REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA 1974

A.I.I.

178

77

77

34

REPORT

NIL

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

UNION GOVERNMENT (COMMERCIAL)

1974

PART IV

INDIVIDUAL POINTS OF INTEREST AND A RESUME OF THE COMPANY AUDITORS' REPORTS

TABLE OF CONTENTS

PREFATORY REMARKS

A reference is invited to the prefatory remarks in Part I of the Report of the Comptroller and Auditor General of India, Union Government (Commercial), 1974 regarding selection of certain undertakings for appraisal by the Audit Board under the supervision and control of the Comptroller and Auditor General of India and the decision to present the Report in a number of parts.

2. This part contains individual points of interest noticed in the undertakings not taken up for comprehensive appraisal by the Audit Board and includes a resume of the Reports of the Company Auditors submitted by them under the directives issued by the Comptroller and Auditor General of India.

I. INDIVIDUAL POINTS OF INTEREST

HINDUSTAN ORGANIC CHEMICALS LIMITED

1. *A Hydrogen Gas Plant*

The annual requirement of hydrogen gas for the aniline plant of Hindustan Organic Chemicals Limited was estimated to be 475 tonnes of 98.5 per cent purity. A project report prepared in November 1966, recommended setting up of a hydrogen plant with a rated production capacity of 2 tonnes of hydrogen per day at an estimated capital cost of Rs. 70.53 lakhs. Order for supply of a plant producing hydrogen gas of a minimum purity of 98.5 per cent was placed on a Government Company in February 1968. The designed capacity of the plant ordered was 660 tonnes per annum (2 tonnes per day for 330 days) and capacity attainable, on the basis of 300 operating days in a year of the aniline plant, was 600 tonnes per annum. The plant was commissioned in January 1972 at a cost of Rs. 90.13 lakhs.

The start-up operations of the hydrogen plant require a certain quantity of hydrogen gas which could be supplied either from the hydrogen plant itself by means of a small compressor or from outside sources. The project report did not mention how the requirement of hydrogen for start-up operations was to be met. With a view to buying hydrogen in own cylinders for the purpose of start-up operations of the plant, the Company placed an order in June 1970 on a firm of U.S.A. for supply of 35 cylinders each having a length of 32 feet. It was subsequently realised that facilities for handling and filling cylinders of such length were not available in India. After obtaining approval of Government, the order was, therefore, substituted in July 1971 for 335 cylinders each having a length of 4-1/2 feet. On account of cancellation of U.S. aid and consequent reordering of the cylinders on a firm of U.K., the cylinders arrived in May 1974. Action to procure a small compressor required for starting up the plant with hydrogen gas produced in the plant itself was initiated in March 1973 and an order for the same was placed in October 1973. The compressor purchased at a cost of Rs. 47,287 was received and installed in May 1974. In the absence of a compressor, the Company had to purchase hydrogen gas for start-up operations during the period January 1972 to April 1974 at a total cost of Rs. 1.27 lakhs. With installation of the small compressor for using the Company's own hydrogen gas for start-up operations all the 335 cylinders imported at the cost of Rs. 3.08 lakhs have been lying idle since their receipt in May 1974.

The question of disposal of hydrogen gas produced in excess of requirements was neither considered in the project report, nor was thought of at the time of placing orders for the hydrogen plant in February 1968. For selling surplus gas in the open market, it has to be filled into cylinders by means of a high pressure compressor. As early as in January 1970, the Company had visualised that, on commissioning of the hydrogen plant, 125 tonnes of surplus hydrogen would be available for sale. Soon after commissioning of the plant in January 1972, it became known to the Company that the plant could be worked to the full capacity and was also capable of producing hydrogen gas of marketable quality (99.5 per cent purity). However, only in September 1974 the Company placed orders on an Indian firm for a high pressure compressor required for filling of gas into cylinders. The Company stated in January 1975 that on receipt of the high pressure compressor, the imported cylinders already available would be used for marketing the surplus hydrogen gas. The high pressure compressor is scheduled to be delivered in April 1976. Explaining the reasons for not providing for the facilities for filling the hydrogen gas while planning acquisition of the hydrogen plant, the Ministry of Petroleum and Chemicals, *inter alia*, stated (November 1974) as under :—

> "........hydrogen was required principally for production of aniline for which a purity of 98.5% would suffice, whereas for sale for other purposes, a higher purity of 99.5% would be required. The plant was, therefore, designed to produce hydrogen with a purity of 98.5%. However, when the plant was actually commissioned, it was noticed that it was capable of producing gas of a higher purity *i.e.* 99.5%, as against the one of lower purity, *viz.* 98.5% required for production of aniline. HOC could not, therefore, anticipate that hydrogen of quality suitable for sale would be available; the extent of availability, if any, could not also be determined".

In the absence of facilities for filling the surplus gas, production of hydrogen gas has to be restricted to a level below the attainable capacity just to meet the requirement of the aniline plant. As against the attainable production of 1390 tonnes of hydrogen (based on the capacity of 600 tonnes per annum) during the period January 1972 to April 1974, the Company produced only 664 tonnes, of which 546 tonnes were used in the aniline plant and the balance 118 tonnes was vented in the air. The gas vented out (118 tonnes) was stated to be of inferior quality.

According to the cost data worked out by the Company for the year 1974-75, the cost of producing 475 tonnes of hydrogen gas required for its aniline plant works out to Rs. 73.54 lakhs and the cost of attainable production of 600 tonnes in the year works out to Rs. 88.17 lakhs. On this basis the incremental cost of production of 125 tonnes in excess of the requirement of the aniline plant comes to Rs. 14.63 lakhs. The sale proceeds of 125 tonnes of surplus hydrogen at the open market rate of Rs. 69,440 per tonne ruling towards the end of March 1975 would have been Rs. 86.80 lakhs. Calculated on this basis, the profit on sale of 125 tonnes of hydrogen would be Rs. 72.17 lakhs per annum. In other words, if 600 tonnes of hydrogen per annum were produced and 125 tonnes therefrom were sold in the market, the Company would have recovered 98 per cent of the cost of production of hydrogen, thus rendering the supply of this gas to the aniline plant almost free. Had the Company taken action to procure a high pressure compressor at least in July 1972 after watching the performance of the plant for the first six months, the compressor could have been procured by the end of 1973 (allowing a delivery period of 18 months) and the sale of surplus hydrogen could have been started at least from January 1974. The loss of profit for failure to sell the surplus gas during the period from January 1974 to April 1976 when the high pressure compressor is expected to be received, would amount to Rs. 168.40 lakhs at the rate of Rs. 72.17 lakhs per annum.

In this connection, the Ministry stated (November 1974) as follows :—

> "On the assumption that the entire quantity of hydrogen which is surplus could be sold, there would have been an additional realisation to the Company. The loss on this account could however be regarded as hypothetical since it cannot be said with certainty that the entire quantity of surplus hydrogen would have found a ready market".

It may be mentioned that according to the feasibility study made by the Company after market survey in 1971, 125 tonnes of surplus hydrogen could be sold. It would not be correct to assume that the entire loss is hypothetical.

INDIAN OIL CORPORATION LIMITED

2. *Scheme for Gratuity and Amendment of the Provident Fund Rules*

In April 1965, the Government of India suggested the introduction of a gratuity scheme and adoption of a uniform rate of 8% for contribution to the Contributory Provident Fund by all the public sector undertakings.

The Refineries and Pipelines Division and the Marketing Division of the Corporation had separate set of Provident Fund Rules. These provided for a rate of contribution of 8-1/3% to the provident fund by the employees as well as the employers. While the Refineries and Pipelines Division implemented the above proposal from 1-6-1967 in respect of staff and from 1-12-1967 in respect of officers, the Marketing Division could implement the scheme in respect of staff from 1-7-1966 but without securing reduction in the rate of contribution and from 1-4-1968 in respect of officers with the reduced rate of contribution.

The reduction in the rate of provident fund contribution required an amendment to the Provident Fund Rules with the prior approval of the Central Provident Fund Commissioner. While the Refineries and Pipelines Division had obtained the prior approval of the Central Provident Fund Commissioner, this was not done by the Marketing Division. The request made by the latter in August 1968 for according *ex post facto* approval, was turned down by the Central Provident Fund Commissioner in September 1970. The question of according approval was also discussed by the officers of the Corporation with the Central Provident Fund Commissioner in October 1971. The latter expressed the view that, as both the officers and staff were members of the same provident fund, the redutcion in the rate of provident fund contribution in the case of officers only was discriminatory. A similar view had been expressed by the Regional Provident Fund Commissioner, earlier in December 1968.

In view of above and in order to bring about uniformity in the Provident Fund Rules of both the Divisions, the Corporation decided in September 1972 to restore the rate of contribution to 8-1/3% with restrospective effect in the Marketing as well as the Refineries and Pipelines Divisions. According to the legal opinion obtained by the Marketing Division in October 1972 it was obligatory on the Corporation to bear the incidence of arrears on account of difference between the rate of 8% and 8-1/3%. A sum of Rs. 2.97 lakhs, representing employee's contribution at the rate of 1/3 per cent for the period from 1-4-1968 to 30-9-1972 and interest thereon, (in addition to employer's contribution of equal amount) was credited to the Contributory Provident Fund of the officers of the Marketing Division in March 1973. So far as the Refineries and Pipelines Division was concerned, although it was felt that there was no legal obligation to make similar payment, the Corporation decided (August 1974) for the sake of equity to bear the arrears in respect of employees as well as employer's contribution (without payment of any interest in either case) and to treat this as an *ex gratia* payment. This involved a payment of Rs. 6.18 lakhs on account of employees contribution (in addition to employer's contribution of an equal amount).

The Corporation has not thus been able to implement the scheme of securing a uniform rate of 8% for contribution to the Contributory Provident Fund and had to pay as contribution Rs 9.15 lakhs representing employees share.

The Management stated (August 1974) that "the Marketing Division was under the belief that the Regional Provident Fund Commissioner would accord his approval of the amendment because the Provident Fund rate was reduced under the Government's directive".

The Ministry has stated (April 1975) that "all efforts were made by Indian Oil Corporation to get the Provident Fund Rules suitably amended" and that "the delay in restoring the rate to the original rate of contribution *viz.* 8-1/3% was due to the matter being under correspondence between Indian Oil Corporation and the Central Provident Fund Commissioner on the one hand and between Indian Oil Corporation and the Government on the other, which was unavoidable."

3. *Delay in the opening of Letter of Credit*

On 26th April, 1974 the Corporation received intimation from the Master of the vessel 'Vivekanand' (a vessel belonging to the Shipping Corporation of India Limited and on long time-charter with the Indian Oil Corporation Limited) that the vessel had sailed from Haldia on that date and was expected to arrive at Khor-al-amaya on 5th May, 1974. The Master also asked for instructions regarding next itinerary of the vessel, in response to which the Corporation advised him on 29th April, 1974 that the first loading port would be Ras Tanura in Persian Gulf for loading 20,000/25,000 tonnes of furnace oil and the second loading port would be Khor-al-amaya for loading of Basrah crude. The import of furnace oil from Ras Tanura was against the additional import licence received by the Corporation on 26th April, 1974.

Although action to open the letter of credit was initiated on 27th April, 1974, the bank was finally advised to open the letter of credit on 7th May, 1974. The advice for the letter of credit was delivered by the bank to the supplier on 9th May, 1974.

The vessel arrived at the port of loading on 5th May, 1974 at 0200 hours. The supplier did not, however, commence delivery of the crude till 0200 hours on 10th May, 1974 owing to non-receipt of advice relating to the opening of letter of credit. As a result, the charter hire of Rs. 4.73 lakhs on account of avoidable detention of the vessel for 5 days proved unproductive.

The Management have stated (January 1975) that the delay in opening the letter of credit occurred on account of time taken by the Accounts and Sales Departments in finalising the terms and conditions of the letter of credit and also the intervening holidays. In this connection, the Ministry have stated (April 1975) as follows :—

> "........IOC has........stated that this is a solitary case where the Corporation has suffered a loss because of the delay in the opening of the letter of credit. They are also taking remedial measures to ensure that such instances do not recur in future. However, it is felt by Government that in this case the delay could perhaps have been avoided if, instead of the papers being routed through normal channel, the matter had been expedited through personal discussion etc. IOC is being asked to direct all concerned to be careful and avoid such delays in future."

4. *Detention of a Tanker*

On 31st December, 1973, the Bombay Port Trust informed the Shipping Corporation of India Limited that the former had no objection to berth tanker 'm.t. Netaji Subhas Bose' subject to the condition that the tanker was dead freighted upto a maximum displacement of 70,000 tonnes. It was also clarified by the Port Trust that this arrangement was on trial basis for a period of 6 months. The Shipping Corporation in its letter of 12th January, 1974 addressed to the Bombay Port Trust and copy endorsed to the Indian Oil Corporation, however, referred to this arrangement being applicable to 'm.t. Netaji Subhas Bose' or her sister vessel.

Based on the above communication, the Indian Oil Corporation Limited nominated tanker 'm.t. Vivekanand' (a tanker identical with 'm.t. Netaji Subhas Bose'), owned by the Shipping Corporation of India Limited and on long time-charter with the Indian Oil Corporation Limited, for loading about 50,000 tonnes of crude at Khor-al-amaya (Persian Gulf) for discharge at Bombay.

'M. t. Vivekanand' arrived at Bombay Port on 2nd March, 1974. The Bombay Port Trust declined to handle 'm.t. Vivekanand' on the ground that the Port was not equipped to handle a tanker of that size. The Port Trust also sent on 1st March, 1974 a reply to the Shipping Corporation's letter of 12th January, 1974 wherein it was clarified that the former had agreed to berth 'm.t. Netaji Subhas Bose' only on trial basis and not its sister vessel.

Having failed to persuade the Bombay Port Trust to handle 'm.t. Vivekanand,' the Indian Oil Corporation took up, on 4th March, 1974, the matter with the Shipping Corporation, the Ministry of Petroleum and Chemicals and the Ministry of Shipping and Transport. As the Bombay Port Trust did not agree to handle the tanker at Bombay port, the Ministry of Petroleum and Chemicals, in consultation with the Ministry of Shi, ping and Transport and the Madras Refineries Limited, decided on 14th March, 1974 to divert the tanker to Madras Port.

For the detention of 'm.t. Vivekanand' at Bombay Port for 12 days, the Indian Oil Coproration had to pay charter hire amounting to Rs. 11.34 lakhs to the Shipping Corporation.

In regard to the time taken in deciding the diversion of the tanker, the Ministry of Petroleum and Chemicals stated (May 1975) as follows :—

"This decision could not have been taken earlier as apart from efforts made to persuade the Bombay Port Trust to accommodate the tanker at Bombay itself, the diversion of the tanker involved its acceptance by Madras Refineries Limited, with whom the matter had to be taken up".

As regards the inability of the Port Trust to handle 'm.t. Vivekanand,' the Ministry of Shipping and Transport have clarified (October 1975) as follows :—

(*i*) "It is unfortunate that there was a mis-understanding of the BPT's position by the officer of the Shipping Corporation of India".

(*ii*) The Port Trust had not agreed to the handling of the 'm.t. Vivekanand'.

(*iii*) Despite the fact that the Port Trust had agreed to try the experiment on one tanker, it did not want to extend the experiment further before it was fully proved on one ship.

5. *Delay in acceptance of an offer*

In response to global quotations invited on 10th November, 1972 for supply of Light Diesel Oil to be made in 1973, the Company received an offer from firm 'C' on 21st November, 1972 at $ 27.12 per tonne C & F Calcutta, the offer being valid upto 30th November, 1972. Two other firms 'A' and 'B' had already quoted the rates of $ 21.95 per tonne F.O.B. (equivalent to $ 24.04 C & F Kandla) valid upto 18th November, 1972 and $ 22.93 per tonne C & F Kandla valid upto 25th November, 1972 respectively, on 9th November, 1972 in the course of discussions held by them with the Managing Director of the Company.

On 21st November, 1972, the Company asked firm 'B' (whose quotations was the lowest) to allow its offer of $ 22.93 per tonne made on 9th November, 1972 to remain valid upto

30th November, 1972. The latter, however, stated in reply that this offer could not be kept open any longer due to changed circumstances and also made a fresh offer at $ 23.50 per tonne C & F Kandla valid upto 30th November, 1972. Subsequently, on 22nd November, 1972, the firm agreed to keep its offer of $ 22.93 per tonne open upto 25th November, 1972.

While, on 24th November, 1972, the Company made a counter-offer of $ 22.15 per tonne C & F Kandla to firm 'B' which was declined by the latter on the same day, on 25th November, 1972 it communicated the acceptance of firm's initial offer of $ 22.93 per tonne. The firm did not,however, accept the order on the plea that, in view of the counter-offer made by the Company, its offer of $ 22.93 per tonne was no longer valid.

After having failed to persuade firm 'B' to supply oil at $ 22.93 per tonne, the Company agreed on 6th December, 1972 to the supply being made at the higher rate of $ 23.50 per tonne, resulting in an additional expenditure of Rs. 3.37 lakhs on a quantity of 75,677 tonnes of oil actually supplied under the contract.

The Ministry, while accepting the facts of the case, have stated (August 1975) that, according to the Company, in day to day commercial business, counter-offers are made with a view to obtain better prices. While this may be so, the reasons for non-acceptance of the initial offer of firm 'B' in the face of shortage of middle distillates and upward trend of prices, have not been clarified.

6. *Recovery from freight surcharge pool*

Railway siding charges incurred at installations in Bombay form part of main installation charges included in the price build-up. Therefore, in accordance with the orders of the Government of India, Railway siding charges incurred at Bombay are not recoverable as a separate item over and above the main installation charges. However, in respect of out-of-zone movements from Bombay installations, such charges have been recovered by the Corporation by debit to 'Freight Surcharge Pool' in addition to the recovery through price build-up. The total amount so recovered from 1-6-1970 (when Freight Surcharge Pool was constituted) to March 1975 amounted to Rs. 36.24 lakhs.

The Management stated (February 1975) as follows :—

"Though there is no specific provision in the F.S.P. Scheme which permits a company to claim BPT Siding charges,................................we are treating the same as part of our transportation cost and recovering from Freight Surcharge Pool for out-of-zone movements. We are of opinion that these charges are claimable from FSP Scheme.

...........our claims from FSP for the period April 1972 to March 1973 are under examination of the Assistant Director, FSP Cell and in the event this particular claim is disallowed by him, we shall correspondingly credit FSP Account".

The matter was brought to the notice of the Ministry of Petroleum and Chemicals in May 1975 and their reply is awaited (December 1975).

LUBRIZOL INDIA LIMITED

7. *Irregular Payment of Leave travel Assistance*

On 26th August, 1972, the Management submitted a proposal to the Board of Directors for amending the Leave Travel Assistance Rules of the Company providing for payment of leave travel assistance equal to two months' salary or Rs. 2,500, whichever was lower, to employees visiting their home districts, without reference to the actual expenditure and without production of bills, vouchers, etc.

When the draft minutes signifying acceptance to the above proposal were circulated on 1st September, 1972 for confirmation, one of the Directors, in a communication dated 15th September, 1972 addressed to the Chairman of the Company, expressed his inability to confirm the minutes on the grounds stated below:—

(*a*) According to him, the assistance was to be restricted to the actual expenditure on travelling, subject to the ceiling of 2 monhts' salary or Rs. 2,500, whichever is less.

(*b*) In case, any liberalisation of rules was intended, it would require Government's prior approval.

On 25th November, 1972, the Board, after considering the above views, decided to keep the proposal alive and, in the meantime, asked the Management to obtain more data from the

Cochin Refineries Limited (another Government Company) which was reported to have implemented a similar scheme. Meanwhile, the Management continued to make payments to its employees on the basis of the proposed amendment to the Rules.

The matter was finally considered by the Board on 6th February, 1973 and the following decisions were taken:—

(*a*) The Board decided to drop the proposed amendment and directed the Management to revert to the scheme already approved.

(*b*) The Board approved and ratified temporary and limited relaxation of the Leave Travel Assistance Rules, as a special case, in respect of the payments already made for the block of two calendar years 1971 and 1972.

Out of the total amount of Rs. 70,918 paid to 61 employees, payments aggregating Rs. 4,549 were made in April 1972 (*i.e.* before placing of the proposed amendment before the Board) and the balance amount of Rs. 66,369 was disbursed after the objection was raised by the Director. On the basis of the approved Rules, the amount admissible to the employees would have been Rs. 15,000 approximately. The Company, thus, incurred an extra expenditure of Rs. 55,918, out of which an amount of Rs. 2,500 paid to the then Managing Director in April 1972 was adjusted against dues payable to him.

The Management stated (September 1974) that in the Board's meeting held on 26th August, 1972 "the proposal made by the Management was generally approved and the Management was under the impression that it would not be very much out of the way to make payments".

The Management have further stated (November 1975) that no reference was ultimately made to obtain more data on the similar scheme reported to have been implemented by the Cochin Refineries, as the relaxation was proposed to be restricted only to the block of two calendar years (1971 and 1972) It may be mentioned, in this connection, that the L.T.C. Rules of the Cochin Refineries do not provide for payment of two months' salary as leave travel assistance without regard to the actual expenditure, as was reported by the Management of the Lubrizol to their Board.

HEAVY ENGINEERING CORPORATION LIMITED

8. *Loss on turn-key Job*

In April 1967, the Company entered into a turn-key contract with the Fertilizer Corporation of India Limited for the manufacture, supply and erection of a Horton Sphere at Cochin (Subsequently diverted to Barauni) at a negotiated price of Rs. 11.38 lakhs (against its own estimated cost of Rs. 11.52 lakhs). The entire work was to be completed and delivered by December 1969.

The plates and segments of Horton Sphere were manufactured and despatched to site in knocked down condition during September 1969 to August 1970, while the top bottom discs were received at site in September 1973. The erection at site was taken up in January 1970, initially through contractors but later on departmentally, and was completed in February 1974 *i.e.* after a delay of more than 4 years. The request of the Company (made in March 1974) for extension of time for the completion of work is stated to be under consideration of Fertiliser Corporation of India Limited (July 1975).

As the actual cost of manufacture and erection of Horton Sphere amounted to Rs. 19.58 lakhs (excluding the contractors' claims, if any, not yet ascertained and settled), the company suffered a loss of Rs. 8.20 lakhs. The increase in cost of the work was attributed by the Management (January 1975) to the following main reasons:—

(*a*) The fabrication and supply of Horton Sphere was initally estimated to cost Rs. 8.23 lakhs at the rate of Rs. 3,500 per tonne based on the cost of materials and labour prevailing in 1966-67. Due to delay in completion, the actual cost worked out to Rs. 10.36 lakhs *i. e.* Rs. 4,016 per tonne on account of increase in the price of various tiems.

(*b*) The weight of fabricated material which was estimated at 235 tonnes on the basis of preliminary designs worked out to 258 tonnes when the drawings were finalised after settlement of price.

(c) The cost of erection was estimated at Rs. 0.94 lakh at the rate of Rs. 400 per tonne which was the prevailing rate for ordinary structural steel erection. It proved unrealistic for this type of sophisticated work involving 100% X-ray welding under inspection of Lloyds Surveyor. The actual cost worked out to Rs. 6.14 lakhs. This was partly attributable to increased cost of labour and material on account of prolongation of work.

The delay in completion of the work was attributed by the Ministry (March 1975) to the following factors:—

(*i*) The work was of a special sophisticated type taken up in the country for the first time. The Company, therefore, had to evolve original procedures for design and fabrication. This took considerable time.

(*ii*) To ensure requisite quality of erection, complete trial assembly had to be made in the Heavy Machine Building Plant of the Company and then the Horton Sphere was despatched in knocked-down condition to site.

(*iii*) On account of constant labour trouble at Barauni and technical restrictions regarding method of welding which had to be done only by tested welders as certified by M/s. Lloyds, the work could not be completed earlier. The work also had to be done in accordance with a specified sequence and with special precautions not required for ordinary steel work welding.

(*iv*) During rainy season, the work had to be suspended as welding was not permissible. Frequent change of contractors due to labour troubles and difficulties faced by the Company in arranging crane facilities also led to delay.

The above factors leading to delay in completion and increase in cost, except the labour trouble, were either within the knowledge of the company or could have been foreseen at the time of concluding the contract.

The escalation for wages admissible under the contract has not been claimed by the Company so far (July 1975) as this has not been ascertained.

9. *Delay in Payment of Electricity Bills*

The Company gets electricity from the Bihar State Electricity Board through a 132 K.V. line etseblished in 1964. No formal agreement has, however, been entered into with the Electricity Board.

On account of delay in payment of electricity bills, the Company had to pay nearly Rs. 4 lakhs as 'delayed payment surcharge' as detailed below:—

	Delayed payment surcharge
	Rs.
1. Supplementary electricity bills for March 1968 to August 1970 due to revision of tariff . .	2,32,662
2. Electricity bills for September and October 1970, May 1971, April and May 1973 and March 1974	1,20,635
3. Supplementary fuel surcharge bills for April 1969 to April 1974	37,770
4. Part payments in respect of some energy bills	8,590
TOTAL	3,99,657

In September 1974, the Management stated that the supplementary electricity bills for the period up to August 1970 and the monthly electricity bills for September 1970 and October 1970, and fuel surcharge bill for April 1969 to October 1970 could not be paid in time as the matter regarding unilateral claim at higher rates had been taken up with the Electricity Board. It was also stated that the delay in payment of other bills was caused by lack of funds and that there was a saving of interest between 9 per cent and 11 per cent on account of delay in payment of these bills.

In this connection, the following points are relevant:—

(*i*) The Company had been requesting the Bihar State Electricity Board since 1966 for allowing a concessional tariff, but this was not agreed to by the Electricity Board. It was known to the Company that any delay in payment would attract 'delayed payment surcharge'.

(*ii*) The increase in tariff was notified by the Electricity Board in March 1968, but the matter was taken up by the Company only in January 1969.

(*iii*) To meet its working capital requirements, the Company was having cash credit arrangements with the State Bank of India on which it was paying interest at the rate of 9 per cent to 11 per cent . If the electricity bills had been paid in time by resorting to further borrowings, a net saving of about Rs. 2.33 lakhs (representing the difference between the 'delayed payment surcharge' paid at the rate of 2 per cent per mensum and the interest that would have been paid on the borrowed funds) could have been effected out of Rs. 4.00 lakhs paid as 'delayed payment surcharge'.

II. REPORT OF THE COMPANY AUDITORS UNDER THE DIRECTIVES ISSUED BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

In pursuance of the directives issued by the Comptroller and Auditor General of India, the special reports of the Company Auditors on the accounts for the year 1972-73 have been received in the case of 88 Companies and 9 Subsidiary Companies. The important points contained in these reports are given in the succeeding paragraphs.

SYSTEM OF ACCOUNTS AND BOOK-KEEPING

1(A) There was no manual laying down the detailed procedure for compilation and maintenance of accounts in the following Companies :

(*i*) Indo-Burma Petroleum Company Limited.

(*ii*) Sambhar Salts Limited.

(*iii*) Hindustan Paper Corporation Limited.

(*iv*) Hindustan Salts Limited.

(*v*) Indian Motion Pictures Export Corporation Limited.

(*vi*) Indian Rare Earths Limited.

(*vii*) Hindustan Zinc Limited.

(*viii*) Indian Drugs and Pharmaceuticals Limited (Synthetic Drugs Plant and Marketing Division).

(*ix*) Projects and Equipment Corporation of India Limited.

(*x*) India Tourism Development Corporation Limited (Akbar Hotel).

(*xi*) Hindustan Steel Limited (Central Coal Washeries Organisation).

(*xii*) Hindustan Steelworks Construction Limited.

(*xiii*) Bharat Dynamics Limited.

(*xiv*) Electronics Corporation of India Limited.

(*xv*) Tungabhadra Steel Products Limited.

(*xvi*) Engineering Projects (India) Limited.

(*xvii*) Hindustan Antibiotics Limited.

(*xviii*) Indian Petrochemicals Corporation Limited.

(*xix*) Machine Tool Corporation of India Limited.

(*xx*) Mining and Allied Machinery Corporation Limited.

(*xxi*) Rehabilitation Industries Corporation Limited.

(*xxii*) State Farms Corporation of India Limited.

(*xxiii*) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant and Foundry Forge Plant).

(*xxiv*) Hindustan Latex Limited.

(*xxv*) Manganese Ore (India) Limited (Head Office).

(*xxvi*) Central Fisheries Corporation Limited.

(*xxvii*) Uranium Corporation of India Limited.

(*xxviii*) Cotton Corporation of India Limited.

(*xxix*) National Textile Corporation Limited.

(AA) In Bombay Branch of National Small Industries Corporation Limited the accounting manual was not adhered to.

(B) In the following Companies accounting manual had not been up-dated :

(*i*) State Trading Corporation of India Limited (Head Office).

(*ii*) Hindustan Cables Limited.

(*iii*) Cochin Refineries Limited.

(*iv*) National Coal Development Corporation Limited.

(C) Property/Plant/Assets Registers were not maintained by the following Companies :

(*i*) Goa Shipyard Limited (for assets acquired prior to April 1962 and for land).

(*ii*) State Trading Corporation of India Limited (foreign offices).

(*iii*) Projects and Equipment Corporation of India Limited.

(*iv*) India Tourism Development Corporation Limited (Akbar Hotel and Aurangabad Hotel).

(*v*) Engineering Projects (India) Limited.

(*vi*) National Newsprint and Paper Mills Limited (for workshop machinery, civil works, furniture, fixtures and equipment).

(*vii*) State Farms Corporation of India Limited (Jharsuguda, Kakilabari, Khamam and Head Office). Registers maintained at other units were incomplete.

(*viii*) Heavy Engineering Corporation Limited (Foundry Forge Plant, Headquarters and Township).

(*ix*) Indian Dairy Corporation.

(CC) In India Tourism Development Corporation Limited (Travellers Lodges), no detailed inventory of assets was maintained.

(D) In the following Companies property/plant/assets registers were not maintained properly/were incomplete/were not up to date :

(*i*) Sambhar Salts Limited.

(*ii*) Indian Motion Pictures Export Corporation Limited.

(*iii*) Electronics Corporation of India Limited (in certain cases).

(*iv*) Modern Bakeries (India) Limited (Delhi and Kanpur units).

(*v*) India Tourism Development Corporation Limited (Ashoka Hotel and Headquarters).

(*vi*) Hindustan Steel Limited (Central Coal Washeries Organisation, Bhilai Steel Plant and Head Office).

(*vii*) Fertilisers and Chemicals, Travancore Limited (Udyogmandal and Cochin Division).

(*viii*) Central Road Transport Corporation Limited (except for vehicles).

(*ix*) Indian Oil Corporation Limited (Marketing Division—Eastern Branch).

(*x*) Lubrizol India Limited.

(E) In Hindustan Salts Limited, property and plant registers had not been kept up to date. The registers at Kharagoda were under preparation while those maintained at Mandi were not reconciled with financial book of accounts.

(F) In the following Companies there was no proper system in existence for write off, refunds, discounts, etc. :

(*i*) Hindustan Salts Limited.

(*ii*) Indian Motion Pictures Export Corporation Limited.

(*iii*) Triveni Structurals Limited.

(G) In Handicrafts and Handlooms Exports Corporation of India Limited, the accounting system in vogue in respect of foreign offices was not adequate for the purpose of auditing in depth.

(H) In Mazagon Dock Limited the accounting manual did not specify financial powers of different officers.

(I) In Nagaland Pulp and Paper Company Limited :

(*i*) No manual/instructions in regard to stores procedure, control and recording had been laid down.

(*ii*) No manual outlining the purchase procedure had been formulated.

(J) In Hindustan Zinc Limited :

(*i*) No uniform accounting procedure was followed for all the five units of the Company.

(*ii*) In the absence of details of balances taken over from Metal Corporation of India Limited, property and Plant registers were not completed.

(K) In Heavy Electricals (India) Limited, Co-ordination among various sections required improvement so as to avoid undue delay in making accounting adjustments.

(L) In Fertilizer Corporation of India Limited :

(*i*) Journal book had not been maintained.

(*ii*) Accounts books had not been posted regularly and kept properly.

(M) In India Tourism Development Corporation Limited :

(*a*) *Akbar Hotel*

(*i*) There was no system of periodical reconciliation of subsidiary ledger with control accounts in general ledger and inter-unit accounts.

(*ii*) There was no prescribed system of allowing credit and effective system for follow up of debts.

(*iii*) There was no system of pricing of stores issued during the year.

(*b*) *Hotel Ashoka, Bangalore*

(*i*) 'Kitchen order Ticket Analysis Register' had not been maintained so as to reconcile the sale bills made out.

(*ii*) Subsidiary Ledgers in respect of sundry creditors for supplies and advances, etc. were incomplete.

(*iii*) The system of filing of vouchers and invoices was not satisfactory. As a result the Statutory Auditors could not check the accuracy of receipts entered in Stores Ledger.

(*iv*) The system of maintaining the priced Stores Ledgers had not been followed.

(*v*) Property/Plant Registers had not been kept up to-date and reconciled with financial books.

(*vi*) The system of write off followed in respect of crockery, cutlery, glassware, chinaware, linen, etc. was not adequate.

(*vii*) Stock record had not been maintained for empties/containers kept in stores and procedure for their disposal had also not been laid down.

(*c*) *Ashoka Hote, New Delhi*

(*i*) The accounting manual drawn up in 1969-70 had not been fully implemented.

(*ii*) Log books of furniture and fittings at various floors of the Hotel were not maintained.

(*iii*) There was no proper system of stores accounting.

(*iv*) The system of allocation of expenditure during construction between capital and revenue was not satisfactory with regard to renovation works.

(*v*) The unit was not having any scientific system for compiling departmental accounts covering various activities of the Hotel and finding out the cost of products or services rendered by such departments.

(*d*) *Headquarters, Transport Division, Madras and Hassan Motel, Production, Publicity and Marketing Divison, Project Division, Son-et-lumiere, Aurangabad Hotel, Jammu Motel and Duty Free Shops other than Madras units/Division :*

The accounting manual had not been implemented.

(N) In National Mineral Development Corporation Limited the property/plant registers had not been maintained properly and reconciled with financial books (Head Office, Mussoorie, Kurnool, Emerald, Barajamda, Zinc Smelter, Feasibility Studies and Regional Office, Bombay).

(O) In Bharat Ophthalmic Glass Limited the Company was following the accounting manual introduced by National Instruments Limited in January 1966. Additions and alterations made in the procedure subsequently had not been incorporated.

(P) In National Instruments Limited :

(*i*) The accounting manual was incomplete as it did not contain alterations in the procedure which came into force from time to time since the date of its preparation in January 1966.

(*ii*) Cost and financial accounts were not reconciled.

(Q) The Hindustan Copper Limited was not having a uniform system of accounting for all the units.

(R) In National Industrial Development Corporation Limited :

(*i*) Accounting system in use relating to recording of consultancy works was inadequate.

(*ii*) Duties and responsibilities of officers other than Managing Director and Chief Consultant had not been stated in detail.

(S) The Accounting Manual required elaboration so as to cover all sections of Indian Oil Corporation Limited (Marketing Division—Head Office).

(T) In Hindustan Steel Limited (Alloy Steels Plant) fixed assets registers maintained in the main Accounts Section had not been reconciled with the Departmental Assets Registers and the physical verification reports.

(U) In National Seeds Corporation Limited, inter-unit transfers of assets were not recorded in property registers maintained at various units.

(V) In Rehabilitation Industries Corporation Limited adequate system did not exist for chasing and realisation of debts.

(W) In State Farms Corporation of India Limited, production accounts were not maintained during the year.

(X) In Neyveli Lignite Corporation Limited, the assets registers for library, furniture and fittings and equipment mostly did not contain all the details. In certain cases, the registers had not been maintained while in others, these had not been posted up to-date.

(Y) In Modern Bakeries (India) Limited (Bangalore unit), the procedure for collection of debts was far from satisfactory.

(Z) In Manganese (Ore) India Limited, reconciliation of accounts, as maintained at mines and those compiled at Head Office, was not complete. Also there was a difference between the expenditure as booked in cost accounts and that in financial accounts.

(ZA) In Central Fisheries Corporation Limited, the following were the important drawbacks in the accounting system :

(*i*) The value of fish received at units or at Howrah Depot was not recorded.

(*ii*) The source of receipt at Howrah Depot (from Indian Units) was not recorded.

(*iii*) No financial adjustments of fish lost in transit was made.

(ZB) In National Coal Development Corporation Limited:

(*i*) The system of accounting followed was not adequate for the purpose of auditing in depth.

(*ii*) Due to inadequacy in recording of fixed assets, it was not possible to verify the different classes of fixed assets.

(*iii*) There was no effective system of reconciliation between cost as per financial records and costing records.

(ZC) In Cotton Corporation of India Limited, there was no effective system of reconciliation of books by taking out periodical trial balances.

(ZD) The Finance Department of Fertilizers and Chemicals, Travancore Limited, was not able to provide all necessary material required for auditing in depth, for want of centralisation of records.

(ZE) In National Textile Corporation Limited :

(*i*) There was no proper system of the reconciliation of books of accounts by taking out periodical trial balances.

(*ii*) The books of accounts of the Eastern Regional Office Calcutta had not been maintained properly.

(*iii*) Cash Book had not been maintained properly at the Southern Regional Office.

2(A) There was no manual outlining the scope and programme of work for internal audit in the following Companies :

(*i*) Indo-Burma Petroleum Company Limited.

(*ii*) Sambhar Salts Limited.

(*iii*) Hindustan Paper Corporation Limited.

(*iv*) Cashew Corporation of India Limited.

(*v*) Hindustan Salts Limited.

(*vi*) Indian Motion Pictures Export Corporation Limited.

(*vii*) Indian Rare Earths Limited.

(*viii*) Goa Shipyard Limited.

(*ix*) Nagaland Pulp and Paper Company Limited.

(*x*) National Buildings Construction Corporation Limited.

(*xi*) Hindustan Zinc Limited.

(*xii*) Housing and Urban Development Corporation Limited.

(*xiii*) Bharat Aluminium Company Limited.

(*xiv*) India Tourism Development Corporation Limited (Ashoka Hotel, Akabar Hotel, Hotel Ashoka, Bangalore).

(xv) Water and power Development Consultancy Services (India) Limited.

(xvi) Hindustan Steelworks Construction Limited.

(xvii) Bharat Ophthalmic Glass Limited.

(xviii) National Instruments Limited.

(xix) Hindustan Copper Limited.

(xx) National Industrial Development Corporation Limited.

(xxi) Engineering Projects (India) Limited.

(xxii) Hindustan Antibiotics Limited.

(xxiii) Indian Dairy Corporation.

(xxiv) Mogul Line Limited.

(xxv) Indian Petrochemicals Corporation Limited.

(xxvi) Hindustan Steel Limited (Alloy Steels Plant and Central Sales Organisation).

(xxvii) Machine Tool Corporation of India Limited.

(xxviii) Cochin Refineries Limited.

(xxix) Rehabilitation Industries Corporation Limited.

(xxx) State Farms Corporation of India Limited.

(xxxi) Hindustan Latex Limited.

(xxxii) Manganese Ore (India) Limited.

(xxxiii) National Research Development Corporation of India.

(xxxiv) Central Fisheries Corporation Limited.

(xxxv) National Mineral Development Corporation Limited (Bailadila Iron Ore Project—Deposits 5 and 14.

2(B) In the following Companies there was no system of internal audit :

(i) Indo-Burma Petroleum Company Limited.

(ii) Sambhar Salts Limited.

(iii) Hindustan paper Corporation Limited.

(iv) Indian Motion Pictures Export Corporation Limited.

(v) Projects and Equipment Corporation of India Limited.

(vi) Bharat Aluminium Company Limited.

(vii) Water and Power Development Consultancy Services (India) Limited.

(*viii*) Cochin Shipyard Limited.

(*ix*) Bharat Ophthalmic Glass Limited.

(*x*) Tungabhadra Steel Products Limited.

(*xi*) Engineering Projects (India) Limited.

(*xii*) Indian Dairy Corporation.

(*xiii*) Machine Tool Corporation of India Limited.

(*xiv*) National Research Development Corporation of India.

(*xv*) Film Finance Corporation Limited.

(*xvi*) Cotton Corporation of India Limited.

(BB) In Hidustan Salts Limited there was no effective system of internal audit in existence.

(BC) In Fertilizers and Chemicals, Travancore Limited there was no proper Internal Audit Department. The small internal inspection team which functioned under the Finance Manager was not able to cover any area of accounting properly.

(BD) In National Textile Corporation Limited Internal Audit Cell though in existence is not effective.

2(C) In the following Companies the existing system of internal audit was not considered to be comprehensive and adequate :

(*i*) National Small Industries Corporation Limited (Pondicherry and Calcutta Branches).

(*ii*) State Trading Corporation of India Limited (Bombay and Calcutta Branches).

(*iii*) Handicrafts and Handlooms Exports Corporation of India Limited (Head Office).

(*iv*) Triveni Structurals Limited.

(*v*) Bharat Heavy Electricals Limited (Hardwar, Trichy and Hyderabad Units).

(*vi*) Minerals and Metals Trading Corporation of India Limited (Calcutta Branch).

(*vii*) Cement Corporation of India Limited.

(*viii*) Hindustan Housing Factory Limited.

(*ix*) Hindustan Organic Chemicals Limited.

(*x*) Hindustan Zinc Limited.

(*xi*) Indian Drugs and Pharmaceuticals Limited (Synthetic Drugs Plant).

(*xii*) National Instruments Limited.

(*xiii*) Bokaro Steel Limited.

(*xiv*) Hindustan Steel Limited (Central Transport and Shipping Organisation).

(*xv*) Fertilizer Corporation of India Limited (Namrup, Barauni, Sindri and Trombay Units and Planning and Development Division).

(*xvi*) Hindustan Machine Tools Limited (other than Pinjore Unit).

(*xvii*) Hindustan Shipyard Limited.

(*xviii*) Neyveli Lignite Corporation Limited.

(*xix*) Indian Oil Corporation Limited (Marketing Division—Eastern Branch).

(*xx*) Central Fisheries Corporation Limited.

(*xxi*) National Coal Development Corporation Limited.

(*xxii*) Mogul Line Limited.

(CC) In the following Companies, no internal audit was conducted :

(*i*) Lubrizol India Limited.

(*ii*) National Mineral Development Corporation Limited (Calcutta Purchase Office, Head Office, Mussoorie, Kurnool, Emerald, Barajamda, Zinc Smelter, Feasibility Studies, Regional Office, Bombay and Panna Diamond Mining Project).

(*iii*) Hindustan Steel Limited (Rourkela Fertilizer Plant).

(*iv*) National Industrial Development Corporation Limited.

(CD) In Central Sales Organisation of Hindustan Steel Limited, the internal audit programme for the year could not be carried out due to insufficient strength of staff.

(CE) In the following Companies, internal audit programme was not fully completed by the Internal Audit Department :

(*i*) Indian Oil Corporation Limited (Marketing Division—Western Branch).

(*ii*) Electronics Corporation of India Limited.

(*iii*) Hindustan Aeronautics Limited (Lucknow Division).

(*iv*) Hindustan Antibiotics Limited.

(*v*) Hindustan Machine Tools Limited (Pinjore Unit).

(*vi*) Hindustan Shipyard Limited.

(*vii*) Neyveli Lignite Corporation Limited.

(*viii*) Heavy Engineering Corporation Limited (Headquarters).

(*ix*) Hindustan Photo Films Manufacturing Company Limited.

(CF) In Hindustan Steel Limited (Bhilai Steel Plant and Rourkela Steel Plant) the internal audit programme was not fully kept up. However, certain items not included in the programme were taken up.

(CG) In Fertilizer Corporation of India Limited (Eastern Marketing Zone) the programme for internal audit was not fully kept up due to inadequacy of staff.

(CH) In Mining and Allied Machinery Corporation Limited, the comprehensive programme envisaged in the internal audit manual could not be followed due to inadequacy of experienced staff.

(CI) In Heavy Electricals (India) Limited :

(*i*) The Internal Audit Department required to be strengthened.

(*ii*) The points raised by Internal Audit Department were not properly attended to.

(CJ) In Indian Drugs and Pharmaceuticals Limited (Synthetic Drugs Plant) no action was taken on some of the points raised by internal audit.

(CK) In Hindustan Steelworks Construction Limited, internal audit required to be intensified.

(CL) In India Tourism Development Corporation Limited (Ashoka Hotel) the points thrown up by internal audit had not been considered by the management.

(CM) In Central Road Transport Corporation Limited, internal audit of Head Office and branches was not carried out strictly in accordance with the instructions and programme laid down in the Manual of Internal Audit.

(CN) In Garden Reach Workshops Limited, internal audit had not been extended to Marine Diesel Engine Project.

(CO) In Heavy Engineering Corporation Limited (Heavy Machine Tools Plant and Foundry Forge Plant), the coverage by internal audit was not adequate.

(CP) In Neyveli Lignite Corporation Limited some of the important points thrown up by internal audit were not fully considered by the Management.

(CQ) In Hindustan Latex Limited :

(*i*) There was inordinate delay in taking appropriate action on the observations of internal audit.

(*ii*) Emergency purchases for packing material of huge quantities had been made without inviting fresh quotations.

(CR) In Hindustan Steel Limited (Central Sales Organisation) there was delay in some cases in taking action on internal audit reports.

(CS) In National Mineral Development Corporation Limited (Bailadila Iron Ore Project—Deposits 5 and 14) existing system of internal audit was not effective due to lack of staff.

(CT) In State Farms Corporation of India Limited, certain important points thrown up by internal audit were pending for necessary action.

(CU) In Instrumentation Limited, records kept at some of the sites and regional offices were not checked by internal audit.

(CV) In National Small Industries Corporation Limited (Bombay Branch) there was need to conduct internal audit in a more elaborate manner and in depth.

(CW) In Sambhar Salts Limited there was lack of internal control/procedural defects in accounts in certain cases.

(CX) In Hindustan Paper Corporation Limited there was no purchase procedure.

3(A) In the following Companies there were variations between budget estimates and actuals :

(i) Indo-Burma Petroleum Company Limited (Electronics/Manufacturing Division—Revenue and sales Budgets, Delhi Branch—Capital and Revenue Budgets and Calcutta Branch—Capital Budget).

(ii) Export Credit and Guarantee Corporation Limited (Revenue Budget).

(iii) Handicrafts and Handlooms Exports Corporation of India Limited (Head Office and Madras Branch).

(iv) State Trading Corporation of India Limited (Head Office, Madras, Calcutta and Bombay Branches and Wig India Madras.

(v) Hindustan Salts Limited.

(vi) National Small Industries Corporation Limited (Madras Branch).

(vii) Mazagon Dock Limited.

(viii) Hindustan Aeronautics Limited (Nasik, Kanpur, Hyderabad, Koraput and Bangalore Divisions).

(ix) Cement Corporation of India Limited.

(x) Bharat Heavy Electricals Limited (Hardwar, Hyderabad and Trichy units).

(xi) Minerals and Metals Trading Corporation of India Limited (Calcutta Region).

(xii) Hindustan Housing Factory Limited.

(xiii) Lubrizol India Limited.

(xiv) Indian Rare Earths Limited.

(xv) Bharat Dynamics Limited.

(xvi) Goa Shipyard Limited.

(xvii) Hindustan Organic Chemicals Limited.

(xviii) Electronics Corporation of India Limited.

(xix) Indian Drugs and Pharmaceuticals Limited (Antibiotics Plant, Synthetic Drugs Plant, Surgical Instruments Plant and Marketing Division).

(xx) Water and Power Development Consultancy Services (India) Limited.

(xxi) Hindustan Steel Limited (Central Coal Washeries Organisation, Bhilai Steel Plant, Rourkela Steel Plant, Rourkela Fertilizer Plant, Central Transport and Shipping Organisation, Alloy Steels Plant and Durgapur Steel Plant).

(*xxii*) Projects and Equipment Corporation of India Limited.

(*xxiii*) Indian Oil Coporation Limited :

(*a*) Marketing Division (Western Branch in Capital and revenue budgets; Northern Branch in Capital budget, Southern Branch and Head Office).

(*b*) Refineries and Pipelines Division (Gujarat Refinery in revenue budget and Koyali Ahmedabad Products Pipeline).

(*xxiv*) Fertilizer Corporation of India Limited (Namrup, Haldia, Barauni, Talcher and Sindri Units, Eastern Marketing Zone and Fertilizer Promotion Agricultural Research Centre).

(*xxv*) Bharat Heavy Plate and Vessels Limited.

(*xxvi*) Bharat Ophthalmic Glass Limited (capital and revenue budgets).

(*xxvii*) National Instruments Limited (capital and revenue budgets).

(*xxviii*) Hindustan Cables Limited (capital budget).

(*xxix*) Hindustan Copper Limited (capital budget).

(*xxx*) Housing and Urban Development Corporation Limited.

(*xxxi*) Tungabhadra Steel Products Limited.

(*xxxii*) Praga Tools Limited.

(*xxxiii*) Bharat Earth Movers Limited.

(*xxxiv*) Bokaro Steel Limited.

(*xxxv*) India Tourism Development Corporation Limited [Hotel Ashoka (Bangalore), Ashoka Hotel, Headquarters, Transport Division, Madras and Hassan Motel, Production, Publicity and Marketing Division, Project Division, Son-et-Lumiere, Aurangabad Hotel, Jammu Motel and Duty Free Shops other than Madras units.]

(*xxxvi*) Hindustan Antibiotics Limited.

(*xxxvii*) National Newsprint and Paper Mills Limited (revenue and capital budgets).

(*xxxviii*) Instrumentation Limited.

(*xxxix*) Machine Tool Corporation of India Limited.

(*xl*) Mining and Allied Machinery Corporation Limited.

(*xli*) National Seeds Corporation Limited.

(*xlii*) Indian Petrochemicals Corporation Limited (Capital Budget).

(*xliii*) Central Inland Water Transport Corporation Limited.

(*xliv*) Rehabilitation Industries Corporation Limited.

(*xlv*) Hindustan Machine Tools Limited.

(*xlvi*) Central Road Transport Corporation Limited.

(*xlvii*) Garden Reach Workshops Limited.

(*xlviii*) State Farms Corporation of India Limited.

(*xlix*) National Mineral Development Corporation Limited.

(*l*) Modern Bakeries (India) Limited (Bangalore unit in respect of capital budget and Madras unit).

(*li*) National Projects Construction Corporation Limited.

(*lii*) Manganese Ore (India) Limited (except for production budget).

(*liii*) National Research Development Corporation of India.

(*liv*) Neyveli Lignite Corporation Limited.

(*lv*) Rural Electrification Corporation Limited.

(*lvi*) Hindustan Shipyard Limited.

(*lvii*) Central Fisheries Corporation Limited.

(*lviii*) National Coal Development Corporation Limited.

(*lix*) Uranium Corporation of India Limited (capital, revenue and sales budgets).

(*lx*) Film Finance Corporation Limited.

(*lxi*) Bharat Electronics Limited.

(*lxii*) Heavy Engineering Corporation Limited (Foundry Forge Plant, Heavy Machine Building Plant, Headquarters and Township).

(*lxiii*) National Industrial Development Corporation Limited.

(*lxiv*) National Textile Corporation Limited.

(*lxv*) Hindustan Photo Films Manufacturing Company Limited.

(AA) In Fertilizer Corporation of India Limited (Sindri Unit), cost of production of all major products was higher than the estimates.

3(B) The State Trading Corporation of India Limited (Madras Branch) did not have the system of preparing sales budget so as to compare actual performance thereagainst.

(BB) In Sambhar Salts Limited :

(*i*) The heads of expenditure in budget estimates did not tally with those in the financial books. Comparison of budget estimates with the actuals was, therefore, not possible.

(*ii*) The revised budget estimates were approved by the Board of Directors after the close of the financial year.

(BC) The Indian Motion Pictures Export Corporation Limited did not prepare capital and sales budgets.

(BD) The Lubrizol India Limited prepared budget estimates much after the beginning of the financial year.

(BE) In Modern Bakeries (India) Limited (Hyderabad unit) actual performance was not watched against the capital, revenue and sales budgets.

(BF) In Engineering Projects (India) Limited there was no scientific system of preparing capital and revenue budgets.

(BG) In Hindustan Steelworks Construction Limited, the budgets were prepared towards the close of the year.

3(C) In the following Companies, budget estimates for the year were not prepared in advance :

(*i*) Indo-Burma Petroleum Company Limited (Electronics/Manufacturing Division—production budget).

(*ii*) National Small Industries Corporation Limited (Pondicherry Branch).

(*iii*) Indian Oil Corporation Limited (Head Office of Refineries Division, Chairman's office, New Delhi and North West Refinery—revenue and capital budgets).

(D) In Water and Power Development Consultancy Services (India) Limited, budgets were not drawn up with adequate details.

(E) In Fertilizers and Chemicals, Travancore Limited, budgets were not prepared sufficiently in advance.

4(A) The targets of production were not achieved in respect of the following Companies :

(*i*) Hindustan Salts Limited (Kharagoda unit).

(*ii*) Triveni Structurals Limited.

(*iii*) The State Trading Corporation of India Limited.

(*iv*) Cement Corporation of India Limited (Kurkunta Plant).

(*v*) Bharat Heavy Electricals Limited (Hardwar, Trichy and Hyderabad units).

(*vi*) Hindustan Housing Factory Limited (in Vayutan, Woodwork and Railway Sleepers Departments).

(*vii*) Lubrizol India Limited.

(*viii*) Indian Rare Earths Limited (most of the products).

(*ix*) Hindustan Organic Chemicals Limited (in certain cases).

(*x*) Heavy Electricals (India) Limited.

(*xi*) Electronics Corporation of India Limited (in certain cases).

(*xii*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant, Synthetic Drugs Plant and Antibiotics Plant—in number of cases).

(*xiii*) Modern Bakeries (India) Limited (Kanpur unit).

(*xiv*) Madras Fertilizers Limited (in Ammonia and Urea).

(*xv*) Hindustan Steel Limited (Central Coal Washeries Organisation, Bhilai Steel Plant, Rourkela Steel Plant, Rourkela Fertilizer Plant, Alloy Steels Plant and Durgapur Steel Plant).

(*xvi*) Fertilizer Corporation of India Limited (Planning and Development Division, Namrup, Nangal, Sindri units and Trombay unit (in urea).

(*xvii*) Hindustan Cables Limited.

(*xviii*) Tungabhadra Steel Products Limited (in some cases).

(*xix*) Praga Tools Limited.

(*xx*) Hindustan Antibiotics Limited (in certain cases).

(*xxi*) Instrumentation Limited (in a few major products).

(*xxii*) Indian Oil Corporation Limited (in certain cases in Gujarat Refinery).

(*xxiii*) Madras Refineries Limited.

(*xxiv*) Fertilizers and Chemicals, Travancore Limited (the Management had no reasons to offer for the variations).

(*xxv*) Hindustan Aeronautics Limited (Bangalore Division—in some cases).

(*xxvi*) Hindustan Machine Tools Limited (Units I, II, IV and V, Watch Factory and Pinjore Unit).

(*xxvii*) Hindustan Shipyard Limited.

(*xxviii*) Garden Reach Workshops Limited (in some cases).

(*xxix*) State Farms Corporation of India Limited (in some cases).

(*xxx*) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant, Heavy Machine Building Plant and Foundry Forge Plant).

(*xxxi*) Neyveli Lignite Corporation Limited.

(*xxxii*) National Seeds Corporation Limited (in most cases).

(*xxxiii*) Bharat Electronics Limited (in some cases).

(*xxxiv*) Hindustan Photo Films Manufacturing Company Limited.

(AA) In Sambhar Salts Limited and Hindustan Antibiotics Limited, sales targets were not achieved in a number of products.

(AB) In Indo-Burma Petroleum Company Limited, production targets for major products were not fixed (Electronics/Manufacturing Division).

4(B) In the following Companies there was no regular costing system in operation :

(*i*) Lubrizol India Limited.

(*ii*) India Tourism Development Corporation Limited (Akbar Hotel and Hotel Ashoka, Bangalore).

(*iii*) Water and Power Development Concultancy Services (India) Limited.

(*iv*) Bharat Ophthalmic Glass Limited.

(*v*) National Seeds Corporation Limited.

(*vi*) Central Fisheries Corporation Limited.

(BB) In the following Companies, standard costs for various main products had not been fixed :

(*i*) Indo-Burma Petroleum Company Limited (Electronics/ Manufacturing Division).

(*ii*) Cement Corporation of India Limited (Kurkunta).

(*iii*) Bharat Heavy Electricals Limited [Hyderabad unit (switchgear), Hardwar unit and Trichy unit].

(*iv*) Hindustan Zinc Limited.

(*v*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant).

(*vi*) Hindustan Cables Limited.

(*vii*) National Newsprint and Paper Mills Limited.

(*viii*) Indian Oil Corporation Limited (Refineries Division—Gujarat Refinery and Marketing Division—Southern Branch).

(*ix*) Mining and Allied Machinery Corporation Limited.

(*x*) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant).

(*xi*) Neyveli Lignite Corporation Limited (except generation of power).

(*xii*) Uranium Corporation of India Limited (Uranium Ore and Uranium Concentrates).

(*xiii*) Hindustan Steel Limited (Central Coal Washeries Organisation—washed coal) .

(BC) In the following Companies standard costing system had not been introduced :

(*i*) Hindustan Aeronautics Limited (Nasik Division, Kanpur Division, Hyderabad Division, Koraput Division and Bangalore Division).

(*ii*) National Mineral Development Corporation Limited (Kiriburu Iron Ore Project).

(*iii*) Bharat Dynamics Limited.

(*iv*) Bharat Earth Movers Limited (Earth Movers Division).

(*v*) Madras Fertilizers Limited.

(*vi*) Indian Oil Corporation Limited (Gauhati Refinery and Barauni Refinery).

(*vii*) Bharat Electronics Limited.

(*viii*) Hindustan Antibiotics Limited,

(*ix*) Central Inland Water Transport Corporation Limited.

(BD) In Sambhar Salts Limited :

(*i*) Rejections in production were not reported.

(*ii*) There were variations between actual cost and estimated cost of production and reasons for variations were not investigated.

(BE) In Indo-Burma Petroleum Company Limited (Electronics/Manufacturing Division) :

(*i*) Records were not maintained for determining the rejections in production as well as the return of goods rejected by customers.

(*ii*) Accounts indicating the cost of each unit of major products were not prepared.

(BF) In Hindustan Organic Chemicals Limited, Hindustan Machine Tools Limited (Units I, II & IV and Pinjore unit) actual cost of production was more than the standard costs fixed by the management.

(BG) In Heavy Electricals (India) Limited and Machine Tool Corporation of India Limited, there were variations between the standard costs and actual costs of production in certain cases.

(BH) In Indian Drugs and Pharmaceuticals Limited:

(*i*) Rejections were on the high side (Antibiotics plant).

(*ii*) The actual cost was much more than the standard cost (Antibiotics Plant and Synthetic Drugs Plant in respect of certain items).

(BI) In Modern Bakeries (India) Limited, rejection of white bread had been much higher as compared to standard fixed at Delhi and Kanpur Units.

(BJ) In Bharat Heavy Plate and Vessels Limited, detailed estimates were not prepared before submitting tenders. The maintenance of costing records also needed improvement.

(BK) In National Instruments Limited, there was delay in compilation of actual costs for closed jobs.

(BL) In Hindustan Cables Limited, reporting of scrap arisings was not satisfactory as the physical quantity of scrap was found to be higher than the reported quantity of scrap.

(BM) In Mining and Allied Machinery Corporation Limited:

(*i*) Total cost of production of each shop was worked out but there was no system of job costing.

(*ii*) In the absence of appropriate costing records, manufacturing account was not drawn up.

(BN) In Fertilizers and Chemicals, Travancore Limited:

(*i*) The costing system in vogue was considered inadequate.

(*ii*) The actual costs were higher than the standard costs and the management had no reasons to offer for the variations.

(BO) In Rehabilitation Industries Corporation Limited:

(*i*) There was scope for improvement in the existing system of costing.

(*ii*) Standard costs of some products had not been fixed.

(BP) In Hindustan Shipyard Limited, the following defects existed in the costing system:

(*i*) Estimates were not prepared in accordance with the details of jobs available for cost accounting purposes.

(*ii*) Comparison between estimates and actuals was not possible as estimating was done on a very broad basis for the ship as a whole and not by jobs.

(*iii*) Certain important recommendations made by the Chief Cost Accounts Officer of the Government of India for improving and modernising the costing system had not been fully implemented.

(*iv*) Standard costs of products had not been established.

(BQ) In State Farms Corporation of India Limited, there was no effective system of cost accounts.

(BR) In Hindustan Latex Limited, the percentage of rejections in production was higher than the standard fixed. No percentage for wastages in—production had been fixed.

(BS) In Garden Reach Workshops Limited:

(*i*) There was no regular system of reconciliation of cost booked on the basis of predetermined rates and the actual expenditure booked in the financial accounts.

(*ii*) The Company did not prepare any manufacturing account.

(*iii*) The Company did not maintain records for determining rejections in production except in the Foundry Shop and Timber Workhsop.

(*iv*) No norms for rejections were fixed in respect of Foundry and Timber Workshop. Rejections in Ferrous and non-ferrous metals in Foundry were 13.29 per cent and 20 per cent respectively. In Timber Workshops, the percentage of rejection was 40.17.

(*v*) There were variations between standard and actual costs of pump components for which standard cost had been fixed.

(BT) In Heavy Engineering Corporation Limited (Foundry Forge Plant) there were deficiencies in the maintenance of costs records.

(BU) In Electronics Corporation of India Limited:

(*i*) No consolidated statements showing quantity-wise output and rejections were drawn up.

(*ii*) Product-wise costs were not available to compare them with selling prices.

(*iii*) Product-wise break-up of turnover had not been worked out.

(BV) In Hindustan Photo Films Manufacturing Company Limited:

(*i*) The rejections were more than the standards.

(*ii*) The actual cost of production was higher than the standard cost.

4(C) In the following Companies there was no system of ascertaining idle time for labour and machinery specifying the reasons therefor:

(*i*) Sambhar Salts Limited.

(*ii*) Indo-Burma Petroleum Company Limited.

(*iii*) National Mineral Development Corporation Limited (Panna Diamond Mining Project).

(*iv*) Lubrizol India Limited.

(*v*) Indian Rare Earths Limited (Minerals Division).

(*vi*) Goa Shipyard Limited.

(*vii*) Hindustan Zinc Limited.

(*viii*) Heavy Electricals (India) Limited (for machinery).

(*ix*) Electronics Corporation of India Limited (For machinery and in some of the divisions for labour also).

(*x*) Indian Drugs and Pharmaceuticals Limited (Synthetic Drugs Plant, Antibiotics Plant and Surgical Instruments Plant for machinery only).

(*xi*) Modern Bakeries (India) Limited (Delhi, Kanpur and Hyderabad units).

(*xii*) Hindustan Steelworks Construction Limited (for labour).

(*xiii*) Hindustan Steel Limited [Rourkela Steel Plant (for labour)].

(*xiv*) National Instruments Limited (for machinery).

(*xv*) Hindustan Aeronautics Limited (Hyderabad Division—for machinery).

(*xvi*) Fertilizer Corporation of India Limited (Planning and Development Division).

(*xvii*) Hindustan Antibiotics Limited (for labour).

(*xviii*) Indian Oil Corporation Limited:

(*a*) Refineries and Pipelines Division—Barauni Refinery (Except in respect of processing units), Gauhati Refinery and Haldia-Barauni-Kanpur Pipelines and Gauhati Siliguri Products Pipelines-(for labour).

(*b*) Marketing Division—Sourthern Branch

(*xix*) Manganese Ore (India) Limited.

(*xx*) National Coal Development Corporation Limited (machinery.)

(*xxi*) Bharat Electronics Limited (Components Division—for machinery).

(*xxii*) State Trading Corporation of India Limited (Wig India — for labour)

(*xxiii*) Mining and Allied Machinery Corporation Limited.

(*xxiv*) Central Inland Water Transport Corporation Limited (for machinery)

(*xxv*) Fertilizers and Chemicals, Travancore Limited.

(CC) In Hindustan Steel Limited no record for idle time for labour was maintained (Central Coal Washeries Organisation)

(CD) In Rehabilitation Industries Corporation Limited there was no adequate system of recording idle time of men and machinery.

(CE) In State Farms Corporation of India Limited there was no effective system of ascertaining idle time for labour and machinery.

4(D) In the following Companies the Consumption of raw materials was more than the standards/estimates:

(*i*) Hindustan Housing Factory Limited.

(*ii*) National Buildings Construction Corporation Limited.

(*iii*) Indian Drugs and Pharmaceuticals Limited (Synthetic Drugs Plant and Antibiotics Plant—in certain cases)

(*iv*) Hindustan Steel Limited (Rourkela Steel Plant and Rourkela Fertilizer Plant).

(*v*) National Instruments Limited.

(*vi*) Hindustan Cables Limited.

(*vii*) Fertilizer Corporation of India Limited (Sindri Unit).

(*viii*) Hindustan Machine Tools Limited (Pinjore Unit).

(*ix*) National Newsprint and Paper Mills Limited (Newsprint).

(*x*) Hindustan Photo Films Manufacturing Company Limited.

(DD) In Indo-Burma Petroleum Company Limited, (Electronics/Manufacturing Division) consumption of major raw materials for manufacture of major products and the quantity budgeted had not been compared.

(DE) In Bharat Heavy Electricals Limited (Hardwar Unit) there were no norms for the consumption of materials and components.

(DF) In Lubrizol India Limited the Standards of raw materials consumption determined by the Collaborators had been exceeded in certain cases.

(DG) In Goa Shipyard Limited, Consumption of materials had generally exceeded the estimates, specially in case of construction of tugs.

(DH) In Electronics Corporation of India Limited, standards/norms for consumption of major raw materials for manufacture of major products were not available for comparison with the actuals.

(DI) In National Buildings Construction Corporation Limited, there was excess consumption of certain materials over the theoretical norms.

(DJ) In Tungabhadra Steel Products Limited, consumption of steel was more than the estimates in the case of completed jobs.

(DK) In Hindustan Antibiotics Limited:

(*i*) Standards for consumption of major raw materials for manufacture of major products had not been compared with the actuals during the later part of the year.

(*ii*) Norms of consumption for services like power *etc.* had not been fixed.

(DL) In Instrumentation Limited, quantitative comparison between the projected estimates of consumption of raw materials and actual consumption had not been made.

(DM) In Machine Tool Corporation of India Limited, comparison of standard consumption with actual consumption of materials on the production of a particular machinery had not been done.

(DN) In National Projects Consutruction Corporation Limited, actual consumption of materials was not compared with the estimated consumption. No reconciliation was made in respect of materials acquired from project authorities.

PROFIT AND LOSS ACCOUNT

5(A) In the following Companies the selling prices were less than the cost of production/procurement:

(*i*) Handicrafts and Handlooms Exports Corporation of India Limited.

(*ii*) Cement Corporation of India Limited (Kurkunta Plant).

(*iii*) Heavy Electricals (India) Limited (in certain cases).

(*iv*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant, Synthetic Drugs Plant and Antibiotics Plant—in number of cases).

(*v*) National Mineral Development Corporation Limited (Kiriburu Iron Ore Project).

(*vi*) Madras Fertilizers Limited (In urea).

(*vii*) Hindustan Steel Limited (Bhilai Steel Plant, Rourkela Steel Plant, Rourkela Fertilizers Plant, Alloy Steels Plant and Durgapur Steel Plant)

(*viii*) Bharat Heavy Plate and Vessels Limited (fabricated equipment).

(*ix*) National Instruments Limited.

(*x*) Praga Tools Limited.

(*xi*) Bokaro Steel Limited (except crude tar)

(*xii*) National Small Industries Corporation Limited (P.T.C., Okhla).

(*xiii*) Cochin Refineries Limited

(*xiv*) Ferilizer Corporation of India Limited [Sindri Unit (major products) and Trombay unit (Urea only)].

(*xv*) Central Inland Water Transport Corporation Limited.

(*xvi*) Fertilizers and Chemicals, Travancore Limited (in majority of products).

(*xvii*) Garden Reach Workshops Limited.

(*xviii*) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant, Foundry Forge Plant and Heavy Machine Building Plant).

(*xix*) Neyveli Lignite Corporation Ltd.

(*xx*) National Coal Development Corporation Limited.

(*xxi*) Bharat Heavy Electricals Limited (Hardwar Unit-in respect of electrical machines).

(*xxii*) Hindustan Antibiotics Limited (in certain cases).

(*xxiii*) Machine Tool Corporation of India Limited.

(*xxiv*) Rehabilitation Industries Corporation Limited (in most cases).

(*xxv*) Hindustan Photo Films Manufacturing Company Limited.

(B) In Hindustan Machine Tools Limited, comparative statements of selling prices and cost of production were not prepared regularly (Pinjore Unit).

(C) In Indo-Burma Petroleum Company Limited, (Electronics/Manufacturing Division) comparison between selling price and cost of production was not possible due to lack of proper records.

(D) In Triveni Structurals Limited, the cost of production exceeded the contracted or tendered prices.

(E) In Madras Refineries Limited, a sum of Rs. 9,65,665 was paid towards demurrage on shipments of crude oil.

(F) In Hindustan Steel Limited:

(*i*) Substantial amount was paid as demurrage for loading and unloading of wagons at plant site (Rourkela Steel Plant and Rourkela Fertilizer Plant).

(*ii*) Incidence of demurrage was high during the year (Durgapur Steel Plant).

(*iii*) The payment of demurrage and wharfage was on the high side (Central Sales Organisation).

(G) In Fertilizers and Chemicals, Travancore Limited, no proper procedure was followed for write off of bad debts and stock shortages.

BALANCE SHEET

6(A) In the following Companies maximum and minimum limits of stores/spares had not been fixed:

(*i*) Sambhar Salts Limited (in many cases)

(*ii*) The Indo-Burma Petroleum Company Limited (Except for items relating to maintenance of pumps and pump tanks) (*iii*) Hindustan Salts Limited.

(*iv*) Madras Refineries Limited (for about 50 per cent of items).

(*v*) Hindustan Aeronautics Limited (Nasik and Kanpur Divisions).

(*vi*) National Mineral Development Corporation Limited [Panna Diamond Mining (in a few items) and Kiriburu Iron Ore Projects].

(*vii*) Cement Corporation of India Limited.

(*viii*) Bharat Heavy Electricals Limited (Hardwar Unit).

(*ix*) Hindustan Housing Factory Limited (in respect of electrical tools, spares of motor vehicles and ball-bearings).

(*x*) Indian Rare Earths Limited (Minerals Division).

(*xi*) Indian Oil Corporation Limited :

(*a*) Marketing Division-Western and Eastern Branches.

(*b*) Refineries and Pipelines Division—(*i*) Gauhati Refinery (for stores in most of the cases)

(*ii*) Gauhati-Siliguri-Poducts Pipelines.

(*xii*) Goa Shipyard Limited.

(*xiii*) Modern Bakeries (India) Limited.

(*a*) Bombay Unit (Other than raw Materials).

(*b*) Madras Unit (stocks and spares other than raw materials) .

(*c*) Delhi Unit.

(*d*) Hyderabad Unit.

(*xiv*) Hindustan Zinc Limited (in most cases).

(*xv*) Electronics Corporation of India Limited.

(*xvi*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant, Synthetic Drugs Plant and Antibiotics Plant—in most cases).

(*xvii*) India Tourism Development Corporation Limited [Ashoka Hotel (for serveral items), Akbar Hotel, Hotel Ashoka, Bangalore—, Head-quarters, Transport Division, Madras and Hassan Motel, Production, Publicity and Marketing Division, Project Division, Son-et Lumiere, Aurangabad Hotel, Jammu Motel and Duty Free shops other than Madras Units/Division]

(*xviii*) Hindustan Steel Limited
[Central Coal Washeries Organisation (for B&C class of items) Alloy Steels plant (spares only) and Durgapur Steel plant (except for high value items)].

(*xix*) Hindustan Steel-works Construction Limited.

(*xx*) Bharat Heavy Plate and Vessels Limited (in respect of items of general stores).

(*xxi*) Instrumentation Limited (in respect of most of the items).

(*xxii*) Machine Tool Corporation of India Limited.

(*xxiii*) National Seeds Corporation Limited.

(*xxiv*) Central Inland Water Transport Corporation Limited.

(*xxv*) Fertilizers and Chemicals, Travancore Limited (except in respect of a small portion of machinery and general stores).

(*xxvi*) Rehabilitation Industries Corporation Limited.

(*xxvii*) Central Road Transport Corporation Limited.

(*xxviii*) State Farms Corporation of India Limited.

(*xxix*) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant—in respect of 9 out of 23 groups of spares).

(*xxx*) Neyveli Lignite Corporation Limited.

(*xxxi*) Hindustan Latex Limited.

(*xxxii*) National Research Development Corporation of India.

(*xxxiii*) Bharat Electronics Limited.

(*xxxiv*) Hindustan Photo Films Manufacturing Company Limited (in respect of about 24 per cent of the items of inventory holdings).

(AA) In Hindustan Antibiotics Limited, maximum and minimum limits for some of the items of stores and spares were not fixed while in the case of some other items, these limits, though fixed, were not observed.

6(B) In the following Companies there was no regular system of determining periodically surplus/userviceable stores.

(*i*) Sambhar Salts Limited.

(*ii*) Hindustan Zinc Limited.

(*iii*) Central Inland Water Transport Corporation Limited

(*iv*) State Farms Corporation of India Limited.

(*v*) India Tourism Development Corporation Limited [Akbar Hotel (except for linen and blankets) Head-quarters, Transport Division, Madras and Hassan Motel, Production, Publicity and Marketing Division, Project Division, Son-et-Lumiere, Aurangabad Hotel, Jammu Motel and Duty Free Shops other than Madras-Units/Division].

(BB) In Bharat Heavy Electricals Limited :

(*i*) Stores and spares valuing Rs. 21.29 lakhs had not moved for 3 years and more (Trichy Unit).

(*ii*) Stores valuing Rs. 85.95 lakhs had not moved for 3 years and more (Hyderabad Unit).

(BC) In Indian Drugs and Pharmaceuticals Limited :

(*i*) Raw materials and stores and spares valuing Rs. 7.33 lakhs and spares for plant and machinery (imported) valuing Rs. 17.07 lakhs at Synthetic Drugs Plant, stores and spares of the value of Rs. 2.84 lakhs at Surigcal Instruments Plant and raw materials, stores and spares valuing Rs. 11.50 lakhs at Antibiotics Plant had not moved for the last thiee years and above. As on 31st March, 1973 Antibiotics Plant was carrying surplus inventory of the value of Rs. 22.66 lakhs which was awaiting disposal.

(*ii*) There was heavy stock of imported raw materials valuing Rs. 44.89 lakhs against an annual consumption of Rs. 3.59 lakhs (Surgical Instruments Plant).

(BD) In Modern Bakeries (India) Limited stores and spares had been accumulated in excess of reasonable requirements at Delhi and Kanpur Units.

(BE) In Fertilizer Corporation of India Limited :

(*i*) Accountal and adjustment of stores received was not proper (Namrup Unit) .

(*ii*) Surplus stores as on 31st March, 1973 amounted to Rs. 46.90 lakhs out of which stores of the value of Rs. 35.70 lakhs pertained to 1967-68 and earlier years. Moreover, no detailed assessment had been made of the stores valuing Rs. 109.88 lakhs to find out the extent of surplus items (Sindri Unit).

(*iii*) The value of stores declared surplus amounted to Rs. 31.83 lakhs (Trombay Unit).

(BF) In Hindustan Steel Limited, the value of stores declared surplus or unserviceable during 1970-71 to 1972-73 but not disposed of amounted to Rs. 128.29 lakhs (Durgapur Steel Plant).

(BG) In Fertilizers and Chemicals, Travancore Limited procurement of stores was not done on scientific basis. In several cases, stores in excess of reasonable regquirement were accumulated. The stores in hand included stores valued at nearly Rs. 40 lakhs which had been carried forward for over 10 years.

(BH) In Rehabilitation Industries Corporation Limited the system of procurement and disposal did not ensure that :

(*i*) stores in excess of reasonable requirements did not accumulate, and

(*ii*) the amount of surplus and unserviceable stores was disposed of without delay.

(BI) In State Farms Corporation of India Limited, no pricing was done for stores issued for consumption. Instead, the value of the closing stock was determined and the balance (*i.e.* opening balance plus purchases minus closing stock) was shown as consumed.

(BJ) In Heavy Engineering Corporation Limited :

(*i*) The system of procurement and disposal of stores was not geared to match production and maintenance needs avoiding accumulation of raw materials and stores in excess of reasonable requirements of maintenance and production (Heavy Machine Tools Plant).

(*ii*) System of procurement and disposal of stores was not so phased or co-ordinated so as to prevent accumulation of stores in excess of reasonable requirements (Foundry Forge Plant).

(*iii*) Stores/spares of the value of Rs. 21.58 lakhs had not moved for three years and more (Foundry Forge Plant).

(*iv*) There was heavy accumulation of stock of stores (Heavy Machine Building Plant).

(BK) In National Projects Construction Corporation Limited, no review was conducted of slow-moving and dormant items of stores. A list of surplus stores had also not been prepared.

(BL) In Hindustan Latex Limited :

(*i*) No Procedure had been evolved for determining the quantity of unserviceable stores/spares.

(*ii*) Huge stocks of packing materials and chemicals were being held for periods ranging from 12 to 30 months. These stocks were more than normal consumption requirements.

(BM) In National Research Development Corporation of India, the obsolete and unserviceable stores worth Rs. 13,717 were lying unsold for more than four years.

(BN) In Uranium Corporation of India Limited and Hindustan Machine Tools Limited (Pinjore Unit) pricing of stores issued was not done on uniform basis.

6(C) In the following Companies, no proforma accounts were maintained in respect of service units for the benefit of staff :

(*i*) National Small Industries Corporation Limited (Calcutta Branch

(*ii*) Hindustan Salts Limited.

(*iii*) Indian Rare Earths Limited.

(*iv*) Bharat Heavy Electricals Limited (Trichy Unit-transport).

(*v*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant, Synthetic Drugs Plant and Antibiotics Plant—certain service units).

(*vi*) India Tourism Development Corporation Limited (Hotel Ashoka, Bangalore and Akbar Hotel).

(*vii*) Hindustan Steelworks Construction Limited.

(*viii*) Hindustan Steel Limited (Central Transport and Shipping Organisation, Head Office, Central Engineering Design Bureau, and Central Coal Washeries Organisation).

(*ix*) National Newsprint and Paper Mills Limited.

(*x*) Indian Petrochemicals Corporation Limited.

(*xi*) Indian Oil Corporation Limited (Marketing Division, Head office and Refineries Division—Gujarat Refinery).

(*xii*) National Projects Construction Corporation Limited.

(*xiii*) Heavy Engineering Corporation Limited (Foundry Forge Plant—transport service).

(*xiv*) National Coal Development Corporation Limited.

(*xv*) Hindustan Shipyard Limited.

6(D) In the following Companies, physical verification of items noted against each was not conducted :

(*i*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant-assets).

(*ii*) Fertilizers and Chemicals, Travancore Limited (all items of stores).

(*iii*) State Farms Corporation of India Limited (Farm produce and stores).

(*iv*) India Tourism Development Corporation Limited (assets at Headquarters, Transport Division, Madras and Hassan Motel, Production, Publicity and Marketing Division, Project Division, Son-et-Lumiere, Aurangabad Hotel, Jammu Motel and Duty Free Shops other than Madras-Units/Divisions).

(*v*) Heavy Engineering Corporation Limited (Foundry Forge Plant-spares costing Rs. 106.89 lakhs) and (Heavy Machine Building Plant-raw materials worth Rs. 627 lakhs).

(*vi*) Hindustan Steel Limited (Central Sales Organisation—entire or substantial part of stocks in some stockyards and imported materials).

(DD) In State Trading Corporation of India Limited suitable procedure for physical verification of closing stock to ensure that all items are verified within a period of time and cut-off transactions are separately verified need to be introduced.

Physical inventories of fixtures, furniture and fittings, air conditioners etc. were also not taken.

(DE) In Bharat Heavy Electricals Limited (Hyderabad Unit) excesses/shortages, revealed on physical verification, valuing Rs. 11.11 lakhs (Dr) and Rs. 0.52 lakhs (Cr) for switchgear operations were lying unadjusted.

(DF) In Fertilizers Corporation of India Limited:

(*i*) Physical verification of raw materials, finished and semi-finished goods revealed excesses of Rs. 29.92 lakhs and shortages of Rs. 29.95 lakhs. A firm of experts was appointed to review the system of stock verification and suggest ways of improvement. The recommendations made in this regard had not been implemented (Sindri Unit).

(*ii*) Physical verification of finished goods indicated an excess of Rs. 45.81 lakhs and that of raw materials an excess of Rs. 23.54 lakhs and shortage of Rs. 4.62 lakhs (Trombay Unit).

(DG) In Central Inland Water Transport Corporation Limited, there was no system of periodical physical verification of stock of finished goods, stores and spares and raw materials.

(DH) In Indian Oil Corporation Limited (Barauni Refinery), in a number of cases physical balance and book balance did not agree.

(DI) In National Research Development Corporation of India, there was no system of physical verification of stocks.

(DJ) In Indian Drugs and Pharmaceuticals Limited (Synthetic Drugs Plant):

(*i*) Physical verification of the following items was not conducted:

(*a*) Raw materials—Rs. 55.20 lakhs

(*b*) Stores and spares—Rs. 11.25 lakhs

(*c*) Plant and Machinery equipment and stores—Rs. 2.38 lakhs

(*ii*) Shortages of Rs. 15.64 lakhs and excesses of Rs. 17.83 lakhs found on physical verification of raw materials, stores and spares since 1967-68 to 1972-73 were adjusted without approval of Board of Directors.

6(E) In the following Companies, the system for obtaining confirmation of balances from sundry debtors was not in vogue/ confirmation of balances was not obtained:

(*i*) State Trading Corporation of India Limited (Bombay Branch and Head office).

(*ii*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant and Antibiotics Plant—in most of the cases)

(*iii*) Modern Bakeries (India) Ltd. (Delhi, Kanpur and Bangalore Units).

(*iv*) India Tourism Development Corporation Limited (Hotel Ashoka, Bangalore—Ashoka Hotel, Akbar Hotel and Headquarters, Transport Division, Madras and Hassan Motel, Production, Publicity and Marketing Division, Project Division, Son-et-Lumiere, Aurangabad Hotel, Jammu Motel and Duty Free shops other than Madras-units/Divisions).

(*v*) Mining and Allied Machinery Corporation Limited.

(*vi*) State Farms Corporation of India Limited.

(*vii*) National Research Development Corporation of India.

(*viii*) Heavy Engineering Corporation Limited (Foundry Forge Plant and Headquarters).

(*ix*) National Mineral Development Corporation Limited (Bailadila Iron Ore Project—Deposits 5 and 14)

(*x*) Bharat Electronics Limited.

(*xi*) Water and Power Development Consultancy Services (India) Limited.

(*xii*) National Seeds Corporation Limited.

(EE) The National Projects Construction Corporation Limited neither received the accounts of various parties appearing in its books nor obtained confirmation of outstanding balances, particularly in very old cases.

(EF) In Bombay Branch of National Small Industries Corporation Limited no regular procedure was followed to obtain confirmation of outstanding debts.

6(F) *General*

(FF) In National Small Industries Corporation Limited:

(*i*) Method of valuation of seized machinery was not scientific (Pondicherry Branch).

(*ii*) Valuation of finished goods was not uniform (P.T.C. Okhla).

(*iii*) Follow up action in case of recovery of hire-purchase debts was not satisfactory (Head office)

(*iv*) Valuation of closing stock of certain seized machinery was not satisfactory (Bombay Branch).

(FG) In Handicrafts and Handlooms Exports Corporation of India Limited foreign offices :

(i) Closing stock was valued at estimated landed cost and not at actual landed cost.

(ii) Physical verification reports were not available.

(FH) In Bharat Heavy Electricals Limited (Hardwar Unit), machinery valued at Rs. 274 lakhs, though installed and capitalised, had not been put to use.

(FI) In Hindustan Antibiotics Limited, diesel generator (Rs. 8.21 lakhs) and two tabletting machines (Rs. 3.56 lakhs) acquired during the year had not been installed.

(FJ) In India Tourism Development Corporation Limited:

(i) Cost of free accomodation and food etc. provided to official guests was not determined and accounted for separately in the accounts (Akbar Hotel).

(ii) Credit facilities had been frequently allowed by Unit Managers of Travellers Lodges and Transport Units to customers even though they were not vested with such powers.

(FK) In National Newsprint and Paper Mills Limited, two Groundwood Bleaching Washers costing Rs. 2.63 lakhs each (purchased in 1957-58 and installed in 1959-60) had not yet been commissioned. These were expected to be commissioned under expansion programme.

(FL) In Mining and Allied Machinery Corporation Limited:

(i) No job-wise record of issues of raw materials and stores was maintained.

(ii) There was no system to watch that materials issued for one job were not utilized for some other job.

(iii) There was no system for job-wise labour records and time card/job card reconciliation.

(FM) In Fertilizers and Chemicals, Travancore Limited:

(i) A proper method for capitalising expansion projects was not followed.

(ii) Different methods were followed for verification of quantities of bulk materials at different points and all appeared to be unrealistic in view of the shortages/excess reported from time to time.

(*iii*) The survey verification of Sulphur and Rockphosphate as on 31-3-1973 revealed excesses while the subsequent survey verification disclosed huge shortages. This showed that either the method adopted for charging the raw material to production required a thorough review or material handling and storage system required to be streamlined.

(FN) In Rehabilitation Industries Corporation Limited shortages and excesses of raw materials and finished stock were adjusted in the accounts without any sanction of the Board of Directors.

(FO) In Indo-Burma Petroleum Company Limited (Electronics/Manufacturing Division) complete quantity accounts of production of major products were not maintained.

(FP) In State Farms Corporation of India Limited, the machinery valued at Rs. 7.78 lakhs (approx.) was not commissioned during the year.

(FQ) In Heavy Engineering Corporation Limited (Foundry Forge Plant), due to incomplete records it could not be ascertained whether any machinery costing more than Rs. 5 lakhs had not been installed/commissioned.

(FR) In National Mineral Development Corporation Limited (Bailadila Iron Ore Project):

(*i*) Method of calculating depreciation was not considered prudent and as per the instructions of the Ministry of Finance (Deposit Nos. 5 and 14).

(*ii*) Provision of outstanding liabilities for stores was not correctly made (Deposit No. 14).

(*iii*) Store priced ledgers were not maintained for certain categories of stores like loose tools and implements (Deposit No. 14).

(FS) In Hindustan Steel Limited (Durgapur Steel Plant) equipment worth Rs. 170.49 lakhs had not been installed and were lying in stores for periods ranging between over 3 years and about 10 years.

(FT) In National Seeds Corporation Limited priced stores ledger had not been maintained.

(FU) In National Textile Corporation Limited :

(*i*) The company had not been able to enforce important clauses of agreements with various sick mills under the Cotton Purchase Scheme.

(*ii*) Stock Register of cotton purchases had not been maintained properly.

(FV) In Hindustan Photo Films Manufacturing Company Limited there was a net deficit of 6772 Kgs. of silver valued at Rs. 37.52 lakhs during the year which was written off.

R. P. Ranga

New Delhi;

The 17-4-1976

(R. P. RANGA)
Chairman, Audit Board and Ex-officio Additional Deputy Comptroller and Auditor General (Commercial)

Countersigned

A. Baksi

New Delhi;

The 17-4-1976.

(A. BAKSI)
Comptroller & Auditor General of India

MGIPRRND—TSW I—S/33 C&AG/75—7-3-76—1945.

निकासी तिथि Issued on	लेने वाले के हस्ताक्षर Borrower's Signature	वापसी तिथि Returned on