progress report for the quarter ending June 2015 submitted to COPU, the Company stated that it had sent the information to the Committee.	Further progress in this case is awaited.

Gist of Audit findings made in earlier Report	Recomme-ndation made by audit	Recommendation made by COPU	Findings in Follow up audit and current status	Audit comments
of rice (1,379.05 MT) valuing ` 1.92 crore. After adjusting the amount against the dues payable to Miller (` 85.91 lakh) and sale of rice (864 MT valuing ` 63.29 lakh) seized from Miller's premises, the Company suffered loss of ` 69.81 lakh. **(Para 2.1.28 of Report 2009-10)**	paddy so as to safeguard against losses.	therefore, the Committee asked that in future the concerned officers called by the Committee for oral examination should come well prepared before the Committee. The then G.M. finance assured to furnish complete information asked by the Committee within seven days.	The Company had appointed (December 2010), arbitrator which gave decision (August 2013) in favour of the Company for recovery of outstanding amount along with interest and filed (February 2014) execution petition in Sessions Court Jind and the case is still pending (March 2017).	
6. The Miller (M/s Devi Dayal Sachin Kumar, Shahbad) was allocated 3,010.40 MT paddy and against this it was required to manufacture 2,016.97 MT rice. The miller delivered 1,511.36 MT of rice up to July 2009 and failed to deliver remaining quantity of rice (505.61 MT) to FCI. The Company's loss on this account worked out to ` 96.85 lakh (including interest of ` 14 lakh) after adjustment of dues (` 15 lakh) payable to the Miller and recoveries (` 25 lakh) already affected. The Company neither encashed two cheques valuing ` 50 lakh within validity period nor got the same revalidated before their expiry. In this case also, the Company failed to comply with the State Government guidelines	The Company should strictly impose milling agreements with millers for custom milling of paddy so as to safeguard against losses.	The Committee recommends that the due amount be recovered at the earliest possible from the firm and also recommends that this type of omission should not be repeated in future.	The Company recovered (January to October 2010) ` 79 lakh (` 29 lakh; cost of rice and ` 50 lakh; interest) from the miller. However ` 50.91 lakh (` 8.09 lakh; interest ` 42.82 lakh; holding charges.) were recoverable as of November 2012. The Company appointed (June 2015) Arbitrator in this case. The award was pronounced in September 2016. The Company could not provide documentary evidence in support of its claim and the award was given against the Company. The Company had filed objection petition against award of arbitrator. Further progress in this case is awaited.	COPU recommended to put in place mechanism to avoid recurrence of such lapses in future but the Company had not taken remedial steps to avoid misappropriation of paddy by strictly following the milling policy of State Government as is evident from the fact that cases of misappropriation of paddy had also been pointed out in para 2.2.7.1 of Audit Report on PSUs (Social General and Economic Sectors) for the year ended 31 March 2015 wherein Company's failure to recover ` 44.86 crore (cost of rice ` 33.97 crore and interest and penalties ` 10.89 crore) pertaining to KMS 2012-13 to 2014-15 were highlighted.

Gist of Audit findings made in earlier Report	Recomme-ndation made by audit	Recommendation made by COPU	Findings in Follow up audit and current status	Audit comments
regarding procurement and milling of paddy resulting in undue favour to the miller, which caused misappropriation of paddy. **(Para 2.1.29 of Report 2009-10)**				

(B) Partial Implementation

Gist of observations made in earlier audit report	Recomme-ndation made by audit	Recommendation made by COPU	Findings in Follow up audit and current status	Audit comments
1. Due to non-pursuance at higher level with FCI	-	The Committee recommended (November 2012) that a detailed report in this case be sent for its information and on receipt of the information from the department this para would be taken up for discussion.	The detailed reply as desired by COPU had not been submitted by the Company so far (April 2017).	Further progress in this case is awaited.
• An amount of ` 1.15 crore was outstanding in respect of FSCs Sirsa, Ambala, Fatehabad, Jind, Karnal and Kurukshetra on account of depreciation on gunnies for crop years 2007-09.			The Company informed (May 2017) that it had taken up the matter with FCI for release of withheld amount.	
• In FSC Palwal ` 10.44 lakh were shown outstanding against FCI for more than three years against transportation charges on account of shifting of paddy beyond eight KMs. Similarly, the Company had reimbursed ` 54.28 lakh to the millers for transportation of paddy beyond 8 KMs at ten FSCs.			The Company informed (May 2017) that it had taken up the matter with FCI for release of withheld amount.	

Gist of observations made in earlier audit report	Recommendation made by audit	Recommendation made by COPU	Findings in Follow up audit and current status	Audit comments
• In FSC Palwal the Company has shown ` 15.76 lakh outstanding against FCI for more than three years as transportation charges on account of shifting of bajra which was not recoverable in terms of policy of FCI. **(Para 2.1.37 of Report 2009-10)**			In the quarterly progress report for the quarter ending June 2015 submitted to COPU, the Company stated that it had recovered the amount from FCI.	-
2. As on 31 March 2009, the Company had depicted an amount of ` 10.03 crore as advances recoverable from its employees under the head 'other advances'. However, the same were in the nature of recoveries to be made from employees on account of less gain, moisture cut, shortages in food grains *etc.* Out of this, ` 5.17 crore was outstanding for more than three years and included a sum of ` 2.55 crore outstanding against three employees, who had since expired (January 1997, December 2003 and July 2005). The outstanding against expired employees pertain to shortages/ damages of food grains recoverable from them for the years 1988-89 to 2003-04. **(Para 2.1.38 of Report 2009-10)**		The Committee recommended that a detailed report in respect of the recovery of amount in this case be submitted for the information of the Committee. The Committee further also would like to know as what action is taken in respect of seven F.I.R.s filed by the police against the erring officers. The committee further also recommends that only on receipt of the information from the department this para will be taken up for discussion.	In the quarterly progress report for the quarter ending June 2015 submitted to COPU, the Company stated that recovery suits were filed against erring officials/ officers and these are pending in various courts. An amount of ` 10.03 crore shown (31 March 2009) as advances recoverable from its employees under the head other advances had increased to ` 11.63 crore (March 2015). As regards the position of ` 2.55 crore outstanding against three deceased employees, ` 0.09 crore due from two employees were written off and process of writing off ` 2.46 crore is in progress.	Further progress in the matter was awaited.

(C) Full Implementation

Gist of observations made in earlier audit report	Recommendation made by audit	Recommendation made by COPU	Findings in Follow up audit and current status	Audit comments
Due to low off take by FCI, huge stocks of wheat remained with the Company during 2008-10. **(Para 2.1.23 of Report 2009-10).**	-	The committee recommended that a detailed reply of action taken in this regard by the Department be sent for the information.	The closing stock of wheat has decreased from 2.51 lakh MT in 2010-11 to 0.02 lakh MT as on 31 March 2017.	The recommendation has been fully implemented as negligible stock of wheat is lying with the Company at present.

Conclusion

The extent of implementation (February 2017) of recommendations made by audit and COPU in pursuance of audit observations accepted by the Government was poor as out of total nine recommendations, six recommendations were not implemented, two were partially implemented and only one recommendation was fully implemented. Deficiencies of the nature of non-timely submission of bills of differential claims with FCI, non-adherence to schedule of delivery of wheat to FCI, improper preservation of wheat stock, non-compliance of milling policy resulting in misappropriation of paddy *etc.* that had been pointed out in performance audit in 2010 and also noted by COPU continued to persist. It incurred loss of ` 2.29 crore due to non-adherence to delivery schedule of wheat, loss of ` 7.89 crore due to unscientific and improper preservation of wheat stock and failed to recover ` 44.86 crore against misappropriation of paddy. Advances recoverable from employees under the head 'other advances' had increased (March 2009) from ` 10.03 crore to ` 11.63 crore (March 2015). The Company had not submitted the detailed report on various matters as directed by the COPU.

The matter was referred to the Government and the Company in May 2017; their replies were awaited (November 2017).

Haryana Police Housing Corporation Limited

3.16 Construction of Police Infrastructure financed through funds from HUDCO

The Company awarded four contracts valuing ` 4.71 crore on single tender basis without specifying any special circumstances. Further ` 51.12 crore remained blocked for more than six years due to 164 acres forest land obtained on exchange, on which construction could not be undertaken.

The State Government approved (December 2010) a proposal of Police Department to establish four new police lines[57] and one office of Commissioner of Police at Gurgaon at a cost (including cost of land) of ` 333.92 crore. For

[57] Manesar, Mewat, Palwal and Sunaria.

these projects, Police Department acquired 514 acres land at three places[58] for ` 134.50 crore and the Company incurred ` 230.82 crore on 117 works up to December 2016, of which 116 works had been completed.

The Company availed loan of ` 300 crore from Housing and Urban Development Corporation Limited (HUDCO) during 2010-15 and got the balance amount from Police Department. The Company repaid ` 226.31 crore (including interest amount ` 121.31 crore at the rate 9.50 *per cent* to 12 *per cent* per annum) by getting the same from Police Department up to March 2017.

To assess the efficiency of the project to create police infrastructure, Audit scrutinized records relating to raising of loans and repayment thereof, acquisition of land for the projects and execution of 49 works contracts[59]. The audit findings are discussed below:

3.16.1 Acquisition of land

The Police Department acquired 199 acres of land, in March 2011, through Land Acquisition Officer (LAO) Rohtak for ` 74.12 crore for construction of Police Lines at Sunaria, Rohtak. Subsequently in April 2011, Government decided that 188 acres out of this 199 acres may be exchanged with land of Technical Education department, including 164 acres of forest land, for establishment of Indian Institute of Management (IIM) campus at Rohtak as the land previously acquired for IIM was categorized as forest land on which there could be no construction. Consequently, the Company informed Police Department (November 2013) that construction of Police lines at Sunaria may be deferred till receipt of forest clearance and requested for change in location of some buildings to old Police lines, Rohtak which the Government approved in August 2014. The Forest clearance had not been received so far (July 2017).

Audit observed that the decision for exchange of land was taken despite knowing the fact that the payment for purchase of this 188 acres land was made out of borrowed funds from HUDCO and no construction activity on 164 acres forest land (transferred to Police Department) could be undertaken. The investment of the Company remained unfruitful as it had not been able to utilise this 164 acres forest land valuing ` 51.12 crore even after a lapse of more than six years and had also paid interest of ` 20.36 crore[60] to HUDCO on this blocked amount. Due to this exchange of land, the planned Indian Reserve Battalion police line was not constructed and out of 16 works of Sunaria Police Line, five works[61] were not carried out and one work ***i.e.*** construction of Administrative Block was carried out at old police line at Rohtak by dismantling an existing building.

[58] Manesar, Palwal and Sunaria. Police Department was already having land at Mewat and Gurgaon.

[59] All Contracts above ` 30 lakh and 20 *per cent* of contracts with lesser value carried out at Palwal, Gurgaon and Sunaria and four incomplete work contracts awarded at risk and cost of the contractor at Manesar.

[60] Calculated on actual basis till repayment of ` 51.12 crore.

[61] NGO mess, NGO Barrack, two sulabh toilets and armoury kot.

The Management replied (July 2017) that the exchange of land was within the Government departments prerogative and there is no loss to the company since loan along with interest was refunded by Police Department. The reply is not tenable as the land was purchased out of loan funds and its non-utilisation resulted in non-creation of envisaged infrastructure. It also entailed avoidable payment of interest and ultimate burden on the state exchequer, though the amount was reimbursed by Police Department.

3.16.2 Execution of works

In the execution of test checked works, Audit observed as follows:

a) Allotment of contract on single tender basis

Para 13.18.1 (g) of Haryana PWD code provides that the single tender shall normally not be considered unless there are special circumstances to do so. If special circumstances are not present, a single tender shall be recalled.

Audit observed that the Company on the recommendation of its Tender Allotment Committee (TAC) awarded (December 2012 to January 2014) four works valuing ` 4.71 crore on single tender basis on the plea that the rates were reasonable without specifying any special circumstances. These four works were (i) construction of underground water tank, tubewell chambers, rain water harvesting wells at police lines in Palwal, (ii) providing barbed wire fencing at Gazetted Officers mess Bhondsi, (iii) installation, testing and commissioning of 10 lifts in New police lines, Palwal and (iv) construction of boundary wall at police line, Manesar.

The Management replied (July 2017) that the tender rates of these single tenders were in consonance with the rates of works in the similar time period and all these works were of urgent nature. The reply is not acceptable as no such justification was found on record to substantiate the urgency and in any case despite the urgency cited, one work had not been completed so far and two works were completed with delays ranging from three to 20 months**.** Moreover, there remains inherent risk of lack of competition in award of work on single tender basis.

b) Delays in completion of work

Out of 49 selected work contracts, 24 works were completed with delays ranging between three and 30 months. The general conditions of the contracts *inter-alia* provided that Contractor shall pay Liquidated Damages (LD) at the rate as given in tender document for the period of delay subject to maximum of 10 *per cent* of the value of the contract. Audit analysed 10 cases where delay was seven months or more and amount of LD that could be imposed was more than ` 30 lakh in each case. Details of these 10 cases are given in ***Appendix 5***.

(1) In four cases (Sl. No. 1 to 4), works could not be completed in time as the Company could not provide timely necessary drawings/sites/ specifications and increased the scope of work without giving definite extension in timeline. Delay in such cases ranged from seven to 27 months. Hence slackness in

monitoring on the part of the Company exposed them to requests for repeated extensions. Thus, it could not impose liquidated damages amounting to ` 2.15 crore in three cases and imposed ` 41.99 lakh in one case but finally recovered only ` 0.40 lakh.

(2) In two cases (Sl. No. 5 and 6), the Company imposed LD of ` 47.68 lakh against maximum LD that could be imposed of ` 90.12 lakh despite the fact that the reasons for delay were entirely attributable to the contractors. The Company recovered only ` 4.96 lakh from the contractors.

(3) In remaining four cases (Sl. No. 7 to 10) the Company did not impose any LD against the maximum LD that could be imposed of ` 2.65 crore for the period where delay was on the part of contractor only.

Thus, the Company could not recover LD of ` 3.50 crore[62] in six cases (Sl. No. 5 to 10), where the delay was entirely attributable to the contractor. Further, the Company also failed to get works executed timely in four cases amounting to ` 25.68 crore (Sl. No. 1 to 4) due to its own slackness.

The Management stated (July 2017) that the circumstances *viz.* ban on quarrying, stoppage of work due to rain, shortage of labour, and non-finalisation of layout plan by the Police Department were beyond the control of both employer as well as the executing agency. The reply is not acceptable because reasons such as rain, labour shortage *etc.* were known and foreseeable circumstances. Further, non-finalisation of lay out plan, due to change in the scope of work could have been better addressed through restating the revised timelines and monitoring performance accordingly. Hence, non recovery of LD as per terms of contract was either due to the Company not imposing LD without any justifiable reasons or by not revising the timelines due to change in the scope of work, thereby exposing itself to requests for extension. Further, due to delayed execution of the works the intended benefit could not be received timely.

c) Non-completion of work resulting in unfruitful expenditure

As per para 15.1.4 (a) of the Haryana PWD code, the encumbrance free land/ site on which construction is to take place should be in possession of Company before commencement of work. The Company allotted (January 2015) the work of construction of boundary wall of police lines in Manesar, Gurgaon to M/s Surya Builders & Engineer, Gurgaon (contractor) at ` 1.14 crore which was to be completed by May 2015. The contractor could execute the work of ` 4.91 lakh only and thereafter the work was held up pending re-demarcation of land. The Company had incurred ` 29.34 lakh (including ` 24.43 lakh already incurred) on the work which is yet to complete (June 2017). The Company had also incurred ` 1.09 crore on the construction of entry gate.

Audit observed that the work of construction of boundary wall could not be completed as the ownership of the land was not clear. Construction of entry gate without completion of boundary wall defeated the purpose of providing security

[62] ` 0.90 crore + ` 2.65 crore - ` 0.05 crore.

and restricting unauthorised entry in the police lines which rendered expenditure of ` 1.38 crore (` 1.09 crore + ` 0.29 crore) unfruitful.

Management stated (July 2017) that proper demarcation of land was taken from Revenue department in 2011-12 and during execution of work, some people from adjoining village raised some dispute that resulted in stoppage of work and the dispute is being resolved. However, the fact remains that the work was incomplete resulting in blockage of funds and consequent loss of interest on the funds spent.

Conclusion

Thus, an amount of ` 51.12 crore was blocked in 164 acres forest land on which no construction was allowed pending permission. The Company allotted four contracts valuing ` 4.71 crore on single tender basis without recording reasons. It did not recover LD of ` 3.50 crore in six cases where delay was on the part of the contractor. One work remained incomplete resulting in blockade of funds of ` 1.38 crore.

The matter was referred to the Government in June 2017; their replies were awaited (November 2017).

Corporate Governance in Public Sector Undertakings

3.17 Study on the state of Corporate Governance in Public Sector Undertakings of Haryana State

Independent directors were not appointed in two Public Sector Companies (PSCs). The gender diversity in one PSC was not maintained. Requisite four Board meetings in a year were not held in case of seven PSCs. There was a shortfall in expenditure on Corporate Social Responsibility activities by ` 12.15 crore in three PSCs which diluted the accomplishment of the social development objective.

3.17.1 Introduction

Corporate Governance involves a set of relationships between a Company's management, its Board, its shareholders and other stakeholders. It is about commitment to values, ethical business conduct and transparency *etc*. Corporate governance is one of the important differentiators of a business that has impact on the profitability, growth and sustainability of an enterprise.

3.17.2 Provisions governing Corporate Governance - Companies Act, 2013

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs notified (March 2014) Companies Rules, 2014 on Appointment and Qualification of Directors, Management and Administration, Meetings of Board and its powers and Appointment and Remuneration of Managerial Personnel. The Companies Act, 2013 together with the Companies rules provide the framework for Corporate Governance.

With the aim of analysing compliance with the Corporate Governance provisions in Public Sector Companies, an audit exercise was undertaken in selected 13 ***(Appendix 6)*** out of 26 working Companies under administrative control of various Departments for the period April 2014 to March 2017. The audit findings are presented in the following paragraphs.

3.17.3 Audit Findings

3.17.3.1 Independent Directors, Audit Committee and Nomination & Remuneration Committee

The presence of independent directors on the Board of Directors is aimed at bringing an element of objectivity in the process of decision making of the Company. The Audit Committee is required to review the annual financial statements before their submission to the Board and to examine adequacy of internal audit and control system. The role of Nomination & Remuneration Committee is to assist the Board in laying down terms and conditions for appointment and remuneration of senior management and other employees.

Section 149 of the Companies Act 2013, read with Rule 4 of the Companies (Appointment and qualification of Directors) Rules, 2014 and Section 177 of the Companies Act, 2013 read with rule 6 of the Companies (Meetings of the Board and its powers) Rules, 2014 respectively stipulates that Public Companies having paid up share capital of ten crore rupees or more or Public Companies having turnover of one hundred crore rupees or more or Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees shall have at least two directors as independent directors, constitute an Audit Committee of a minimum three directors with independent directors forming a majority. A Nomination and Remuneration Committee shall also be constituted in these cases.

Scrutiny of records revealed that out of 13 test checked companies, only four[63] companies come under the purview of the above mentioned provisions. Of these, the Haryana Agro Industries Corporation Limited (HAIC) and Haryana Scheduled Castes Finance and Development Corporation Limited (HSCFDC) did not appoint any independent director. Further, HAIC did not constitute audit committee whereas HSCFDC and Haryana State Roads and Bridges Development Corporation Limited (HSRDC) constituted the audit committee without independent director. Statutory auditors also commented on inadequacy of internal control system in HSRDC and non-existence of internal audit system in HAIC and HSCFDC. The HSRDC did not constitute the nomination and remuneration committee.

The HAIC stated (June 2017) that they had already requested (August 2014 to December 2015) the State Government to appoint independent directors. HSRDC stated (October 2017) that proposal for constitution of Nomination and Remuneration Committee has been approved (21 June 2017) by Board of Directors and change in the composition of Audit Committee will be made in future.

[63] HSIIDC, HAIC, HSRDC and HSCFDC.

3.17.3.2 Woman Director in the Board

Section 149 (1) of the Companies Act, 2013, read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, provides that every public company having paid–up share capital of one hundred crore rupees or more; or turnover of three hundred crore rupees or more shall appoint at least one woman director.

In terms of these provisions, woman directors were to be appointed by three[64] companies out of 13 selected companies. However, no woman director was appointed in HAIC during 2015-16.

HAIC stated (June 2017) that it had already requested the Government on various occasions (August 2014 to December 2015) to appoint the woman director.

3.17.3.3 Meetings of Board of Directors

The Board of Directors is the agency for the implementation of governance policies and practices. It is imperative that the Board devotes adequate attention to corporate governance and must be equipped with the requisite representation and its members should meet regularly.

Section 173(1) of Companies Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings. Analysis of position of BoDs' meeting is shown in ***Appendix 7***. Audit observed that six out of selected 13 companies complied with minimum requirements of four BoDs meetings in a year during 2014-17. Table 3.6 below shows the Companies where the requirement of number of meetings to be held in a year was not complied with during 2014-17.

Table 3.6: Yearwise detail of Public Sector Companies where less than four meetings were held and the years

Sl. No.	Name of Company	Number of meetings held and period
1.	HLRDC	3 (2014-15) & 3 (2016-17)
2.	HFDC	3 (2014-15) & 3 (2016-17)
3.	HARTRON	3 (2015-16)
4.	HWDC	2 (2014-15) & 3 (2015-16)
5.	HBCKN	2 (2014-15), 3 (2015-16) & 2 (2016-17)
6.	HSCFDC	1 (2014-15), 1 (2015-16) & 2 (2016-17)
7.	HREC	3 (2014-15)

The HLRDC stated (June 2017) that the required four meetings of BoDs could not be held due to frequent change of Chairman/ Managing Directors and other directors of the Company. HARTRON informed (June 2017) that requisite meetings could not be held due to unavoidable circumstances. HFDC admitted (June 2017) the facts and HSCFDC stated (September 2017) that the point has been noted for future compliance.

3.17.3.4 Appointment of Company Secretary

A company needs a Company Secretary to strengthen its governance and compliance of Acts and rules made thereunder, as applicable to the Company.

[64] HAIC, HSIIDC and HSRDC.

Section 203(1) of Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 provides that every public company having a paid up share capital of ten crore rupees or more shall have a whole-time Company Secretary.

Accordingly, three PSCs *i.e.* HSCFDC, HSIIDC and HSRDC were to appoint whole time Company Secretary. However, a whole time Company Secretary was not appointed in HSRDC and HSCFDC and the work was being got done through a part time Company Secretary. HSCFDC and HSRDC stated (September/ October 2017) that steps are being taken to engage a whole time Company Secretary.

3.17.3.5 Secretarial Audit

Secretarial Audit is an audit to check compliance of various legislations including the Companies Act applicable to the company. Section 204(1) of Companies Act 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 provides that every company having a paid-up share capital of ` 50 crore or more; or having a turnover of ` 250 crore or more, shall annex with its Board’s report made in terms of section 134(3), a secretarial audit report, given by a practicing Company Secretary.

The secretarial audit was mandatory in HAIC, HSIIDC and HSRDC. It was observed that in HSRDC, secretarial audit was not conducted. HSRDC stated (October 2017) that timely compliance would be made in future**.**

3.17.3.6 Corporate Social Responsibility

Corporate Social Responsibility (CSR) activities ensure the involvement of the corporate sector in accomplishment of social development objectives. The CSR committee shall identify programs in which the CSR activities can be undertaken and recommend the same to the Board from time to time.

Section 135 of the Companies Act, 2013, *inter-alia*, requires that every company having net worth of ` 500 crore or more, or turnover of ` 1000 crore or more or a net profit of ` five crore or more, during any financial year shall constitute a Corporate Social Responsibility Committee. As per Section 135(2), the constitution of CSR Committee shall be disclosed in the Directors’ report. Section 135(4) provides that the BoDs shall after taking into account the recommendations made by the CSR Committee, approve the CSR policy for the company and disclose contents of such policy and report CSR activities in the Director’s Report. Section 135(5) of the Companies Act, 2013, set forth the mandatory spending on CSR activities by the company in every financial year, at least two *per cent* of its average net profits made during the three immediately preceding financial years.

Accordingly, CSR provisions were applicable on HSIIDC, HARTRON, HAIC and HSRDC during 2014-17. The details of amount to be spent on CSR activities and amount actually spent in these four companies is shown in table 3.7 below:

Table 3.7: Amount to be spent *vis-a-vis* actually spent on CSR activities

(` in crore)

Company	Year	Amount to be spent	Amount Spent	Shortfall
HSIIDC	2014-15	9.55	5.29	4.26
	2015-16	10.03	2.99	7.04
	2016-17	Accounts not finalised	-	-
HARTRON	2014-15	0.14	Nil	0.14
	2015-16	0.19	0.09	0.10
	2016-17	0.19	0.01	0.18
HSRDC	2014-15	Not required due to loss	NA	NA
	2015-16	0.43	Nil	0.43
	2016-17	Accounts not finalised	-	-
HAIC	2014-15	Not required due to loss	NA	NA
	2015-16	Accounts not finalised	-	-
	2016-17	Accounts not finalised	-	-
	Total	**20.53**	**8.38**	**12.15**

Audit observed that HSIIDC spent the amount on villages development and sports activities and HARTRON on E-literacy activities as per their CSR policy during the above said period. We further observed that HSRDC had not formed a CSR committee while CSR policy was not framed in HAIC and HSRDC as required under Section 135(2) & (4) of the Companies Act, 2013.

HSIIDC informed (July 2017) that its BoDs have decided to carry forward the unspent CSR amount to the next financial years as per the allocation made for incurring such expenses. However, the fact remains that by not spending the due amount on CSR activities, the fulfilment of social development objectives envisaged by law were short achieved. HSRDC informed (October 2017) that its Board has approved (June 2017) the CSR policy and to constitute a Corporate Social Responsibility Committee of the company.

3.17.3.7 Annual Report

As per Section 394 of the Companies Act, 2013, the Annual Report of a Company, where State Government is a member, is required to be placed before the State Legislature within three months from the date of conclusion of Annual General Meeting.

We observed that HSRDC, HWDC, HSCFDC, HBCKN and HREC had never prepared an Annual Report for placement in State Legislature resulting in non-monitoring of their working. The administrative departments of the Public Sector Companies also did not insist upon an Annual Report. HSRDC stated (October 2017) that compliance would be made in future.

Conclusion

There were shortfalls in adhering to legal provisions of corporate governance by the Public Sector Companies. Instances of non-appointment of independent directors, non-constitution of nomination and remuneration committee, non-compliance of requirement of holding of minimum of four meetings in a year of Board of Directors were noticed. There was shortfall in expenditure on CSR activities by ₹ 12.15 crore in three Companies.

The matter was referred (June 2017) to the Government and the respective Companies; the replies of Government and five Public Sector Companies were awaited (November 2017).

(MAHUA PAL)
Principal Accountant General (Audit), Haryana

Chandigarh
Dated: 5 February 2018

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
Dated: 8 February 2018

Appendices

Appendix 1

Statement showing investments made by State Government in PSUs whose accounts are in arrears

(Referred to in paragraph 1.11)

(Figures in columns 4 & 6 to 9 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears			
					Equity	Loans	Grants	Others to be specified (subsidy)
1	2	3	4	5	6	7	8	9
A	**Working Government Companies**							
1.	Haryana Agro Industries Corporation Limited	2014-15	4.14	2015-16	-	-	-	5.50
2.	Haryana Land Reclamation and Development Corporation Limited	2014-15	1.56	2015-16	-	-	-	11.83
				2016-17	-	-	2.69	-
3.	Haryana Scheduled Castes Finance and Development Corporation Limited	2012-13	48.11	2013-14	-	-	-	6.50
				2014-15	-	-	-	6.75
				2015-16	1.00	-	-	6.75
				2016-17	-	-	-	80.27
4.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	2012-13	22.47	2013-14	1.25	-	-	3.55
				2014-15	1.25	-	-	3.50
				2015-16	13.24	-	-	3.50
				2016-17	2.17	-	-	44.44
5.	Haryana Women Development Corporation Limited	2011-12	16.61	2012-13	-	-	-	3.91
				2013-14	-	-	5.00	-
				2014-15	-	-	-	2.10
				2015-16	-	-	-	2.10
				2016-17	-	-	-	2.50
6.	Haryana State Industrial and Infrastructure Development Corporation Limited	2015-16	48.84	2016-17	-	-	176.22	-
7.	Haryana Police Housing Corporation Limited	2013-14	25.00	2014-15	-	-	68.00	-
				2015-16	-	-	72.46	-
				2016-17	-	-	77.03	-
8.	Haryana Power Generation Corporation Limited	2015-16	2921.81	2016-17	83.05	57.49	-	-
9.	Haryana Vidyut Prasaran Nigam Limited	2015-16	2348.78	2016-17	263.95	115.77	342.00	-
10.	Haryana Tourism Corporation Limited	2013-14	24.66	2014-15	-	-	21.50	-
				2015-16	4.81	-	21.05	-
				2016-17	0.93	-	35.83	-
11.	Haryana Roadways Engineering Corporation Limited	2013-14	6.60	2015-16	0.05	-	-	-
	Total A (Working Government Companies)		**5468.58**		**371.70**	**173.26**	**821.78**	**183.20**
B	**Working Statutory Corporations**	-	-	-	-	-	-	-
	Total B (Working Statutory Corporations)		0.00		0.00	0.00	0.00	0.00
	Grand Total (A + B)		**5468.58**		**371.70**	**173.26**	**821.78**	**183.20**

Appendix 2

Summarised financial position and working results of Government companies and Statutory Corporations as per their latest finalised financial statements/ accounts

(Referred to in paragraph 1.15)

(Figures in columns 5 to 12 are ₹ in crore)

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumul-ated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments	Investment @	Return on invest-ment©	Percentage of return on investment	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A.	**WORKING GOVERNMENT COMPANIES**												
AGRICULTURE AND ALLIED													
1.	Haryana Agro Industries Corporation Limited	2014-15	2016-17	4.14	19.19	-122.76	2308.13	-82.48	-3.07	23.33	1.04	104.24	82
2.	Haryana Land Reclamation and Development Corporation Limited	2014-15	2015-16	1.56	-	6.47	64.81	-0.04	-0.49	1.56	0.24	23.72	90
3.	Haryana Seeds Development Corporation Limited	2015-16	2016-17	5.00	-	7.35	117.50	-2.38	NRC	5.00	-0.08	-8.00	197
		2016-17	2017-18	5.00	-	1.54	111.60	-5.75	under finalisation	5.00	-0.42	-42.20	
4.	Haryana Forest Development Corporation Limited	2014-15	2016-17	0.20	-	45.70	50.69	2.68	-0.17	0.20	19.90	1990	56
Sector Wise Total				**10.90**	**19.19**	**-69.05**	**2535.23**	**-85.59**	**-3.73**	**30.09**	**0.88**	**88.27**	**425**
FINANCE													
5.	Haryana Scheduled Castes Finance and Development Corporation Limited	2011-12	2016-17	48.11	9.52	5.36	7.58	2.74	-1.30	57.63	0.05	5.28	71
		2012-13	2017-18	48.11	8.94	7.35	6.53	1.99	-0.85	57.05	0.04	3.94	
6.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	2012-13	2016-17	22.47	32.89	-11.97	1.55	-1.36	NRC	55.36	0.00	0.47	20
7.	Haryana Women Development Corporation Limited	2011-12	2016-17	16.61	-	-1.34	1.95	-0.66	under finalisation	17.48	-0.04	-3.60	32
Sector Wise Total				**87.19**	**41.83**	**-5.96**	**10.03**	**-0.03**	**-0.85**	**129.89**	**0.01**	**1.42**	**123**
INFRASTRUCTURE													
8.	Haryana State Industrial and Infrastructure Development Corporation Limited	2014-15	2016-17	48.84	1741.02	1160.22	912.19	143.75	-33.68	1884.77	0.22	21.94	520
		2015-16	2016-17	48.84	2201.35	1220.52	824.84	60.30	-3.74	2340.41	0.15	15.40	
9.	Haryana Police Housing Corporation Limited	2013-14	2015-16	25.00	183.85	0.35	45.43	0.08	Nil comment	208.85	0.10	10.29	205
10.	Haryana State Roads & Bridges Development Corporation Limited	2014-15	2016-17	122.04	-	39.54	141.86	69.30	-10.51	122.04	0.98	97.60	67
Sector Wise Total				**195.88**	**2385.20**	**1260.41**	**1012.13**	**129.68**	**-14.25**	**2671.30**	**0.19**	**18.75**	**792**

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumul-ated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments	Investment @	Return on invest-ment©	Percentage of return on investment	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
POWER													
11.	Haryana Power Generation Corporation Limited	2015-16	2016-17	2921.81	3034.36	-247.19	5347.93	31.12	79.68	5956.17	0.12	11.67	2699
12.	Haryana Vidyut Prasaran Nigam Limited	2015-16	2016-17	2348.78	5591.48	188.07	1697.46	153.99	-13.06	7940.26	0.09	8.88	3976
13.	Uttar Haryana Bijli Vitran Nigam Limited	2015-16	2016-17	2472.11	12692.07	-15873.06	12214.78	-336.37	-57.55	15164.18	0.08	8.15	8193
		2016-17	2017-18	3382.97	13627.11	-16078.07	12686.17	-205.01	under finalisation	17010.08	0.06	6.38	
14.	Dakshin Haryana Bijli Vitran Nigam Limited	2015-16	2016-17	2005.15	12144.24	-13190.61	12413.67	-471.58	-69.55	14149.39	0.09	9.19	9350
		2016-17	2017-18	2648.75	7622.04	-13951.74	12437.53	11.96	under finalisation	10270.79	0.09	9.46	
15.	Saur Urja Nigam Haryana Limited*								-				
Sector Wise Total				**11302.31**	**29874.99**	**-30088.93**	**32169.09**	**-7.94**	**66.62**	**41177.30**	**0.08**	**8.40**	**24218**
SERVICE													
16.	Haryana Tourism Corporation Limited	2013-14	2016-17	24.66	-	27.44	293.01	1.47	0.08	24.66	0.07	7.18	1320
17.	Haryana Roadways Engineering Corporation Limited	2013-14	2016-17	6.60	-	16.10	132.24	2.23	NRC	6.60	0.97	97.42	105
18.	Haryana State Electronics Development Corporation Limited	2015-16	2016-17	9.90	-	68.12	28.85	6.92	NRC	9.90	0.71	70.71	175
19.	Hartron Informatics Limited	2015-16	2016-17	0.50	-	3.42	0.57	0.18	NRC	0.50	1.98	198.00	-
20.	Gurgaon Technology Park Limited	2014-15	2016-17	14.72	-	13.86	0.75	-0.14	NRC	15.77	-0.01	-0.89	1
21.	Haryana Mass Rapid Transport Corporation Limited	2015-16	2016-17	1.00	-	-0.16	0.18	-0.28	NRC	1.00	-0.28	-28.00	1
22.	Haryana Medical Services Corporation Limited	2014-15	2017-18	5.00	-	-1.50	0.07	-1.50	NRC	5.00	-0.30	-30.00	1
23.	Panipat Plastic Park Haryana Limited *												
24.	Faridabad Smart City Limited *												
Sector Wise Total				**62.38**	**0.00**	**127.28**	**455.67**	**8.88**	**0.08**	**63.43**	**0.22**	**22.50**	**1603**
Total A (All sector wise working Government companies)				**11658.66**	**32321.21**	**-28776.25**	**36182.15**	**45.00**	**47.87**	**44072.01**	**0.09**	**9.10**	**27161**

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumul-ated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments	Investment @	Return on invest-ment©	Percentage of return on investment	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
B. Statutory corporations													
AGRICULTURE & ALLIED													
1.	Haryana State Warehousing Corporation	2015-16	2016-17	5.84	50.21	-	84.22	23.45	-6.35	56.05	0.62	62.34	542
Sector Wise Total				**5.84**	**50.21**	**0.00**	**84.22**	**23.45**	**-6.35**	**56.05**	**0.62**	**62.34**	**542**
FINANCE													
2.	Haryana Financial Corporation	2015-16	2016-17	207.66	-	-105.22	3.04	3.55	-0.54	207.66	0.02	1.75	60
Sector Wise Total				**207.66**	**0.00**	**-105.22**	**87.26**	**3.55**	**-0.54**	**207.66**	**0.02**	**1.75**	**60**
Total B (All sector wise working Statutory corporations)				**213.50**	**50.21**	**-105.22**	**87.26**	**27.00**	**-6.89**	**263.71**	**0.15**	**14.63**	**602**
Grand Total (A+B)				**11872.16**	**32371.42**	**-28881.47**	**36269.41**	**72.00**	**40.98**	**44335.72**	**0.09**	**9.11**	**27763**
C. NON- WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1.	Haryana State Minor Irrigation and Tubewell Corporation Limited	2014-15	2016-17	10.89	-	-353.23	0.00	-0.34	NRC	10.89	-	-	0
Sector Wise Total				**10.89**	**0.00**	**-353.23**	**0.00**	**-0.34**	**0.00**	**10.89**	**-**	**-**	**-**
FINANCE													
2.	Haryana State Housing Finance Corporation Limited #	Ended 31 August 2001	2003-04		-	-	-	-	NRC	-	-	-	-
Sector Wise Total				**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**				
INFRASTRUCTURE													
3.	Haryana Concast Limited #	1997-98	1998-99	6.85	3.69	-27.18	-	-7.97	-	10.54	-	-	-
Sector Wise Total				**6.85**	**3.69**	**-27.18**	**-**	**-7.97**	**-**	**10.54**	**-**	**-**	**-**
POWER													
4.	Yamuna Coal Company Private Limited	2016-17	2017-18	1.24	0.00	-0.33	-	0.03	Nil comment	1.24	0.03	3.23	-
Sector Wise Total				**1.24**	**0.00**	**-0.33**	**0.00**	**0.03**	**0.00**	**1.24**	**0.03**	**3.23**	**0**

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumul-ated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments	Investment @	Return on invest-ment©	Percentage of return on investment	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
MISCELLANEOUS													
5.	Haryana Minerals Limited	2015-16	2016-17	0.24	0.00	-7.52	-	4.89	Non review certificate	2.80	1.78	178.21	6
Sector Wise Total				**0.24**	**0.00**	**-7.52**	**0.00**	**4.89**	**0.00**	**2.80**	**1.78**	**178.21**	**6**
Total C (All sector wise non-working Government companies)				**19.22**	**3.69**	**-388.26**	**0.00**	**-3.39**	**0.00**	**25.47**	**0.20**	**19.75**	**6**
Grand Total (A+B+C)				**11891.38**	**32375.11**	**-29269.73**	**36269.41**	**68.61**	**40.98**	**44361.19**	**0.09**	**9.12**	**27769**

@ Investment represents paid up capital plus free reserves plus long term loans.
# Companies under liquidation.
* First Accounts still awaited.
© Return on Investment means Net profit before dividend, tax and interest/Investment.

Appendix 3

List of works where delay was attributable to contractors

(As referred to in paragraph 2.8.1.iv)

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
1	Kundli	Providing infrastructure facilities *i.e.* Roads, water supply, sewerage & drainage works on the land earmarked for allotment under R&R Policy in Ph-V at I.E. Kundli.	M/s Shiv Construction Company	237.82	261.60	03 March 2014	02 September 2014	31 December 2014	90.80	120	23.78	2.12	21.66	The contractor on 9 March 2015 *i.e.* after 68 days (instead of intimating within 30 days from the date of unavoidable hindrance in its execution) from the date of completion of work, requested for time extension of 3 months and 28 days due to delay in handing over of zoning plan and shortage of construction material. The reasons for delay in work were of very general nature and not justified by the contractor, penalty @ 1 *per cent* (₹ 2.12 lakh) of the value of the overall value of work was levied. There was nothing available on record, which can substantiate the claim of the contractor that there was delay in handing of zoning plan by the Company. Thus delay penalty of ₹ 23.78 lakh @ 2 *per cent* per week of delay subject to the maximum of 10 *per cent* of the original tender cost was to be levied and recovered from the contractor against which ₹ 2.12 lakh only was recovered, leading to short recovery of ₹ 21.66 lakh.
2	Kundli	Up-gradation & maintenance of roads and providing &	M/s Brij Gopal Construction Company	860.97	853.22	04 April 2014	03 January 2015	31 August 2016	304.69	606	86.10	45.73	40.37	The contractor on 10 March 2015, *i.e.* after 66 days from scheduled date of completion requested for time extension due to rainy season, delay in payments, stacking of

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
		laying of interlocking paver blocks along roads in Ph-I, II, III & IV at I.E. Kundli under MSME Scheme.												garbage & malba, WBM work done by other agencies *etc.* The reasons cited by the contractor were never accepted by the Company and no documentary evidence was available in the file, which can substantiate the claim that there was delay in execution of work due to reasons cited by the contractor. Rather, the Company was time and again issuing reminders to the contractor for the slow pace of work. No time extension has been granted to the contractor so far. However, an amount of ₹ 45.73 lakh has been withheld till date whereas as per contract terms, a penalty of ₹ 86.10 lakh was to be recovered. Thus due to undue favour given to the contractor, delay penalty @ 2 *per cent* per week amounting to ₹ 40.37 lakh was not recovered.
3	Kundli	Construction of boundary wall around Sector 53-56 in Ph-V at I.E. Kundli	M/s Kunal Construction Company	180.74	197.01	03 March 2014	02 December 2014	31 March 2017	54.32	850	18.07	1.58	16.49	The work is still in progress after delay of 850 days and no reason for the delay was available on record. Thus delay penalty @ 2 *per cent* per week subject to the maximum of 10 *per cent* of the tender cost which works out to ₹ 18.07 lakh was recoverable against which ₹ 1.58 lakh has been withheld, leading to shortfall in recovery by ₹ 16.49 lakh.

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
4	Kundli	Construction of boundary wall around green belt in Ph-V at I.E. Kundli	M/s Kunal Construction Company	71.55	77.99	28 February 2014	27 August 2014	22 October 2014	28.94	56	7.15	0.00	7.15	The contractor on 25 October 2014 *i.e.* after 59 days from the scheduled date of completion of work requested for time extension on the ground of shortage of construction material. Since the reasons cited by the contractor were general in nature and no documentary evidence was available in the file, which can substantiate the claim that there was delay in execution of work due to shortage of material. Rather, the Company was time and again issuing reminders to the contractor for the slow pace of work. The time extension of 56 days without levy of delay penalty was however granted by the Company. Thus due to undue favour given to the contractor, delay penalty @ 2 *per cent* per week amounting to ₹ 7.15 lakh was not recovered.
5	Kundli	Providing sewerage disposal works (Construction of inlet box cum screen chamber, wet sump, control room, staff quarter, CC Roads, rising main and works contingent thereto in Ph-V at I.E. Kundli	M/s Zahid Construction Company	79.65	83.63	04 March 2014	03 September 2014	31 March 2017	16.63	940	7.96	4.06	3.90	The work is still in progress after delay of 940 days with no reasons available on record. Thus delay penalty @ 2 *per cent* per week subject to the maximum of 10 *per cent* of the tender cost which works out to ₹ 7.96 lakh was recoverable against which ₹ 4.06 lakh has been withheld leading to a short fall in recovery by ₹ 3.90 lakh.

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
6	Kundli	Development works of sports stadium at village Sersa Distt Sonipat under Village Development Scheme of I.E. Kundli.	M/s Zahid Construction Company	72.15	73.59	04 March 2014	03 September 2014	30 October 2014	24.84	57	7.22	0	7.22	The contractor on 1 November 2014 *i.e.* after 59 days from the schedule date of completion of work requested for time extension, on the grounds that there were shortage of construction material, rainy season. Since the reasons cited by the contractor was general in nature and no documentary evidence was available in the file, which can substantiate the claim that there was delay in execution of work due to shortage of material, rainy season. The time extension of 57 days without levy of delay penalty was however granted by the Company. Thus due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting to ₹ 7.22 lakh could not be recovered.
7	Kundli	Construction of boundary wall from Barona to Sohti at IMT Kharkhoda Distt. Sonepat.	M/s Kamal Parkash	137.36	149.72	08 August 2014	07 January 2015	03 March 2015	42.01	55	13.74	0.00	13.74	The contractor on 18 February 2015 *i.e.* after 40 days from the scheduled date of completion of work requested for time extension due to rainy season, work stopped by villagers and delay in payment. Since the reasons cited by the contractor were general in nature and no documentary evidence was available in the file, which can substantiate the claim that there was delay in execution of work due to rainy season, work stopped by villagers and delay in making payment. The time extension of 55 days without levy of delay penalty was however granted by the Company. Thus due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting to ₹ 13.74 lakh could

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
														not be recovered.
8	Kundli	Construction of boundary wall from Pipli to Barona at IMT Kharkhoda Distt. Sonepat.	M/s Shiv Construction Company	178.30	201.30	11 August 2014	07 February 2015	20 November 2015	90.68	286	17.83	3.50	14.33	The contractor initially on 16 March 2015 *i.e.* after 37 days from the scheduled date of completion sought time extension upto 2 April 2015 due to rainy season, stoppage of work by villagers, non-availability of labour, which was granted on 26 March 2015. However, the contractor could not complete the work within the extended time period and again sought time extension on 3 October 2016, *i.e.* after 550 days from the date of extended completion schedule on 2 April 2015. There was nothing available on record, which can substantiate the claim that the delay occurred due to the above cited reasons, except the belated representation from the contractor. However time extension was granted without levy of penalty. As per contract terms delay penalty of ₹ 17.83 lakh was recoverable against which ₹ 3.50 lakh has been withheld leaving a shortfall in recovery by ₹ 14.33 lakh. Thus undue favour was given due to non-levy of delay penalty.

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
9	Bawal	Construction of Roads in Phase-III at G.C. Bawal.	M/s Brij Gopal Construction Company	2551.05	2293.65	10 November 2012	09 February 2014	31 December 2014	1122.24	325	255.11	54.97	200.14	The contractor sought (3 February 2014) extension upto 9 May 2014, however the work could not be completed till the extended period. The Company was time and again issuing reminders to the contractor for the slow pace of work. The work could be completed with a delay of 236 days after extended period. As per the record made available to the audit neither the contractor sought extension nor the time extension was granted for the period from 9 May 2014 to 31 December 2014 while making payments to the contractor LD of ₹ 54.97 lakh was levied. Thus due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting to ₹ 200.14 lakh could not be recovered.
10	Bawal	Construction of Parking, Footpath, Kerbs & Channels in Convenient Shopping Centre,Sector-2, IMT, Bawal	M/s Shiv Construction Company	124.11	121.86	03 January 2013	02 July 2013	24 September 2013	51.20	84	12.41	0	12.41	As per the record made available to the audit no time extension was granted and while making payments to the contractor no LD was levied. Thus due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting to ₹ 12.41 lakh was not recovered.
11	Bawal	Construction of approach road to make the connectivity of roads on both side of culvert in Phase-II	M/s Sarvodya Construction Company	73.82	70.20	06 January 2014	05 May 2014	03 June 2014	31.10	29	7.38	0	7.38	The work completed on 3 June 2014 with a delay of 29 days. No reasons for delay and documents regarding grant of extension were available on the record. Thus, due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting to ₹ 7.38 lakh was not recovered.

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
12	Bawal	Upgradation of infrastructure services (BC & SDBC on roads) in Phase-I, IMT, Bawal.	M/s Brij Gopal Construction Company	949.06	838.02	26 January 2014	25 July 2014	20 July 2015	0	360	94.90	0	94.90	The contractor sought time extension on 1 April 2016, *i.e.* after 615 days from the scheduled date of completion due to non-availability of site as intimated by the contractor. There was nothing available on record, which can substantiate the claim that the delay occurred due to the above cited reason, except the belated representation from the contractor. Moreover, the work of repair, maintenance and upgradation of already existing roads of Phase - I of IMT, Bawal was awarded after two years, stating that the site was not available is not justified. However time extension was granted without levy of penalty. Thus undue favour was given due to non-levy of delay penalty @ 2 *per cent* amounting to ₹ 94.90 lakh.
13	Bawal	Providing infrastructure facilities in Phase-IV	M/s Tirupati Cement Products	2551.05	3103.92	16 May 2014	15 May 2015	Work in progress	470.43	686	310.39	44.56	265.83	The progress of the work was very slow since inception and have not achieved the required milestones with reference to the time period. Thus notices were issued to the contractor on 18 February 2015 and 4 March 2015 to speed up to the progress of the work. But no concrete steps were taken. Notice was again issued on 5 May 2015. The progress of the work was also reviewed by the BOD in the meeting held on 22 September 2015, wherein the contractor assured to complete the work by 31 December 2015, but the work is yet to be completed (31 March 2017). As per contract terms, delay penalty of ₹ 310.39 lakh was leviable against which on ₹ 44.56 lakh has

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
														been recovered/ withheld, leaving a shortfall of ₹ 265.83 lakh.
14	Bawal	Upgradation of infrastructure (by laying of B.C. on roads) in Phase-II at IMT, Bawal under MIIUS Scheme	M/s Sarvodya Construction Company	940.54	792.87	06 October 2015	05 April 2016	30 June 2016	640.30	86	18.81	0	18.81	Reasons for delay were not available on record made available to the audit and no time extension was granted to the contractor. However, while making payments to the contractor no delay penalty was levied. Thus due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting to ₹ 18.81 lakh was not recovered.
15	Bawal	Construction of 2 No. UGSR of 22.44 lakh litres capacity in Phase-III at IMT, Bawal.	M/s Shiv Construction Company	123.42	118.27	28 March 2016	27 September 2016	20 November 2016	50.27	54	12.34	1.51	10.83	Reasons for delay were not on the record as made available to the audit. No time extension was granted to the contractor. As per terms of contract delay penalty of ₹ 12.34 lakh was leviable against which ₹ 1.51 lakh was levied, leaving a shortfall in recovery by ₹ 10.83 lakh. Thus due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting to ₹ 10.83 lakh was not recovered.
16	Gurgaon	Widening of road from Plot No-112 Ph-I to Plot No-521 Ph-III, Gurgaon.	M/s Santosh Associates (P) Ltd.	95.91	75.77	23 July 2016	22 December 16	Work in progress	22.86	99	9.59	0	9.59	The contractor sought one month time extension on 20 December 2016 without citing any reason for delay. Time extension of one month *i.e.* up to 20 January 2017 was granted to him and work is still under progress. As per the terms of contract, LD @ 2 per cent per week was to be levied, however, no LD has been imposed till date. Thus, due to undue favour given to the Contractor, LD of ₹ 9.59 lakh was not recovered.

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
17	Gurgaon	Construction of site office building and all other works contingent thereto at IMT, Mewat.	Pawan Kumar	9.40	10.24	16 January 2013	15 May 2013	15 July 2013	5.07	61	0.94	0	0.94	Reasons for delays were not available on record. Thus, due to undue favour given to the contractor, delay penalty @ 2 *per cent* per week amounting to ₹ 0.94 lakh could not be recovered.
18	Gurgaon	Providing and fixing of concrete bujris/pillars for demarcation	Pawan Kumar	13.26	14.46	08 January 2013	08 May 2013	10 September 2013	7.10	125	1.33	0	1.33	The contractor on 29 November 2013 *i.e.* after 278 days from the scheduled date of completion of work requested for extension of time due to delay in demarcation work by demarcation agency and the ex land owners stopped the work of fixing burjis/ pillars. There was no document available in the file which can substantiate the claim of the contractor. The time extension of 198 days without levy of delay penalty was however granted by the Company. Thus due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting to ₹ 1.33 lakh could not be recovered.
19	Gurgaon	Execution of a small access road, fencing work, site boundary wall *etc.* for safeguarding the acquired land of IMT Roz ka Meo	Ramky Infrastructure Limited	262.14	258.27	10 April 2013	09 June 2013	12 September 2013	80.06	95	26.21	0	26.21	The contractor on 14 October 2013 *i.e.* after 127 days from the scheduled date of completion of work requested for time extension due to acute labour shortage (in April 2013), agitation by ex land owners (from 6 May 2013 to 16 May 2013), rain during July and August 2013 *etc*. The reasons cited by the contractor were general in nature and no documentary evidence was available in the file, which can substantiate the claim that there was delay in execution of work due to above said reasons. The time extension of 95 days

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
														without levy of delay penalty was however granted by the Company. Thus due to undue favour given to the contractor delay penalty @ 2 *per cent* per week amounting ₹ 26.21 lakh could not be recovered.
20	Manesar	Up-gradation of existing CETP of 15 MLD to 30 MLD and additional CETP of 25 MLD capacity of new location, O&M for 120 months	OEM India Private Limited	6600.00	8175.04	14 February 2014	13 February 2016	Work in progress	6511.40	199	592.70	341.86	250.84	The contractor sought extension (13 February 2016) for nine months *i.e.* up to 13 November 2016. The time extension was granted till 13 June 2016. However, the work could not be completed within the extended period and the contractor sought further extension up to 13 September 2016. However, no extension was granted. The work is still in progress with a delay of 199 days as on 31 March 2017. As per terms of the contract, a delay penalty of ₹ 592.70 lakh was to be imposed on the contractor, however, an LD of ₹ 341.86 lakh has been imposed leaving a shortfall of ₹ 250.84 lakh.
21	Manesar	Construction of boundary wall, fencing around land Phase V, Manesar	Shiv Construction Company	137.95	158.64	10 March 2014	09 September 2014	Work in progress	39.81	934	13.79	0.00	13.79	Reasons for delay were not available on the record. Thus, delay penalty @ 2 *per cent* per week amounting to ₹ 13.79 lakh was recoverable from the contractor.
22	Manesar	Providing footpath alongwith kerbs and channels along roads Sector 8 Manesar	Narender Bhardwaj	297.26	289.05	03 March 2014	02 September 2014	30 April 2015	75.53	240	29.73	0.00	29.73	Since there was delay in completion of work, the contractor on 1 September 2014 sought time extension due to shortage of labour, ramps constructed by Industrial units, shortage of material and adverse family circumstances due to death of brother. The time extension was granted up to 2 December 2014. The contractor even could not complete the work

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
														within the extended schedule and on 1 December 2014 sought time extension on same reasons cited above, for which extension was earlier granted. The Company during 1 December 2014 to 20 March 2015 was time and again issuing letters to the contractor for the slow progress of work. The work was finally completed on 30 April 2015. Thereafter, the Company on 31 July 2015 approved second time extension up to 30 April 2015 without levy of penalty. Thus approving extension for the second time on the same reasons which were quoted by the contractor at time of applying extension first time on 1 September 2014 was unjustified. The Company was well aware that the delay was on the part of contractor. Thus undue favour of ₹ 29.73 lakh was given by non-recovery of delay penalty.
23	Rohtak	Designing, engineering, planning, procurement and construction of 3 MLD WTP at I.E. Rohtak	M/s Enviro Infra Engg. Pvt. Ltd.	1118.09	1092.05	04 March 2014	03 June 2015	Work in progress	469.45	667	109.20	86.39	22.81	The work could not be completed within scheduled period due to non-approval of drawings and non-alignment of DI pipes as intimated by the contractor on 1 October 2015. Later on time completion schedule was revised to 25 December 2015. However, the work could not be completed within extended period and the contractor sought further time extension up to 25 September 2016. Time extension is yet to be approved. The work is still in progress. As per terms of contract, delay penalty of ₹ 109.20 lakh was to be imposed, of which ₹ 86.39 lakh has been recovered/

Sl. No.	Field office	Name of work	Name of Agency	DNIT Amount (₹ in lakh)	Amount of WO (₹ in lakh)	Date of start of work	Scheduled date of completion of work	Actual date of completion	Value of work done upto scheduled date of completion (₹ in lakh)	Delay in work (in days)	Amount of LD leviable (₹ in lakh)	LD levied/ withheld (₹ in lakh)	Short recovery of LD (₹ in lakh)	Reasons for delay and action taken thereon
														withheld till date leaving a shortfall of ₹ 22.81 lakh.
24	Bawal	Construction of Roads in Phase-IV at IMT, Bawal	M/s Gawar Construction Company	2573.83	2371.52	20 September 2013	19 September 2014	17 March 2015	1409.40	179	257.38	0	257.38	The work was scheduled to be completed by 19 September 2014, but completed on 17 March 2015 after a delay of 179 days due to delay in handing over the site, non-availability of material, heavy rain and severe cold conditions as intimated by the contractor on 2 January 2015 *i.e.* after 105 days from the scheduled date of completion of work. The time extension without levy of delay penalty was granted by the Company.
			Total		**21681.89**						**1,934.06**	**586.28**	**1,347.78**	

Appendix 4

List of major defaulters at IMT Faridabad, as on 31 March 2017

(As referred to in paragraph 2.8.2.iv)

Sl No.	Name of Allottee	Plot No.	Sector	Default amount (in ₹)	Date of Regular Letter of Allotment
1	Enrich Plastic Private Limited	73	Sec-68	51,091,642	18 June 2013
2	Dhangesh Paints And Minerals	109	Sec-68	8,390,035	4 April 2014
3	Suresh Kumar, Prop of M/s S.G. Spring	147	Sec-68	10,051,223	23 August 2013
4	Priyanka Impex Private Limited	149	Sec-68	8,386,180	11 April 2014
5	Geeta Gupta Prop. Samtech Industries.	175	Sec-68	11,891,799	23 August 2013
6	Sun Autoelectric Private Limited	200	Sec-68	11,891,800	23 August 2013
7	Clips Poly Engineering	209	Sec-68	8,393,889	2 April 2014
8	Tasa Micro Special Purpose Machine Private Limited	211	Sec-68	10,488,998	23 August 2013
9	Ravinder Pal Singh prop. Star tools	268	Sec-68	10,231,064	23 August 2013
10	Amit Kumar Mittal prop. Jatin Industries	277	Sec-68	11,891,799	23 August 2013
11	Superior Products Industries	637	Sec-69	11,893,882	23 August 2013
12	Harinder Singh Saini	649	Sec-69	4,540,008	4 September 2013
13	Eppeltone Engineers Private Limited	693	Sec-69	11,891,799	23 August 2013
14	Rakesh Sharma	696	Sec-69	11,891,799	23 August 2013
15	Mega Forge Private Limited	725	Sec-69	21,871,748	18 June 2013
16	Uniline Energy Systems Private limited	733	Sec-69	21,864,921	18 June 2013
17	P-Tech Industries Limited	734	Sec-69	22,599,391	18 June 2013
18	M/s Sharp Coating Private Limited	735	Sec-69	21,864,921	18 June 2013
19	Dev Creation	778	Sec-69	21,864,921	18 June 2013
20	Rajhans Agro Chemical Industries Private Limited	817	Sec-69	11,684,059	2 April 2014
21	Shree Bhikshu Components Private Limited	827	Sec-69	11,933,003	18 June 2013
22	ABRO Technologies Private Limited.	903	Sec-69	12,330,445	18 June 2013
	Total			**328,939,326**	

Appendix 5

Analysis of delays

(Referred to in paragraph 3.16.2.b)

(₹ in lakh)

Sl. No.	Name of work	Name of Contractor	Stipulated date of completion	Actual date of completion	Period of delay on part of Company & Contractor	Reasons for Delay	LD that could be imposable (Rate of LD in *per cent)*	LD imposed/ recovered	LD not recovered
1	Construction of Admininstrative Block, Barracks and messes for Officers and NGO, Sulabh Toilets in Police line, Sunaria	M/s Rajesh Kumar Batra	07 August 2015	31 March 2016	Company (7 months)	Dismantling of old building of PHC, Suspended work of community centre, delayed receipt of drawings, Army stayed in the said building due to Jat aarakshan agitation.	80.31 (10)	Nil	80.31
2	Construction of 40 Type-V and 85 Type VI houses, Gurugaon	M/s Sanchit Credit & Construction Pvt. Ltd.	01 June 2010	31 August 2012	Company (27 months)	Delay in providing site, Enhancement of work.	85.08 (10)	Nil	85.08
3	Construction of OTI, MT Garage, Shopping complex, PHC, electrical substation, Palwal	M/s Vishal Construction Company	02 December 2014	15 November 2015	Company (11 months)	Change of height in the M.T. garage, revised gate drawing was received late, cold and wet weather in December and January, delayed submission of design and drawing of officer training institute by architect, Delayed finalization of flooring and granite details, delayed decision of outer finishing, continuous heavy rain, huge shortage of labour/ skilled man power due to number of festivals.	49.37 (10)	Nil	49.37
4	Construction of Administrative Block and training block and its extension, Sunaria	M/s Parveen Kumar	01 June 2011	15 March 2012	Company (9 months)	Priority was given to complete the armoury and multipurpose hall & residence work at Bahadurgarh, Delayed procurement of paint & door shutter, Unavailability of material because of shut down of mines, shortage of labour, increase of scope of work.	41.99 (10)	41.99/ 0.40	41.59

Sl. No.	Name of work	Name of Contractor	Stipulated date of completion	Actual date of completion	Period of delay on part of Company & Contractor	Reasons for Delay	LD that could be imposable (Rate of LD in *per cent)*	LD imposed/ recovered	LD not recovered
5	Construction of 12 No. Type I, 12 no. Type-IV, 4 No. Type V and one no. Type 8, Palwal	M/s Lakshit Construction Company	29 October 2013	30 September 2015	Company (15 months)	Late receipt of drawings, harvesting/ festival seasons leading to labour problems, change of location, enhanced/ additional work, rain/ hot weather, theft of material, ban on quarry, revised joinery plan, financial hardship, change of specifications.	Nil	Nil	Nil
					Contractor (8 months)	Hindrances by local people, theft of material, financial hardship, rainfall/ very hot weather, ban on quarry[1], labour problem	47.15 (10)	4.71/ 4.71	42.44
6	Extension of Academic block up to four storey, Sunaria	M/s Malik Construction Company	31 March 2011	31 December 2011	Contractor (8 months)	Due to slow progress of work	42.97 (10)	42.97/ 0.25	42.72
7	Construction of Administrative Block, Armoury Kot, Barracks and messes for Officers and NGO, Sulabh Toilets in Police line, Palwal	M/s Vij Contract Private Ltd.	12 September 2013	30 November 2014	Company (9 months)	Piecemeal issue of drawings, rain, late shifting of HT line, ban on quarry, labour shortage, earth filling not done by another agency	Nil	Nil	Nil
					Contractor (5 months)	Unexpected rain, Labour problem due to harvesting season.	82 (10)	Nil	82
8	Construction of cement concrete road, Palwal	M/s Approva Kriti Infrastructure Private Ltd.	28 February 2013	31 January 2014	Company (9 months)	Work of PCC & CC pending due to non completion water supply system, sewerage and storm water drainage scheme	Nil	Nil	Nil
					Contractor (2 months)	Unexpected/ heavy rain , Ground condition was more adverse	38.60 (10)	Nil	38.60
9	Construction of 96 no. Type-II houses, Palwal	M/s Lakshit Construction Company	26 August 2013	31 January 2016	Company (3 months)	festival season, mining ban, delay in joinery detail, delay of colour scheme, labour shortage	Nil	Nil	Nil
					Contractor (16 months)	low lying site, unseasonal rain/ high temperature, threat to labour by villagers, theft of material, financial problems, ban on quarry, festival season.	111.25 (10)	Nil	111.25

[1] As per order of the Hon'ble Supreme Court, the ban on mining in State of Haryana which started from March 2010 was lifted in October 2013.

Sl. No.	Name of work	Name of Contractor	Stipulated date of completion	Actual date of completion	Period of delay on part of Company & Contractor	Reasons for Delay	LD that could be imposable (Rate of LD in *per cent)*	LD imposed/ recovered	LD not recovered
10	Construction of 24 No. Type-III house, Palwal	M/s Lakshit Construction Company	26 January 2013	30 August 2013	Company (2 months)	Increase in scope of work , non reaching of water at site, theft, labour left the site due to holi/ harvesting season	Nil	Nil	Nil
					Contractor (5 months)	Unseasonal rain and low lying area, villagers' threat to labourers, theft of material at site, uncompleted work related to pane, aluminium fittings and cleaning of floors.	32.73 (10)	Nil	32.73
Total							**611.45**	**89.67/ 5.36**	**606.09**

Appendix 6

List of PSCs selected

(Referred to in Paragraph 3.17.2)

Sl. No.	Name of Company
1.	Haryana Agro Industries Corporation Limited (HAIC)
2.	Haryana Land Reclamation and Development Corporation Limited (HLRDC)
3.	Haryana Seeds Development Corporation Limited (HSDC)
4.	Haryana Forest Development Corporation Limited (HFDC)
5.	Haryana Scheduled Castes Finance and Development Corporation Limited (HSCFDC)
6.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (HBCKN)
7	Haryana Women Development Corporation Limited (HWDC)
8.	Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC)
9.	Haryana Police Housing Corporation Limited (HPHC)
10.	Haryana State Roads and Bridges Development Corporation Limited (HSRDC)
11.	Haryana Roadways Engineering Corporation Limited (HREC)
12.	Haryana Tourism Corporation Limited (HTC)
13.	Haryana State Electronics Development Corporation Limited (HARTRON)

Appendix 7

Position of Board of Directors' Meeting

(Referred to in Paragraph 3.17.3.3)

Sl. No.	Name of Company	2014-15	2015-16	2016-17
1.	HLRDC	3	5	3
2.	HSDC	4	4	5
3.	HSRDC	4	4	4
4.	HFDC	3	5	3
5.	HAIC	4	4	4
6.	HTC	4	5	4
7.	HPHC	5	4	4
8.	HARTRON	4	3	6
9.	HWDC	2	3	4
10.	HBCKN	2	3	2
11.	HSCFDC	1	1	2
12.	HSIIDC	4	4	6
13.	HREC	3	4	5

Glossary

Glossary of Abbreviations	
ADC	Additional Deputy Commissioner
ARR	Aggregate Revenue Requirement
AT&C	Aggregate Technical & Commercial
ATN	Action Taken Notes
B&R	Building & Roads
BG	Bank Guarantee
BoDs	Board of Directors
BSE	Bombay Stock Exchange
CC	Cash Credit
CEA	Central Electricity Authority
CMR	Custom Milled Rice
CMRI	Common Meter Reading Instrument
COPU	Committee on Public Undertakings
CSR	Corporate Social Responsibility
CST	Central Sales Tax
CT	Current Transformer
DCRTPP	Deenbandhu Chhotu Ram Thermal Power Plant
DGS&D	Director General Supplies and Disposal
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
DISCOMs	Distribution Companies
DNIT	Detailed Notice Inviting Tender
EMP	Estate Management Procedure
EPC	Engineering Procurement and Construction
EPF	Employees Provident Funds
EPF & MP	Employees Provident Funds and Miscellaneous Provisions
EPFO	Employees Provident Fund Organization
FCI	Food Corporation of India
FIR	First Information Report
FSCs	Farmer Service Centres
GDP	Gross Domestic Product
GM	General Manager
GoI	Government of India
HAFED	Haryana State Co-operative Supply and Marketing Federation Limited
HAIC	Haryana Agro Industries Corporation Limited
HARTRON	Haryana State Electronics Development Corporation Limited
HBCKN	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited
HERC	Haryana Electricity Regulatory Commission
HFC	Haryana Financial Corporation
HFDC	Haryana Forest Development Corporation Limited
HLRDC	Haryana Land Reclamation and Development Corporation Limited
HO	Head Office

Glossary of Abbreviations	
HPGCL	Haryana Power Generation Corporation Limited
HPPC	Haryana Power Purchase Centre
HPSEBL	Himachal Pradesh State Electricity Board Limited
HREC	Haryana Roadways Engineering Corporation Limited
HSCFDC	Haryana Scheduled Castes Finance & Development Corporation Limited
HSR	Haryana Schedule of Rates
HSWC	Haryana State Warehousing Corporation
HT	High Tension
HUDCO	Housing and Urban Development Corporation Limited
HWDC	Haryana Women Development Corporation Limited
IEs	Industrial Estates
IMT	Industrial Model Township
KMP	Kundli Manesar Palwal
KMS	Kharif Marketing Season
kV	Kilo Volt
kWh	Kilo Watt Hour
LA	Land Acquisition
LACs	Land Acquisition Collectors
LAO	Land Acquisition Officer
LD	Liquidated Damages
LT	Low Tension
M&P	Metering & Protection
MD	Managing Director
MGJG	Mhara Gaon Jagmag Gaon
MIS	Management Information System
MMPB	Metallic Meter Pillar Box
MoC	Ministry of Coal
MoP	Ministry of Power
MPBS	Meter Pillar Box Scheme
MSME	Small and Medium Enterprises
MT	Metric Tonne
MTL	Medium Term Loan
MU	Mega Unit
MW	Mega Watt
NCR	National Capital Region
NIT	Notice Inviting Tender
NRC	Non Review Certificate
OC	Occupation Certificate
OEM	Original Equipment Manufacturer
OP	Operation

Glossary of Abbreviations	
PA	Performance Audit
PCA	Permissible Covered Area
PD	Police Department
PD&C	Planning, Design and Construction
PSCs	Public Sector Companies
PSPCL	Punjab State Power Corporation Limited
PSUs	Public Sector Undertakings
PTPS	Panipat Thermal Power Station
PWD	Public Works Department
R & R	Rehabilitation and Resettlement
REC	Rural Electrification Corporation
RECs	Renewable Energy Certificates
RGTPP	Rajiv Gandhi Thermal Power Plant
RLA	Regular Letter of Allotment
RPO	Renewable Purchase Obligations
SBI	State Bank of India
SCPP	Steering Committee for Power Planning
SEs	Superintending Engineers
SEZ	Special Economic Zone
SLDC	State Load Despatch Centre
SOPs	Standard Operating Procedures
SQM	Square Metre
STL	Short Term Loan
TAC	Tender Allotment Committee
TPSs	Thermal Power Stations
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
WCL	Western Coalfields Limited
WO	Work Order
WTDs	Whole Time Directors