Report of the Comptroller and Auditor General of India

for the year ended March 2001

Union Government (Commercial)

Public Sector Undertakings

Comments on Accounts

No. 2 of 2002

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PREFACE

The accounts of Government Companies set up under the provisions of the Companies Act, 1956 (including Government Insurance Companies and Companies Deemed to be Government Companies as per provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act, 1956 (as per amendment made in December 2000) are subjected to supplementary or test audit by officers of CAG and CAG gives his comments or supplements the report of the Statutory Auditors. The Companies Act, 1956 empowers CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. The statutes governing some Corporations and Authorities require their accounts to be audited by CAG and reports to be given by him. In respect of 4 such corporations, viz., Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, and Damodar Valley Corporation, relevant statutes designate CAG as their sole auditor. The Food Corporation Act, 1964 was amended on 2 June 2000 whereby CAG was made the sole auditor for this Corporation also. In respect of Central Warehousing Corporation, CAG has the right to conduct a supplementary or test audit after audit has been conducted by the Chartered Accountants appointed under the statute governing the Corporation.

3. Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by CAG under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984.

4. Three annual reports on the accounts of the Central Government Companies and Corporations are issued by CAG to the Government. These are:

'Report No. 1 (Commercial) - Review of Accounts' gives an overall appreciation of the performance of the Companies and Corporations as revealed by their accounts and information obtained in audit.

'Report No.2 (Commercial)-Comments on Accounts' contains extracts from the important comments of CAG on the accounts of the Companies and Corporations and a resume of the reports submitted by the Statutory Auditors (Chartered Accountants) on the audit of the Companies in pursuance of the directions issued by CAG.

'Report No.3 (Commercial)- Transaction Audit Observations' contains the observations on individual topics of interest noticed in the course of audit of the Companies and Corporations and short reviews on aspects of their working.

5. Audit Boards are set up under the supervision and control of CAG to undertake comprehensive appraisals of the performance of the Companies and Corporations subject to audit by CAG. Each Audit Board consists of the Chairman (Deputy Comptroller and Auditor General), two or three whole-time members of the rank of Principal Director of Audit under CAG and two technical or other experts in the area of performance of the Company or Corporation who are part-time members. The part-time members are

appointed by the Government of India (in the respective Ministry or Department controlling the Company or Corporation) with the concurrence of CAG. CAG also reviews certain specific aspects of functioning of some PSUs outside the mechanism of the Audit Board. The reports of CAG based on such performance appraisals by the Audit Board and other reviews are issued to the Government as separate reports in addition to the annual reports mentioned in para 4.

6. Provisions exists in the Acts governing Reserve Bank of India, Export-Import Bank of India, Industrial Reconstruction Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank for the Central Government to appoint CAG, at any time, to examine and report upon their accounts. No such appointment was made during 2000-2001.

7. Gist of important comments or supplementary audit observations of CAG made on the accounts of Central Government Companies and other Central Public Sector Undertakings for the year 2000-2001, or earlier years and significant findings reported by the Statutory Auditors while certifying the accounts of PSUs are given in this Report. A resume of the reports submitted to CAG by Statutory Auditors of these Companies/Corporations in compliance with the directions issued to them under Section 619(3) (a) of the Companies Act, 1956, covering the accounts for the year 2000-2001 (or earlier years as are finalised during the current year), is also given in this Report.

8. All references to 'Government Companies/Corporations or PSU's in this report may be constructed to refer to 'Central Government Companies/Corporations' unless the context thereof suggests otherwise.

OVERVIEW

I. Comments on Accounts of Public Sector Undertakings

The number of Central Government Companies including Deemed Government Companies and Corporations for which accounts for 2000-2001 were received for audit under the Statutes governing the concerned Corporation or for supplementary audit under Section 619 (4) of the Companies Act, 1956 and in respect of which comments issued was as follows:-

	Government Companies	Deemed Government Companies	Corporations	Total
a) Total number of Central Government Companies/ Corporations	276	86	6	368
b) No. of Companies/ Corporations where.accounts were received (upto 31 October 2001)	221	61	5	287
c) No. of Companies/ Corporations the accounts of which were selected or test checked.	192	49	5	246
d) No. of Companies/ Corporations the accounts of which were revised as a result of test check and consequently no comments were issued.	13	1	0	14
e) No. of Companies/ Corporations the accounts of which were partly revised and comments were issued.	5	0	0	5
f) No. of Companies/ Corporations on the accounts of which supplementary audit comments were issued.	70	8	2	80
g) No. of Companies/ Corporations on the accounts of which no supplementary comments were issued.	83	38	0	121
h) No. of Companies/ Corporations where audit of accounts was in progress (as of 31 October 2001)	21	2	3	26

II. Revision of Profit or Loss in Accounts:

As a result of the test audit of the accounts of Government Companies and Deemed Government Companies by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 and consequent revision of their accounts by some of the Companies, the impact on profit/loss shown in the accounts for 2000-2001 was as follows:

(Rupees in crore)

	No. of Companies	Net Effect
i) Increase in Profit	5	(+) 3.80
ii) Decrease in Profit	8	(-) 37.84
iii)Increase in Loss	3	(-) 19.14
iv)Decrease in Loss	2	(+) 1.83

[Paragraph 1.1(A)]

III. Nature of Comments

The comments issued by the Comptroller and Auditor General of India on the accounts of the Public Sector Undertakings (PSUs) audited under Companies Act, 1956 were of the following nature.

(i) On Balance Sheet

Aggregate value of assets as on 31 March 2001 was overstated by Rs.95.98 crore in 15 PSUs and understated by Rs.19.37 crore in 5 PSUs. Similarly liabilities were understated by Rs.1075.48 crore in 25 PSUs and overstated by Rs.18.44 crore in 5 PSUs.

[Paragraph 1.1-B (a)(i& ii)]

(ii) On Profit or Loss

(a) Had all the 44 PSUs whose accounts were test checked and were reflected in this report revised their accounts on the basis of comments made by CAG, aggregate profit for 2000-2001 would have come down by Rs.814.22 crore in 21 PSUs and would have increased by Rs. 26.96 crore in 7 PSUs (excluding Navratna PSUs). Similarly, loss for 2000-2001 would have been increased by Rs.336.49 crore in 15 PSUs and decreased by Rs.7.75 crore in one PSU.

[Paragraph 1.1-B (a)(iii& iv)]

(b) The accounts of all the 11 'Navratna' PSUs were test checked. As a result of test check, aggregate value of assets as on 31 March 2001 was over-stated by Rs.395.99 crore in 3 PSUs and under-stated by Rs. 4.78 crore in one PSU. Similarly, liabilities were under-stated by Rs. 1954.22 crore in 5 PSUs and over-stated by Rs. 2.34 crore in one PSU. The comments of CAG on the PSUs brought out over-statement of profit by Rs.596.40 crore in 10 PSUs and under-statement of loss by Rs. 1303.80 crore in one PSU i.e. Steel Authority of India Limited (SAIL). The overall variance arising in the profit of 10 Navratna (SAIL excluded) as a result of CAG's comments was 2.50 per cent. In the case of SAIL percentage variation in loss as a result of CAG's comments was 178.93 per cent.

[Paragraph 1.1-B (b)(i) & (ii)]

(iii) Singnificant findings reported by Statutory Auditors while certifying accounts of PSUs

[Paragraph 1.4]

(iv) On Capital Erosion

In 7 PSUs, the accounts of which were also test checked, the paid-up-capital as on 31 March 2001 had been fully eroded by the accumulated losses.

[Paragraphs 1.3.18, 1.3.20, 1.3.23, 1.3.24, 1.3.45, 1.3.53 and 1.3.54]

(v) On Inventory

In 9 PSUs (Indian Petrochemicals Corporation Limited, Madras Fertilizers Limited, Bharat Electronics Limited, Hindustan Aeronautics Limited, Bridge & Roof Co. (India) Limited, Scooter India Limited, Bharat Coking Coal Limited, Indian Oil Corporation Limited and Cotton Corporation of India Limited) inventory of raw material, stores, spares and finished goods as on 31 March 2001 was abnormally high as compared to total consumption/sales during the year.

[Paragraph 1.3.3, 1.3.6, 1.3.12, 1.3.13, 1.3.19, 1.3.27, 1.3.31,1.3.41 and 1.3.51]

IV. Reports by Statutory Auditors

Some of the salient points raised by the Statutory Auditors in pursuance of the directions issued by the Comptroller and Auditor General of India under Section 619(3) (a) of the Companies Act, 1956 were of the following nature:-

(i) Inadequacy or ineffectiveness in the system of financial control and accounts, non-reconciliation of books and deficiencies in the maintenance of asset registers were noticed. Some of the accounting policies of the companies were not in conformity with the Accounting Standards of the Institute of Chartered Accountants of India.

[Paragraph 2.1 & 2.2]

(ii) Debts were outstanding for 3 years or more and there was increase in Sundry debtors and doubtful debts.

[Paragaraph 2.2]

(iii) There were cases of non-payment of loan instalments, interest and penal interest by PSUs due on Government loans.

[Paragraph 2.3]

iv) Excess inventory, surplus or obsolete stores and spares, non-fixation of maximum and minimum levels of stock holdings and non-fixation of economic order quantity were also noticed.

[Paragraph 2.4 & Annexure-III]

v) Deficiencies in cost control system were also found.

[Paragraph 2.5]

vi) Internal Audit system was not commensurate with the size and nature of business of PSUs. ***[Paragraph 2.6]***

vii) Audit Committee in certain PSUs was not in existence.

[Paragraph 2.7 & Annexure-IV]

viii) Segment-wise profit and loss statements were not prepared.

[Paragraphs 2.8]

CHAPTER 1
COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON PSUs ACCOUNTS

Under Section 619 of the Companies Act, 1956 the Statutory Auditor of a Government Company, appointed by the Central Government on the advice of the Comptroller and Auditor General of India (CAG), conducts the audit of accounts of the Government Companies which also include companies deemed to be Government Companies under Section 619-B of the Act. On the basis of supplementary audit, CAG issues comments upon or supplements the report of the Statutory Auditors. Statutes governing some Corporations also require their accounts to be audited by CAG and a report to be given by him to the Government.

The details of Government Companies/Deemed Government Companies and Corporations of the Union Government whose accounts for 2000-2001 were received and audited by CAG were as under:

	Government Companies	Deemed Government Companies	Corporations	Total
(i) No. of PSUs (List given in Appendix I, II and III)	276	86	6	368
(ii) No. of PSUs whose accounts for 2000-2001 were received for audit upto 31 October 2001.	221	61	5	287
(iii) No. of PSUs selected for supplementary audit	192	49	5	246
(iv) No. of PSUs whose accounts were under audit as of 31 October 2001 (see Annexure I)	21	2	3	26

Note **Individual PSUs have been listed and marked in Appendix I, II & III by alphabet (R) for accounts received and alphabet (S) for accounts selected for test check.**

As a result of supplementary audit of accounts, 18 Government Companies and 1 deemed Government Companies revised their accounts for 2000-2001. Comments were issued on the accounts of 77 Government Companies and 8 Deemed Government Companies for 2000-2001. Audit Report on the accounts of one Statutory Corporation (Central Warehousing Corporation) was also sent to the Government/Corporation.

1.1 (A) Revision of Accounts:

As a result of supplementary audit and consequent corrections made in the accounts for the year ended 31 March 2001, the profit in respect of the following Companies increased (+) or decreased (-) as indicated below:

Increase (+) or Decrease (-) of Profit

Name of the Company	**Rupees in crore**
1. Neyveli Lignite Corporation Limited	(+) 1.17
2. ITI Limited	(+) 1.01
3. Vibank Housing Finance Limited	(+) 0.90
4. Bharat Earth Movers Limited	(+) 0.39
5. National Mineral Development Corporation Limited	(+) 0.33
Total Increase (+)	**3.80**
1. Bharat Heavy Electricals Limited	(-) 11.46
2. Export Credit Guarantee Corporation Limited	(-) 10.72
3. Hindustan Aeronautics Limited	(-) 9.34
4. Mahanadi Coalfields Limited	(-) 2.94
5. Dredging Corporation of India Limited	(-) 2.13
6. Coal India Limited	(-) 1.02
7. Bharat Heavy Plates & Vessels Limited	(-) 0.22
8. Mumbai Railway Vikas Corporation Limited	(-) 0.01
Total Decrease (-)	**37.84**

In the following Companies, loss for the year increased (-) or decreased (+) as given below:

Increase (-) or Decrease (+) of Loss

Name of the Company	**Rupees in crore**
1. Bharat Coking Coalfields Limited	(-) 16.59
2. Central Coalfields Limited	(-) 2.52
3. Eastern Coalfields Limited	(-) 0.03
Total Increase (-)	**19.14**
1. Rashtriya Ispat Nigam Limited	(+) 1.23
2. Hindustan Shipyard Limited	(+) 0.60
Total Decrease (+)	**1.83**

Note: The Accounts of Goa Shipyard Limited were also revised but there was no impact.

1.1 (B) Impact of Comments on Balance Sheet and Profit & Loss Account:

(a) The comments issued by the Comptroller and Auditor General of India on the financial statements of various companies excluding the 'Navratna Companies' in respect of which the position has been brought out separately in para 1.1 (B) (b), indicated that in 15 PSUs assets as on 31 March 2001 were overstated by Rs.95.98 crore and in 5 PSUs these were understated by Rs. 19.37 crore. Similarly liabilities were overstated by Rs.18.44 crore in 5 PSUs and understated by Rs.1075.48 crore in 25 PSUs. In 21 PSUs net profit for 2000-2001 was overstated by Rs.814.22 crore and in 7 PSUs it was understated by Rs.26.96 crore. Similarly, in 15 PSUs net loss for 2000-2001 was understated by Rs.336.49 crore and overstated by Rs.7.75 crore in one PSU. The following tables give a company-wise break up of the financial implication of comments of the Comptroller and Auditor General of India:

(i) Assets overstated(-)/understated(+) :

Name of the Company	**Rupees in crore**
1. Food Corporation of India (1997-98)*	(-) 22.43
2. Heavy Engineering Corporation Limited	(-) 15.44
3. Industrial Investment Bank of India Limited	(-) 11.24
4. Central Coalfields Limited	(-) 9.08
5. ITI Limited	(-) 7.45
6. The Fertilizer Corporation of India Limited	(-) 6.72
7. Bharat Earth Movers Limited	(-) 6.28
8. The Fertilizer and Chemicals Travancore Limited	(-) 5.11
9. National Fertilizers Limited	(-) 4.14
10. Others - 6 PSUs	(-) 8.09
Total over-statement (-)**	**95.98**
1. Dredging Corporation of India Limited	(+) 11.88
2. Hindustan Zinc Limited	(+) 4.12
3. Indian Railway Finance Company Limited	(+) 2.46
4. Others – 2 PSUs	(+) 0.91
Total under-statement (+)	**19.37**

The accounts for 1998-1999 had not been finalised till 31 October 2001

*****Includes Rs. 22.43 crore relating to the accounts for the year 1997-1998.***

(ii) Liabilities understated (+)/overstated (-) :

Name of the Company	Rupees in crore
1.National Highways Authority of India	(+) 527.00
2. Hindustan Steelworks Construction Limited*	(+) 159.54
3. Heavy Engineering Corporation Limited	(+) 121.56
4. MECON Limited *	(+) 75.29
5. Indian Iron & Steel Company Limited	(+) 73.02
6 Housing and Urban Development Corporation Limited	(+) 32.93
7. Bharat Electronics Limited	(+) 21.35
8. Industrial Investment Bank of India Limited	(+) 9.73
9. Konkan Railway Corporation Limited	(+) 9.12
10. Airport Authority of India*	(+) 8.91
11. Oil India Limited	(+) 6.14
12. Indian Road Construction Corporation Limited	(+) 6.04
13. Hindustan Cables Limited	(+) 3.92
14. Indbank Merchant Banking Services Limited	(+) 3.32
15. Central Mine Planning and Design Institute Limited	(+) 2.95
16. The Engineers India Limited	(+) 2.47
17. Fertilizer and Chemicals Travancore Limited	(+) 2.38
18. Others –8 PSUs	(+) 9.81
Total liabilities understated (+)	**1075.48**
1. National Small Industries Corporation Limited	(-) 7.75
2. Northern Coalfields Limited	(-) 5.04
3. India Trade Promotion Organisation	(-) 3.92
4. Others- 2 PSUs	(-) 1.73
Total liabilities overstated (-)	**18.44**

****includes Rs. 243.74 crore relating to the accounts for the year 1999-2000.***

(iii) Profit overstated(-)/understated(+):

Name of the Company	(Rs. in crore)
1. National Highways Authority of India	(-) 527.00
2. Hindustan Steelworks Construction Limited (1999-2000)*	(-) 159.54
3.. Housing and Urban Development Corporation Limited	(-) 32.93
4. Bharat Electronics Limited	(-) 32.59
5. Industrial Investment Bank of India Limited	(-) 9.73
6. Airport Authority of India (1999-2000)*	(-) 8.91
7. ITI Limited	(-) 6.31
8. Bharat Earth Movers Limited	(-) 6.28
9. Oil India Limited	(-) 6.14
10. Indian Road Construction Company Limited	(-) 6.04
11. National Fertilizers Limited	(-) 4.14
12. Ind Bank Merchant Banking Services Limited	(-) 3.32
13. Engineers (India) Limited	(-) 2.47
14. Others - 8 PSUs*	(-) 8.82
Total Profit over-stated (-)	**814.22**
1.Dredging Corporation of India Limited	(+) 11.88
2. Hindustan Zinc Limited	(+) 4.12
3. Indian Trade Promotion Organisation	(+) 3.92
4. Northern Coalfields Limited	(+) 3.42
5. Indian Railway Finance Company Limited	(+) 2.46
6. Others-2 PSUs	(+) 1.16
Total Profit under-stated (+)	**26.96**

(iv) Loss understated(-)/overstated(+):

Name of the Company	(Rs. in crore)
1. Heavy Engineering Corporation Limited	(-) 141.10
2. MECON Limited*	(-) 75.29
3. Indian Iron & Steel Company Limited	(-) 73.02
4. Konkan Railway Corporation Limited	(-) 9.12
5. Central Coalfields Limited	(-) 9.08
6. The Fertilizer and Chemicals Travancore Limited	(-) 7.49
7. The Fertilizer Corporation of India Limited	(-) 6.72
8. Hindustan Cables Limited	(-) 3.92
9. Central Mine Planning & Design Institute Limited	(-) 2.95
10. Others - 6 PSUs	(-) 7.80
Total Loss under-stated(-)	**336.49**
1. National Small Industries Corporation Limited	(+) 7.75
Total Loss over-stated (+)	**7.75**

** Total profit over-stated includes Rs.170.12 crore and total loss under-stated includes Rs.75.29 crore relating to the accounts for the year 1999-2000. Hindustan Steelworks Construction Limited had shown net profit because of waiver on interest on Government loan for earlier years written back -Rs.957.81 crore.*

(b) Navratna Companies:

(b) (i) Impact of comments issued by the Comptroller & Auditor General of India on the financial statements on 'Navratna' Public Sector Undertakings for the year 2000-2001 indicated that Assets were over-stated by Rs.395.99 crore in 3 PSUs and understated by Rs. 4.78 crore in one PSU. Similarly liabilities were understated by Rs. 1954.22 crore in 5.PSUs and overstated by Rs.2.34 crore in one PSU. The following tables give a company-wise break-up of the financial implication of comments of the Comptroller & Auditor General of India.

Assets over-stated (-)/under-stated (+)

Name of the Company	**Rs in crore**
1. Indian Oil Corporation Limited	(-) 385.11
2. Videsh Sanchar Nigam Limited	(-) 6.77
3. Mahanagar Telephone Nigam Limted	(-) 4.11
Total assets over-stated (-)	**395.99**
1. Bharat Petroleum Corporation Limited	(+) 4.78
Total assets under-stated (+)	**4.78**

Liability under-stated (-)/over-stated (+)

1. Steel Authority of India Limited	(-)1275.94
2. Mahanagar Telephone Nigam Limted	(-) 478.89
3.Oil and Natural Gas Corporation Limited	(-) 122.09
4. Gas Authority of India Limited	(-) 68.94
5. Indian Petrochemicals Corporation Limited	(-) 8.36
Total liability under-stated (-)	**1954.22**
1. Videsh Sanchar Nigam Limited	(+) 2.34
Total liability over-stated (+)	**2.34**

(ii) In addition to the above, the impact of CAG comments on the profit and loss of the 'Navratna' Public Sector Undertakings for the year 2000-2001 is given as under:

(Rs. in crore)

Name of the Company	Net Profit (before tax)/Loss (-)	Over-statement (+)/Under-statement (-) of Profit or Loss as commented	Impact of comments as a percentage of profit/loss shown in the accounts (3 to 2)
1.	2.	3.	4.
1. Indian Petrochemicals Corporation Limited	272.03	8.36	3.07
2. Oil and Natural Gas Corporation Limited	9156.85	122.09	1.33
3. Gas Authority of India Limited	426.04	68.94	16.18
4. Bharat Heavy Electricals Limited*	294.09	11.46	3.90
5. Mahanagar Telephone Nigam Limited	1703.18	(-) 4.28	0.25
6. Videsh Sanchar Nigam Limited	2567.57	4.43	0.17
7. National Thermal Power Corporation Limited	4073.81	Nil	Nil
8. Indian Oil Corporation Limited	2962.61	385.11	13.00
9. Hindustan Petroleum Corporation Limited	1320.20	Nil	Nil
10.Bharat Petroleum Corporation Limited	1113.12	0.29	0.03
Total	**23889.50**	**(-) 596.40**	**(-) 2.50**
11. Steel Authority of India Limited	(-) 728.66	(-) 1303.80	178.93
Total	**(-) 728.66**	**(-) 1303.80**	**178.93**

The Company revised the accounts on the basis of CAG comments and the impact of comments covered by the revised accounts had been shown.

1.2 Salient Comments on Balance Sheet/Profit & Loss Statement

Department of Atomic Energy

1.2.1 Indian Rare Earths Limited

Current liabilities & provisions were overstated by Rs 58.75 lakh due to incorrect inclusion of on account payment of insurance claim, which should have been treated as income as per its accounting policy. This resulted in under-statement of profit for the year to the same extent.

Company stated that the amount was on account payment against an insurance claim which would be accounted for on full and final settlement of the claim.

The reply is not tenable as the accounting policy of the Company stipulated accounting of the amount as income.

1.2.2 Uranium Corporation of India Limited

Profit before tax was overstated by Rs. 34.18 lakh due to crediting of income earned on sale of ore mined during the period of development of a mine to Profit & Loss account instead of setting off of the same against the development expenditure of the mine capitalized during the year.

Management stated that the job was neither a project nor an expansion of a project. Hence development work was not considered as construction project.

Management contention is not tenable as the Company had treated the expenditure on mines development as capital expenditure. Therefore, the income from this work should also be treated as of capital nature and should have been deducted from the total expenditure so capitalised as per general accounting principles.

MINISTRY OF CHEMICALS & FERTILIZERS

Department of Chemicals and Petro-chemicals

1.2.3 Indian Petro-chemicals Corporation Limited

Current liabilities did not include Rs. 8.36 crore being the interest payable to Oil Natural Gas Corporation Limited (ONGC) on payment of arrears in instalments relating to revision in price of ethane/propane supplies, as per the agreement. This resulted in under-statement of current liabilities and over-statement of profit for the year by Rs. 8.36 crore.

Management stated that Company paid arrears to ONGC by June 2000 before signing of the agreement on 11 July 2000. As such their claim of interest was not tenable.

Reply of the management is not tenable, as ONGC had agreed in December 1999 to receive the price revision arrears in instalments subject to the payment of interest. In April 2000, ONGC raised a debit note on the Company towards interest payable up to 31 March 2000.

Department of Fertilizers

1.2.4 The Fertilizer & Chemicals Travancore Limited

1. Non-charging of expenditure amounting to Rs.6.07 crore representing licence and know-how fee relating to manufacturing process in the year in which it was incurred had resulted in over-statement of gross block. As the Company had charged depreciation of Rs.0.96 crore on this, the loss was understated by Rs.5.11 crore.

Management stated that payments relating to the manufacturing process needed to be charged to revenue only if, such payments relate to an asset already in existence. All the know-how payments including payments relating to manufacturing process were to be capitalised as long as it related to a major fixed asset being brought into existence.

Management's reply is not tenable, as Accounting Standard (AS)-10 does not distinguish between new asset and an existing asset.

2. Current liabilities and provisions were understated by Rs.2.38 crore due to write back of provisions made towards interest on surcharge payable to Kerala State Electricity Board (KSEB) although KSEB had not withdrawn the claim.

The contention of the Company that no demand was raised is not acceptable as the claim was not subject to the law of limitation and hence, the write back was not in order.

1.2.5 The Fertilizer Corporation of India Limited

Net Loss for the year was understated by Rs.6.72 crore in view of the following:

1. Under-charge of depreciation by Rs.4.13 crore on machinery spares (non-regular use) due to capitalisation only during 2000-01 instead of with effect from 1 April 1999, as required under revised AS-2 and para 8.2 of AS-10.

Management stated that the Corporation had adopted the policy with regard to capitalisation of machinery spares which could be used only with an item of fixed assets and whose use was expected to be irregular in accordance with AS-2 from the year 2000-2001 only. Hence, depreciation was charged as per policy of depreciation of the Corporation.

The reply is not tenable since AS-2 was effective from 1 April 1999 and according to para-17 of AS-5, the non-implementation of AS-2 retrospectively in this case on account of error occurred as a result of mistake in applying accounting policy together with mis-interpretation of revised AS-2. Necessary adjustment of depreciation and fixed assets after 1 April 1999 in compliance with AS-5 should have been carried out.

2. Over-valuation of closing stock of urea by Rs.2.26 crore due to non-consideration of estimated marketing expenses which was higher than the marketing expenses allowed by Fertilizers Industries Co-ordination Committee (FICC).

Management stated that the net realisable value of urea stocks was made as per the accounting policy no. 3.5. The primary freight, secondary freight etc. was not part of retention price fixed by FICC. Hence, the same was not taken into account for arriving at net realisable value of urea.

The reply is not tenable as godown rent, handling charge etc. were also part and parcel of selling and distribution cost. As per AS-2, net realisable value was to be arrived at after deduction of estimated selling and distribution expenses. For conservative point of view, in arriving at net realisable value the expenditure of primary freight incurred by the unit towards despatch of urea to the selling point had been excluded in view of freight subsidy receivable from FICC.

3. Capitalisation of Rs. 0.33 crore being the expenditure incurred on repair and renovation work of existing cooling tower relating to power house of Sindri modernization plant.

Management stated that the jobs were for renovation of cooling tower cells and not for dismantling/replacement and rectification only. Hence, accounting treatment given was in order.

The reply is not tenable as it could not be termed as addition to fixed assets vide para 23 of AS-10.

1.2.6 Hindustan Fertilizer Corporation Limited

Net loss for the year was understated by Rs. 1.90 crore in view of the following:

(i) Non-provision of anticipated future loss of Rs. 1.17 crore to be incurred on disposal of project leftover inventory.

Management stated that items of surplus stores was intended to put on sale through auction-cum-tender to the actual users of such items through Metal Scrap Trading Corporation Limited (MSTC). The reasonable price as was expected from the scrap dealer could not be fetched. As such, making provision for any loss on the basis of quotation for scrap dealer would grossly understate the value of such items.

The management contention is not tenable as the spares were lying since 1982 and in this case, loss could be assessed on the basis of information available from auction undertaken by a Government organisation – MSTC on 4 December 2000.

(ii) Non-provision of Rs. 0.73 crore on account of claim, the recovery of which was doubtful.

Management stated that since the matter was pending before arbitration, the uncertainty of recovery at this stage was not ascertainable. This had also been disclosed in the Note to Accounts. The reply is not tenable as the matter was under litigation and it should have been provided for.

1.2.7 National Fertilizers Limited

Inventories were overstated by Rs.4.14 crore due to incorrect valuation of closing stock of urea in violation of AS-2 which resulted in the over-statement of the profit by the same amount.

Management stated that the inventories had been valued at lower of cost and net realisable value which was as per AS-2.

The reply of the management is not acceptable as the valuation of closing stock of urea had been done at realisable value which also included the estimated expenditure on customary rebates and discounts allowed to the dealers before making the sale.

MINISTRY OF CIVIL AVIATION

1.2.8 Airports Authority of India

1. Capital reserves were overstated to the extent of Rs.90.04 crore, being the grants received for meeting the part cost on the creation of fixed assets of the Authority, which should either have been shown as deduction from the cost of the assets or as deferred income to be treated as income in the Profit and Loss account over the useful life of the asset.

2. Current liabilities were understated by:

(i) Rs.73.59 crore due to non-inclusion of amount payable to State Governments for police guards deployed for anti-hijacking for the period prior to January 1997; and

(ii) Rs.4.16 crore due to incorrect calculation of interest on working capital loan.

3. Provision for income tax was understated by:

(i) Rs.78.88 crore on account of income-tax Rs.22.01 crore and interest thereon Rs. 56.87 crore due to difference in the amount of depreciation (including extra shift depreciation) as claimed in the income tax returns vis-a-vis the amount of depreciation admissible under the Income Tax Act, 1961; and

(ii) Rs.9.66 crore, being the income-tax (Rs.7.67 crore) and interest thereon (Rs.1.99 crore) due to non-deduction of TDS on canteen subsidy paid to employees in violation of the Income Tax Act, 1961.

4. Physical verification of Fixed Assets had not been done in some of the offices and wherever it was done the relevant reports were not produced to audit.

5. (i) The area of land under actual possession at southern and western region in respect of National Airports Division (NAD) and Calcutta International Airport could not be

ascertained in the absence of detailed land records with the Authority.

(ii) 1024.95 acres of land was under encroachment and physical possession of 112.49 acres of land at Delhi could not be taken due to encroachment though acquisition cost had been paid. Further, 35 acres of land at Mumbai airport was under dispute.

6. Cost of permanent buildings was overstated by Rs.1.30 crore due to wrong classification of revenue expenditure as a capital expenditure. This resulted in over-statement of depreciation by Rs.10 lakh and under-statement of profit by Rs.1.20 crore. This was also understated by Rs.2.48 crore due to non-capitalisation of expenditure of capital nature.

7. Plant and equipment were understated by Rs.136.87 crore due to non-inclusion of (i) losses of Rs.86.86 crore on account of exchange fluctuations on loans borrowed to finance a project, (ii) interest of Rs.44.53 crore paid on loans borrowed to finance a project, and (iii) TDS of Rs.5.48 crore paid as an obligation of the Authority on behalf of financing agencies that financed a project.

8. Capital work-in-progress was overstated by Rs.2.54 crore being the amount advanced to CPWD against which no details were furnished by them. The same was further overstated by Rs.9.99 crore, being the cost of equipment already installed.

9. Sundry debtors were overstated by Rs.88.10 crore due to inclusion of:

(i) licence fee of Rs 39 lakh shown recoverable from oil companies but disputed by the latter; and

(ii) dues of Rs.87.71 crore from various Government departments in contravention of accounting policy no.8.

10. Deposits, loans and advances considered good and in respect of which the Authority was fully secured included an amount of Rs.257.24 crore in respect of which the Authority did not hold any security. The deposits, loans and advances were also overstated by Rs.2.21 crore, being the cost of CISF inducted at various airports to be met by the Authority itself .

11. The profit was overstated by:

(i) Rs.77 lakh due to non-inclusion of interest leviable on the delayed payment of tax on dividend, under Section 115(o) of the Income Tax Act;

(ii) Rs.6.39 crore due to short provisioning of interest on the loan portion of commencing capital resulting from adjustment of repayment in violation of decision no. 1(iv) under Rule 155 of General Financial Rules, and

(iii) Rs.1.75 crore (current year Rs.58.62 lakh) due to non-billing of Route Navigational Facilities Charges (over-flying) on various airlines.

12. Non-traffic revenue was understated by Rs.6.54 crore due to wrong billing and non-raising of bills on the parties.

13. Miscellaneous income was understated by Rs.69.53 crore (current year: Rs.16.26 crore) due to Authority 's failure in raising bills on Air India Limited and Indian Airlines Limited which were likely to be privatised in near future.

14. Notes forming part of the accounts did not indicate that the arbitration proceedings were going on between National Buildings Construction Corporation Limited (NBCC) and the Authority and that NBCC had preferred counter claims of Rs.151.08 crore against the claims of Rs.119.02 crore preferred by the Authority.

15. Accounting policy no. 7 of the Authority was not correct since it allowed charging of the full value of purchases of stores and spares made during the year irrespective of actual consumption thereof.

Reply to the audit report on the accounts for the year 1999-2000 was not made available by the Authority to audit as the report had not been placed before the Board.

1.2.9 Indian Airlines Limited

1. Inventories as on 31 March 2000 were overstated by Rs.3.49 crore due to non-writing off of the surplus inventory in respect of A-320 aircraft fleet. This resulted in

over-statement of obsolescence reserve by Rs.1.82 crore, under-statement of expenditure on provision for obsolescence by Rs.1.82 crore and over-statement of profit by Rs.1.67 crore.

Management stated that A-320 aircraft being active fleet of the Company, any decision to consider a part of the inventory as surplus, required Board's approval, which would be taken in due course.

The reply is not tenable as A-300 and B-737 aircrafts were also active part of the fleet of the Company in respect of inventories which were not moved for more than 5 years and should have been written off as surplus as per the accounting practice and without specific approval of Board.

2. Sundry creditors as on 31 March 2000 were understated by Rs.1.32 crore due to non-provision of liability for goods despatched and invoiced by the sellers by 31 March 2000. This resulted in under-statement of goods-in-transit by same amount.

Management stated that accounting practice of not providing liability for materials on high seas was consistently followed and was adequately disclosed. The reply is not tenable as the accounting practice followed by the Company and disclosed in the accounts was in contravention of requirement of section 209 of the Companies Act, 1956 regarding maintenance of accounts on accrual basis.

3. Provision for income tax was understated by Rs.1.87 crore, being the amount of income tax (Rs.1.52 crore) and interest thereon (Rs.35.47 lakh) due to less deduction of TDS on flying allowance paid to employees.

Management stated that they had a consistent policy of accounting for the flying allowance at foreign stations at a pre-determined rate and absorbing the differential as expenditure.

The reply is not tenable as the Company had not accounted for flying allowance correctly and portion of this allowance was considered as exchange loss instead of salary of the crew. This resulted in less deduction of TDS.

MINISTRY OF COAL AND MINES

Department of Coal

1.2.10 Central Coalfields Limited

Loss for the year was understated by Rs.9.08 crore due to non-charging to the revenue, the value of float engines used for replacement resulting in over-statement of fixed assets by the same amount.

Management noted the observation.

1.2.11 Central Mine Planning & Design Institute Limited

Loss for the year was understated by Rs.2.95 crore due to non-provision for doubtful debts outstanding since 1992-93.

Management admitted that the realisation against the old dues was slow and it would be realised on completion of reconciliation with all the subsidiaries. The contention of the Management is not acceptable as the Company failed to realise the dues remaining outstanding since 1992-93.

1.2.12 Northern Coalfields Limited

Profit for the year was understated by Rs.3.42 crore in view of the following :

1. The stock of stores and spares was overvalued by Rs.1.62 crore due to accounting of old returned items of stores and spares on closure of a mine, at the current weighted average cost.

Management stated that the necessary adjustment, if required, would be made next year.

2. A reference is invited to item No. 9 of the Notes on Accounts regarding provision of gratuity liability on actuarial valuation basis plus payments made during the year. Provision for the gratuity aggregating Rs.5.04 crore paid to the employees who retired/died during the year already existed in the accounts and as such the same should

have been adjusted against the 'Provision towards gratuity' instead of charging the same again to Profit & Loss account.

Management replied that the accounting had been made on the same line as was done in the earlier years. Payment due to the employees leaving during the year (2000-01) was added to the incremental liability certified by the Actuary.

The contention of the management is not acceptable as the payments made towards gratuity during the year should have been set-off against provision already created.

1.2.13 South Eastern Coalfields Limited

An amount of Rs. 1.12 crore paid as interest on account of shortfall in deposit of advance tax for the financial year 1998-99 should have been charged to Profit & Loss account as the Company had not disputed the payment. This resulted in over-statement of loans and advances as well as profit after tax by Rs.1.12 crore.

Management stated that as per the practice consistently followed by the Company, such interest was not charged till the assessment for the relevant year was completed in all respects including the adjudication by the Appellate Authorities against the appeals preferred by the Company.

The reply is not tenable as this was a clear demand and should have been debited to Profit and Loss account.

Department of Mines

1.2.14 Bharat Gold Mines Limited

1. Fixed assets included Rs.51.29 lakh being the value of the shaft sinking and main works in respect of abandoned blocks and mines. As the mining activities in these mines and blocks had been abandoned, the value of shaft sinking and main works required to be charged off in terms of accounting policy. This resulted in under-statement of loss and over-statement of fixed assets by Rs.51.29 lakh.

Management stated that they were depreciating these assets at a rate prescribed under Schedule XIV of the Companies Act 1956, as in the past consistently. These shafts were operated and had also produced some gold during the year 2000-01.

The reply is not tenable as the shaft sinking and main works in the mines were abandoned due to stoppage of mining and de-watering operations.

2. Loans and advances included security deposit of Rs.34.90 lakh paid on a contract, which was short closed by the Company during the year. As per the terms of contract the security deposit was liable for forfeiture in the event of non-execution of the work. Non-provision for the forfeiture of security deposit resulted in over-statement of loans and advances and under-statement of loss by Rs.34.90 lakh.

Management stated that the short closure was made as per mutual understanding considering company's present status. There was neither any claim from the party nor intimation to forfeit the security deposit

The reply is not tenable as no consent of the customer was obtained to short close the work without levy of penalty or forfeiture of the security deposit.

1.2.15 Hindustan Zinc Limited

1. Environment and pollution control expenses, charged to profit and loss account, included Rs.4.12 crore (cumulative expenditure – Rs.5.27 crore) towards construction of Jarosite pond. As the expenditure was of capital nature, the same should have been accounted for as capital work-in-progress. This resulted in the under-statement of capital work-in-progress by Rs.5.27 crore and profit for the year by Rs.4.12 crore as well as prior-period profit by Rs.1.15 crore.

Management stated that the expenditure was incurred to meet the statutory obligation for environmental protection and no fixed assets having realisable value was created. Hence, it could not be treated as capital expenditure.

The reply is not tenable as Jerosite pond was a fixed asset and benefits from the pond would be derived in future years. Accordingly, this should have been shown as capital work-in-progress.

2. The Company had not conducted physical verification of coke fines during the last two years ended 31 March 2001 despite the fact that it had found shortage of coke fines amounting to Rs. 2.14 crore during the physical verification conducted in 1998-99.

Management stated that physical verification of residual material, such as coke fines, was not conducted every year.

However, the fact remains that the Company should have conducted physical verification every year, since it had noticed shortage of coke fines during 1998-99.

MINISTRY OF COMMERCE & INDUSTRY

1.2.16 India Trade Promotion Organisation

Provision for bonus/incentives of Rs.3.92 crore (including Rs.83.47 lakh made for the year 2000-01) represented provision for incentives to all employees in regular scale. As this scheme had neither been approved by the Administrative Ministry nor by the Board of Directors for the year 2000-01, no provision on this account was required to be made by the Company. This resulted in under-statement of excess of income over expenditure to the extent of Rs.3.92 crore.

Management stated that the incentive scheme was approved by the Board in its meeting held in September 1996 which was within the guidelines of the Department of Public Enterprises on perks and allowances applicable to PSUs officials. Reply is not tenable as the Ministry had not acceded to the request of the Company for ratification of payment.

1.2.17 PEC Limited

1. Cash and bank balance and the advances from creditors were overstated by Rs.5.44 crore due to accounting of cheques received during April 2001. The Company noted the comment and assured to avoid its recurrence in future.

2. Motor cycle/car advances amounting to Rs.62.64 lakh paid to employees which were duly secured by hypothecation deeds were incorrectly classified as unsecured. The

Company noted the comment for rectification in the next year.

MINISTRY OF COMMUNICATIONS

1.2.18 ITI Limited

1. Capital work-in-progress included Rs.1.21 crore being the value of Mobile Radio Trunked Service (MRTS) equipment lying idle since 1997-98. As the utilisation of these equipment was doubtful it should have been provided for. This resulted in over-statement of capital work-in-progress and profit by Rs.1.21 crore.

Management stated that MRTS equipment was working at Chennai, Madurai, Surat, Baroda, Ahmedabad, Hyderabad etc. and the demand for MRTS equipment continued. Further, the Company was entering into collaboration with other companies to use the capital items including the equipment at Mumbai.

The reply is not tenable since with the introduction of cellular wireless communication, the MRTS technology was already getting phased out, and the Company was not able to put to use the equipment for over two years.

2. Rs.6.15 crore was accounted for as income on account of escalation without raising of bills. Though there was no progress in approval/realisation of proceeds from the customer, no provision had been made although commented on last year's account. This resulted in over-statement of sundry debtors by Rs.6.15 crore, profit by Rs.5.01 crore and other liabilities by Rs.1.14 crore.

Management stated that the itemised rates for certain configurations of equipment supplied during 1997-98 and 1998-99 were not approved by the customer and, therefore, sales were set up based on similar items for which approved rates were available. Further, it was stated that the review committee had examined the rates and justifications given by the Company and as soon as the rates were finalised, bills would be raised on the client for payments.

Reply is not tenable as the review committee was yet to finalise the rates and the Company was yet to raise the claim. Therefore, a provision should have been made.

1.2.19 Mahanagar Telephone Nigam Limited

1. Gross block of fixed assets was understated by Rs. 2.93 crore due to non-capitalisation/short capitalisation of apparatus & plants and civil construction works, which were completed and commissioned/put to use during 2000-2001 or earlier. This resulted in over-statement of capital work-in-progress by Rs. 2.93 crore and consequently, the depreciation was understated by Rs. 4.11 crore with a corresponding over-statement of profit.

Management stated that necessary adjustment would be made in the accounts of 2001-02

2. Correctness of the gross block of fixed assets amounting to Rs. 10651.50 crore was not verifiable because 94 per cent of the fixed assets were not chosen for physical verification since incorporation of the Company in 1986. The verification of remaining six percent fixed assets pertaining to land and buildings, which were stated to be physically verified was also not completed either.

Management stated that necessary verification would be done during 2001-2002.

3. Due to mistake in computation there was a short provision of Rs.3.17 crore towards leave encashment resulting in over-statement of profit for the year by an equal amount.

Management noted the comment for compliance.

4. It was stated in the Notes to Accounts and Auditors' Report that provision for license fee payable to DOT was made at Rs. 900 per working Direct Exchange Line instead of at 12 per cent of Annual Gross Revenue (AGR) claimed by DOT which was being contested by the Company. It was seen that the effective date for payment of the license fee at 12 per cent of AGR was 1 August 1999. On the basis of the rate of license fee fixed by DOT, the total fee payable for period from 1 August 1999 to 31 March 2001 worked out to Rs. 1166.11 crore as against which the provision made in accounts for the same period was Rs 690.39 crore indicating a short provision of Rs 475.72 crore.

Management stated that the matter was under consideration with DOT.

1.2.20 Videsh Sanchar Nigam Limited

1. The Company had been valuing the GDR proceeds received through Euro issue of US$408.85 million (net) made in 1997 and parked outside India at Rs.35.91/US $ treating

it as a non-monetary item. Even the capital expenditure met out of these proceeds during 1997-2000 was valued at the same rate instead of the prevailing conversion rate on the date of transaction/payment. In the current year, Company had changed the accounting method for valuation of GDR proceeds, treating it as a monetary item and thus valued the balance proceeds parked outside India at the closing exchange rate as on 31 March 2001.

Due to non-adoption of the changed method in respect of assets and capital work-in-progress acquired during the years 1997-98 to 1999-2000, the gross block of fixed assets and capital work-in-progress were understated by Rs. 72 crore and Rs.3.58 crore respectively. This also resulted in under-statement of depreciation by Rs.4.67 crore including Rs.0.87 crore for earlier period and over-statement of profit by Rs.4.67 crore.

Management stated that the assets acquired during the years 1997-98 to 1999-2000 were recorded as per the accounting treatment adopted and consistently followed during those years. The change in the treatment in the current year was the direct result of RBI directives in the case of repatriation of GDR funds during 2000-01 and, therefore, did not warrant the reversal of the valid treatment adopted in previous years. Hence, the fixed assets acquired in earlier years and accounted by adopting a valid accounting treatment could not be recasted in the later year by reason of change in accounting treatment necessitated by an event taking place in that year.

The reply of management is not tenable because: (i) para 22 of AS-11 prescribed that fixed assets should be translated using the exchange rate at the date of transaction, (ii) since the Company itself changed the method of this year's accounting for capital expenditure at the current conversion rate and the foreign exchange gain to capital reserve and (iii) the Company had given retrospective effect for interest, pending adjustment to the fixed assets/capital work-in-progress since beginning of the transaction.

2. Plant and Machinery was overstated due to non-adjustment of Rs.4.28 crore reimbursed by Bezeq Israel in February 1996 towards 50 percent cost of 1 x 2 MB capacity circuit between Mumbai and Cyprus commissioned in June 1994. This resulted in over-statement of depreciation by Rs.1.55 crore including Rs.1.32 crore for previous years and under-statement of profit by Rs.1.55 crore.

Management stated necessary action would be taken during the financial year 2001-2002.

3. Current liabilities were overstated by Rs.2.34 crore due to (a) retention of provision for Euro issue expenses of Rs.1.59 crore pertaining to 1994 for which the management stated that liabilities had already been discharged and (b) Non-transfer of very old unclassified amount of Rs.0.75 crore to income. This also resulted in under-statement of profit and reserve by Rs.2.34 crore.

Management stated that necessary action would be taken in the financial year 2001-02.

4. Income was overstated by Rs.3.65 crore being excess billing on account of non-consideration of the reduction in total accounting rate from Special Drawing Rights (SDR) from 1.96 per minute to 0.80 per minute with Libya during the year. This also resulted in over-statement of sundry debtors by Rs.3.65 crore and profit by same amount.

Management opined that Libya's acceptance for the Total Accounting Rate (TAR) reduction was received only after closure of the accounts and the Company had not accepted the said accounting rate so far.

The above reply of the management is not acceptable as the proposal for reduction in TAR was initiated by Company itself. Hence it was prudent to recognise the income at the reduced rate proposed by the Company, in compliance with AS-9.

MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION

1.2.21 Food Corporation of India

Accounts of Food Corporation of India for the year 1997-98 were audited by C&AG, as sole auditor under Section 34 of the Food Corporations Act, 1964 as amended in June, 2000. The Audit Report thereon was issued to the Government of India on 28 September 2001.

A. Some of the important observations made in the Report are reproduced as under:

1. Interest payable (Rs.8.01 crore) did not include Rs.2.42 crore being the interest charges payable to bank on cash credit account. The reply of the management that the accounting policy to account for the interest receivable or payable to the bank had been framed keeping in view the provisions under section 43B(e) of the Income Tax, 1961 is

not tenable since accounting on cash basis was in violation of accepted/corporate practice.

2. Sundry creditors for other finance (Rs.283.08 crore) was overstated by Rs.3.60 crore due to non-writing back of liabilities no longer required to be paid to Ministry of Human Resources Development under Centrally Sponsored Programme (CSP) – State Funded Programme (SFP) scheme under Ministry of Education. Management agreed to carry out necessary adjustments during next year's accounts.

3. (i) Claims Receivable (Rs.244.57 crore) were overstated by Rs.40.16 crore due to inclusion of:

a) Old claims ranging in antiquity from 15 to 29 years, lodged on various shipping agents and aggregating to Rs. 21.57 crore;

b) Railway claims on account of excess payment of freight prior to 1989-90 aggregating to Rs.15.18 crore;

c) Railway claims of Pune district pending since 1971-72 aggregating to Rs.2.34 crore; and

d) Other old claims on railway aggregating to Rs.1.07 crore.

Management agreed to review the claims and to carry out necessary adjustments during next year.

(ii) Claim Receivable were understated by Rs.17.73 crore due to non-inclusion of claims for storage losses recoverable from Central Warehousing Corporation (CWC) and Punjab State Warehousing Corporation (PSWC). The reply of the management that shortages were to be investigated and placed before the committee is not tenable since no action had been taken.

4. Book debts (unsecured) (Rs.4599.04 crore) were overstated to the extent of Rs.44.29 crore recoverable from Ministry of Agriculture, Department of Fertilisers, which stands rejected by the concerned Ministry in January 1993, on account of non-regularisation of shortages by management before 8 March 1992 as per the arbitration award. Management reply that the Ministry had agreed to reimburse if regularised, is not tenable since the amount was yet to be regularised by the Corporation.

5. Consumer subsidy of Rs.7712.43 crore on food grains reimbursable by Government of India was overstated by Rs.43.33 crore due to inclusion of loss in value of food grains due to deterioration in the quality in the absence of any norms prescribed by the Corporation in this regard. This resulted in claiming of excess subsidy from the Government to that extent. Management agreed to take up the matter with Government of India for review of subsidy principles.

6. Sales (Rs.12089.99 crore) were overstated by Rs.131.77 crore due to accounting of sale of wheat and rice under Mid Day Meal scheme and to Defence Services at estimated economic cost. Management stated that sales realisation booked in the accounts was based on the estimated economic cost. The reply of the management is not tenable since adjustment on account of final cost should have been provided for in the accounts.

B. Weakness in System of Internal Control and Book Keeping:

1. Internal audit system was not adequate and commensurate with the size and nature of the business of the Corporation. Weakness in the internal audit was observed by the Branch Auditors in most of the regions of the Corporation. As a result of these weaknesses, there was no assurance to external auditors regarding the adequacy and effectiveness of internal controls and reliability of its annual financial statements. Management agreed to strengthen the internal audit at regional level by providing additional qualified personnel.

2. Physical verification of fixed assets as on 31 March 1998 was not conducted in District Office, Srinagar; Regional Office, Jammu; Delhi Region, Zonal office (North); FCI Headquarters; District units of Port Depot; Non-Port Depot, Durgapur and District Office, Siliguri. Management had conducted the physical verification in 1999-2000.

3. Fixed Asset registers were not properly maintained to exhibit complete details of gross and net value including quantitative details, situation/location, item-wise cost and depreciation in respect of fixed assets in most of the regions. Management stated that administrative instructions had again been reiterated for the remedy of shortcomings.

4. The recovery of Government of India loan from sugar mills and refunded to Government of India had not been entered in Receipt & Payment Account. Management stated that the recovery of the Government of India loan from sugar mills and refund thereof to the Government of India did not form part of Sugar Price Equalisation Fund (SPEF). The reply is not tenable. Being a vital transaction undertaken by FCI on behalf of Government of India, it should have been disclosed by way of note to SPEF account.

5. In order to exercise control over purchase/receipt of food grains according to prescribed specifications, a system of surprise checking of food grains in the depots by Head Office, Zonal Office and Regional Office Squad was in place. It was seen in audit in Haryana region that the system was not functioning properly. The working of this system was not seen in other regions of FCI.

6. In West Bengal region, annual physical verification could not be done and stock holding certificates could not be obtained from State Warehousing Corporation (SWC), Storing agents, Rice millers etc. in respect of stocks lying with them as on 31 March 1998 valuing Rs.2.73 crore. Management agreed to carry out necessary adjustments during 1998-99.

MINISTRY OF DEFENCE

Department of Defence Production and Supplies

1.2.22 Bharat Earth Movers Limited

1. As per AS-13 the current investment (short term investment) is to be valued at lower of cost or fair value. The investment of Rs. 4.96 crore in US 64 scheme of the Unit Trust of India (UTI) held by the Company had been valued at fair value as on the Balance Sheet date. However, the value of investment had been eroded considerably and sale and redemption was suspended by the UTI during the period between Balance Sheet date and the date on which Board of Directors approved the financial statements. This had not been disclosed as required in para 15 of AS-4.

Management stated that since the scheme was under suspension by UTI. The losses, if any, could not be quantified.

Reply is not acceptable as even if the losses could not be quantified, disclosure of the event that represent material change affecting the financial position of the Company, should have been made as required in AS-4.

2. Inventories included Rs.1.11 crore being the cost booked for a work order pending for the last 9 years for want of customer's order. Non-provision resulted in over-statement of work-in-progress and profit by Rs.1.11 crore.

Management stated that the materials drawn against this work order were physically available and not considered as obsolete and hence not considered for necessary provision. The material would be consumed when customer order materialises.

Reply is not tenable as the Company had not manufactured the equipment after 1991-92 and there was no production plan to manufacture the equipment in 2001-02 also.

3. Raw material and components included Rs.2.94 crore being the value of inventories pertaining to equipment not moved for the last five years. Non-provision for obsolescence had resulted in over-statement of inventories and profit by Rs.2.94 crore.

Management stated that due to market conditions, the market off-take had been slow. The material inputs were in good condition and hence not considered obsolete.

Reply is not tenable as the Company was carrying the inventory for the last five years, hence suitable provision for obsolescence for non-moving material was required to be made.

4. Income was overstated by Rs. 5.41 crore being the sales set-up on FOR destination basis. As the contractual obligation regarding FOR destination was not fulfilled as of 31 March 2001, accounting of such sales resulted in over-statement of sales and Sundry debtors by Rs.5.41 crore with over-statement of profit by Rs.2.24 crore and under-statement of inventories by Rs.3.17 crore.

Management stated that that the sales had been set-up within the ambit of Accounting

Standards by fully complying with the requirements there under and consistent with accounting policy being followed.

The reply of the management is not tenable as the contractual obligations regarding FOR destination sales were not fulfilled as on March 2001.

1.2.23 Bharat Electronics Limited

1. Inventories included Rs. 1.29 crore representing stores and spares (Rs. 27.72 lakh), Raw materials and components (Rs. 42.50 lakh), Finished Goods (Rs. 1.63 lakh) and work-in-process (Rs. 57.12 lakh) pertaining to TV Guns. Since the production of TV Guns had been discontinued due to product obsolescence, suitable provision should have been made for diminution in the value of inventory. Non-provision on this account resulted in over-statement of inventory and profit by Rs. 1.29 crore.

Management stated that during the last three years, sale of Rs.1.48 crore had been effected from TV Guns assembly which was still operational. Since the items were saleable, no provision was considered necessary

The reply of the management is not acceptable as the demand for black and white TVs for which these guns were being used had drastically fallen and hence production of guns was discontinued. TV gun production had been discontinued and it was no longer in operation as claimed by the Company. Utilisation of these inventory items was, therefore, doubtful and hence should have been provided for in the accounts.

2. Raw materials and components included an amount of Rs. 1.33 crore representing the inventory not moved for more than 5 years. As these items could not be utilised, suitable provision should have been made. Non-provision on this account had resulted in over-statement of inventory and profit by Rs. 1.33 crore.

Management stated that the inventory of Rs.1.21 crore was identified as useful in various on-going projects and for after sales service. Inventory identified as unusable, was fully written off. In view of the above, no provision was considered necessary.

The reply of the management is not acceptable as the entire non-moving inventory was more than 5 years old. Equipment for which these items related were already under regular production.

3. A reference is invited to comment no. 1 (i) of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March, 2000 wherein non-existence of provision for the obsolescence in respect of surplus raw materials and components due to design change/engineering modifications was commented. Though the surplus materials valued at Rs. 56.22 lakh remained unutilised as on 31 March, 2001, no provision for obsolescence was made resulting in under-statement of provision for obsolescence and over-statement of profit by Rs. 56.22 lakh.

Management stated that these items were reviewed for their usage in the existing/future projects. Items valued at Rs.16.77 lakh were utilised during the last two years i.e., 1999-2000 and 2000-01. Further, as these materials were usable and not obsolete, no provision was considered necessary.

The reply of the management is not acceptable as these items were declared as surplus during 1997-98 and 1998-99. During the last two years items costing Rs.16.77 lakh only could be utilised and hence as a prudent accounting practice, provision should have been made in the accounts for the balance surplus items.

4. A reference is invited to comment no. 2 (a) (ii) of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March 2000, regarding non-provision of doubtful debts amounting to Rs. 1.94 crore due from a customer since 1990-91. Though the customer already stood referred to BIFR and there was no progress in the recovery of dues, no provision had been made in the accounts. Non-provision on this account had resulted in over-statement of sundry debtors and profit by Rs. 1.94 crore.

Management stated that the customer was a PSU and had substantial assets. The Company was pursuing for appropriate approvals to continue civil proceedings. As the Company expected to recover the amount, no provision was considered necessary.

The reply is not acceptable, as BIFR had not even permitted the Company to pursue the legal case. Though this was a PSU customer, the recovery of dues was doubtful, as no progress had been made in the recovery for several years.

5. A reference is invited to comment no. 2 (a) (iv) of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March 2000, regarding non-provision of doubtful debts amounting to Rs. 3.73 crore due from a customer. There was no progress in realisation of the amount and the Company reversed sales during the year for the items short supplied to the extent of Rs. 36.40 lakh and sundry debtors had been reduced to Rs. 3.37 crore. However, no provision had been made for this amount in the accounts. This resulted in over-statement of sundry debtors and profit by Rs.3.37 crore.

Management stated that it was a debt due from a Government customer. The amount was withheld as one of the critical components purchased from USA had failed. The supplier had confirmed that the item had been repaired awaiting lifting of US sanctions for despatch. Hence no provision was considered necessary

Reply of the management is not tenable as the repair work had been suspended after May 1998. Even after supply of the repaired item, it was not sure whether the customer would accept the part and whether that item would be fit for use.

6. A reference is invited to comment no. 2 (b) of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March 2000, regarding incorrect setting up of sales to the extent of Rs.23.42 crore in 1998-99. Even as on 31 March 2001, the Company had not completed the despatch of full equipment nor had the product reached 100 per cent completion. This should have been accounted for under work-in-progress.

Management stated that product was complete in all respects and had been accepted by the customer after inspection. Further, Rs.23.42 crore being the value of deliverables, which were unconditionally accepted by the indenting authority, were accounted as sales as per AS-7 and AS-9. Customer's instructions for the despatch of the equipment were awaited. This was to be despatched in October/November 2001.

The reply of the Company is not tenable as testing and inspection had not yet been completed to the extent of 100 per cent (completed to the extent of 98 per cent as on 31 March 2001) and the unconditional acceptance of deliverables was not stipulated in the contract. The customer had not cleared the despatch of the equipment so far. As per the terms of the MOU, the Company should suitably pack and transport the system duly insured under escort to Naval dockyard by road. This had not been done even during 2000-2001.

7. A reference is invited to comment no. 2(v) of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March 2000 about non-provision for doubtful doubts amounting to Rs. 78.67 lakh, towards liquidated damages for delayed supply of equipment, leviable by a customer as per contractual terms. In addition, sundry debtors included an amount of Rs. 99.47 lakh being the liquidated damages for delayed supply of equipment, leviable by other customers. Non-provision on this account resulted in over-statement of sundry debtors and profit by Rs. 1.78 crore.

Management stated that the Government customer had not recovered any liquidated damages. The customer had released an amount of Rs.11.63 lakh in March/ June 2001 without deducting any Liquidated Damage (LD). Amounts of Rs.99.47 lakh were due from Government customers. The orders had been executed during the period of US sanctions and the Company was confident that LD would not be levied. Since the debts were realisable, no provision was considered necessary.

Reply of the management is not tenable as LD was payable as per the contract. No order for waiver of LD had been received.

8. Sundry debtors also included Rs. 1.53 crore being outstanding dues against supplies made in March 1997. As the dues were doubtful of recovery, suitable provision should have been made. Non-provision on this account resulted in over-statement of sundry debtors and profit by Rs. 1.53 crore.

Management stated that supplies were effected as required by the customer. Amendment to the order was under process by Government and was expected shortly and the balance payment would be realised. Hence, provision was not considered necessary.

Reply of the management is not tenable as supplies made were not as per the contract and no amendment has been received for the change in supplies.

9. Sales included Rs. 56.10 crore being the sale value of 6 numbers of equipment. As per the terms of the supply orders, the sale was to be set up on FOB basis. The equipment were despatched through Railways in June/July 2001. Thus, setting up of sales during the year 2000-2001 resulted in over-statement of sales by Rs. 56.10 crore, under-statement of finished goods by Rs. 40.72 crore and over-statement of profit by Rs. 15.38 crore.

Management stated that since the goods were produced, inspected and accepted by customer before 31 March 2001 and were awaiting instructions from the customer regarding destination and escort, the sale was complete as per AS-9.

The reply is not tenable as the sales were on FOB basis and goods were actually despatched in 2001-02 and as such setting up of sales in 2000-01 was incorrect.

10. Sales included Rs. 30.90 crore being the sale value of equipment and spares. As per the terms of the supply orders the delivery was to be made in Russia on FOR basis. The consignments were handed over to the air cargo carriers after customs clearance during April to July 2001. But the sale was set up as on 31 March 2001. This resulted in over-statement of sales by Rs. 30.90 crore, under-statement of finished goods by Rs. 25.49 crore and over-statement of profit by Rs. 5.41 crore.

Management stated that the equipment was manufactured, inspected, accepted by customer and handed over to carrier by 31 March 2001. The sale was on FOR/ FCA Bangalore basis. Hence the accounting of sale was as per Section 23 (2) of Sale of Goods Act and AS-9 and was in order

Reply of the management is not tenable as the airway bill issued by Air cargo carriers after customs formalities was a legal document of transfer of significant risks to the buyer. This was done only during April 2001 to July 2001. The transit insurance of the consignment was also done on or after date of airway bill (i.e. after 31 March 2001). As the significant risk was not passed on to the buyer on or before 31 March 2001 the recognition of sale in these cases was not correct as per Sale of Goods Act and AS-9 .

MINISTRY OF FINANCE

Department of Banking

1.2.24 Bharatiya Reserve Bank Note Mudran Limited

Loans and advances included Rs.56.37 crore being the interest up to March 2001 accounted for as recoverable from the Government of India for purchase of plant and equipment for Nasik and Dewas press. In the absence of any agreement with the Government of India regarding rate of interest and other terms of payment, accounting of interest as receivable resulted in over-statement of loans and advances and reserves & surplus by Rs.56.37 crore.

Management stated that in the absence of any formal agreement the amount actually paid to RBI as interest on the expenditure incurred for procurement of plant and machinery for Nasik and Dewas press had only been accounted for as interest receivable.

Reply of the management is not tenable as there was no agreement with the Government of India as on 31 March 2001 regarding interest and other terms of payment.

1.2.25 Indbank Merchant Banking Services Limited

In violation of non-banking finance company prudential norms (Reserve Bank) directions 1998, the Company made reversal of provisions made in the earlier years (Rs.2.39 crore) and ignored to make further provision during the year (Rs.0.93 crore) on a non-performing asset. The profit before tax was over-stated by Rs.3.32 crore.

Management stated that no provision was required as they had valid recourse in respect of this non-performing asset. The reply of the management is not tenable as the lessee in respect of this non-performing asset had not made repayments and was referred to BIFR.

1.2.26 Industrial Investment Bank of India Limited

Net profit of Rs. 46.27 crore for the year was overstated by Rs. 9.73 crore due to the following:

1. Loan of Rs. 14.32 crore advanced to four companies was not backed by any tangible security. The Company had made a provision of Rs. 6.50 crore for doubtful recovery of these loans. As net worth of these companies had been fully eroded, full provision should have been made for doubtful recovery of these loans. The shortfall in provision resulted in over-statement of profit by Rs. 7.82 crore.

Management stated that considering the available asset coverage for lending in these companies, provisions had been made as per RBI guidelines.

Management's contention is not acceptable because commercial prudence demanded full provision against the loans as the same were not backed by any tangible security and the net worth of the borrowers was negative.

2. Loan of Rs. 13 crore advanced to another company was secured by assets to the extent of 79 per cent. The Company had made a provision of 30 per cent for doubtful recovery of the loan. As the borrowing company had been referred to BIFR, full provision should have made for unsecured portion of the loan. The shortfall in provision resulted in over-statement of profit by Rs. 1.91 crore.

Management stated that considering the available security based on valuation of fixed assets of the borrowers, provision had been made as per RBI guidelines.

Management's contention is not acceptable as 21 per cent of the loan was not secured by assets and hence full provision should have been made for unsecured portion of the loan.

1.2.27 United India Insurance Company Limited

1. Estimated capital commitments remaining to be executed did not include Rs.2.14 crore being the estimated liability towards stamp duty and registration charges of land and house properties for which title deeds in favour of the Company were yet to be

registered.

Management noted the audit comment.

2. An amount of Rs.106.54 crore representing various items of accounts relating to advances or deposits such as advances given for purchase of house property, pre-paid expenses, gratuity fund, electricity deposit, telephone deposit, etc., which were incorrectly classified as Sundry debtors as they did not represent any amount receivable by the Company towards goods supplied or services rendered by the Company.

Management noted the audit comment.

3. Excess recovery of engineering claim from reinsurers against a claim paid during the year resulted in under-statement of commission on reinsurances ceded by Rs.0.19 crore and overall loss transferred to Balance Sheet by Rs.2.93 crore .

Management noted the audit comment.

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

1.2.28 Braithwaite & Company Limited

Profit of Rs.1.74 crore for the year was overstated by 89.37 lakh due to non-provision of liability on account of interest on Government of India loan.

Management noted the comment.

1.2.29 Burn Standard Company Limited

Loss of Rs. 45.22 crore for the year was understated by Rs.95.84 lakh due to non-provision for doubtful recovery of old claims for Rs.56.62 lakh pertaining to 1989-90 to 1993-94 and non-accounting of credit notes issued against previous claims on Railway (Rs.39.22 lakh).

Management noted the comment for compliance.

1.2.30 Heavy Engineering Corporation Limited

Net loss of Rs. 189.26 crore during the year has been understated by Rs. 141.10 crore due to the following:

1. (i) Inventory of finished and semi-finished goods had been overstated by Rs. 8.53 crore due to valuation of non-marketable goods at sales price instead of scrap rate/re-usable value i.e. 50 per cent of sales price.

Management stated that the items included standard product, spares for shovels and steel plant equipment coal tar etc. which were saleable and regularly needed by our customers. These items, therefore, could not be treated as scrap or unusable.

Management's reply is not tenable in view of the fact that the Company manufactured tailor-made engineering products for its customers. Since the finished goods/equipment had been lying in the stock for a period of more than four to five years due to non-lifting by the customers, these goods could not be sold as a general purpose equipment. Thus, at least 50 per cent provision should have been made against these stocks.

(ii) Consumption of raw materials and components understated by Rs.6.91 crore due to excess accounting than their actual physical balance and also the Company's unrecoverable inventory lying with the private parties for more than 3 years.

Management stated that the materials like scrap, sand blooms were directly unloaded on the shop floor, although not appearing in bin card, but were available in different shops/locations near the shop. Reconciliation of the balances of bin card and Store Price Ledger (SPL) would be made in the next financial year and discrepancy, if any, would be accounted for on yearly basis. Regarding material lying with private parties, the matter had been taken up with them for settlement and, if required, necessary adjustments would be made from their bills.

Management's reply is not correct as the shops were having sub-stores and maintaining bin cards for the items in question. As regards materials lying with private parties, the Company had neither asked the parties to return the materials nor initiated any action to recover the cost of materials from the parties.

2. Sales tax liabilities for Rs.2.09 crore not charged from the customers had not been provided.

Management stated that the amount was realisable from the customers on billing after confirmation /reconciliation.

Management's reply is not acceptable in view of the fact that contract had been closed long back and no final bills were raised against the customers for recovery of sales tax.

3. Liability on account of electricity charges of Rs.66.99 crore payable to Electricity Board had not been provided for.

Management stated that State Government had agreed in consultation with Bihar State Electricity Board (BSEB) to charge consumption of power in township at domestic rate, although the billing was being done at industrial rate. The matter was under dispute. Pending reconciliation, amount had been shown as contingent liability.

Management's reply is not tenable as the delayed payment surcharge on the arrears of amount of electricity was payable as per clause 16.2 of the power tariff of BSEB. Hence, provision should have been made.

4. Provision for debtors of Rs. 37 crore against non-accrued erection/commission charges and disputed escalation /excise duty had not been made.

Management stated that revenue had been recognised as there was no uncertainty of realisation of the balance amount receivable on commissioning. This was in accordance with accounting policy. Further, erection was not within the scope of the contract and hence there was separate price for erection work. Regarding escalation/excise duty, the matter was being pursued regularly and realisation was expected shortly.

Management's reply is not acceptable in view of the fact that claims towards escalation/excise duty had been disputed and were pending for more than 5 to 10 years. As such realisation was uncertain and doubtful. Further, accounting of 10 to 20 percent of total sales was not justified as erection/commissioning charges had actually not been crystallized till 31 March 2001.

5. Provision for Rs.15.84 crore was not made for towards against penal interest on defaulted Employees' Provident Fund (EPF).

Management stated that provision had been made at normal rate of 12 per cent as per assessment order issued by Provident Fund Authorities. This was in accordance with EPF Act for BIFR referred companies.

Management's reply is not acceptable since the Company had defaulted in payment of Provident Fund, the penal interest was payable as per Section 14(B) of EPF Act. Further, in view of recent direction issued by Law Ministry, the BIFR referred company would have to make the payment of PF as per provisions of EPF Act, failing which they would be liable to pay penal interest.

6. Prior-period adjustment (net debit balance) was understated by Rs. 3.74 crore due to non-inclusion of arrear dues against water charges payable to State Government.

Management stated that provision for increase of water charges had been made from the date of receipt of the order. However, increase for retrospective period had been protested and shown under contingent liabilities.

Management's reply is not tenable as the State Government had not considered the Company's protest and demanded payment of arrears of water charges.

1.2.31 Hindustan Cables Limited

Loss of Rs.71.41 crore for the year was understated by Rs.3.92 crore due to treatment of a portion of leave encashment and gratuity, paid to employees on voluntary retirement, as deferred revenue expenditure instead of charging the same to Profit & Loss account.

Management stated that only the portion of leave salary which was in excess of annual actuarial valuation and the portion of gratuity which was not available under Group Gratuity Scheme had been considered as Deferred Revenue Expenditure as these were unusual expenditure which had arisen due to premature separation of large number of employees.

Reply is not acceptable because gratuity and leave encashment paid on VRS accrued in normal course and, therefore, should have been charged to Profit & Loss account.

1.2.32 Instrumentation Limited, Kota

Other expenses were understated by Rs.40.00 lakh representing stamp duty payable to State Government on the increased Authorised Share Capital from Rs.25.00 crore to Rs.80.00 crore. This resulted in under-statement of loss for the year by Rs.40.00 lakh and current liabilities to the same extent.

Management stated that the matter regarding waiver of stamp duty on increase in authorised share capital had been taken up with appropriate authorities and in view of this, no provision was made.

Reply of the management is not tenable as the stamp duty had not been waived. Therefore, provision should have been made for the same.

1.2.33 Mining & Allied Machinery Corporation Limited

Net loss was understated by Rs.1.79 crore due to non-provision of liabilities on account of (i) railway tollage charges-Rs.48.53 lakh, (ii) electricity duty on township consumption-Rs.25.55 lakh and (iii) pay & allowances and other charges of CISF-Rs.1.04 crore.

Management stated that contingent liabilities were provided for in respect of point (i) and (ii) and point (iii) had been noted for action.

The contention of the management in respect of (i) and (ii) is not acceptable as the management approached the Certificate Officer for non-enforcement of the payment and, therefore, there was confirmed liability on these accounts.

1.2.34 Richardson & Cruddas (1972) Limited

Non-accounting of expenditure of Rs.1.89 crore towards sub-contracting/labour charges etc. on a project resulted in under-statement of loss for the year as well as current liabilities & provisions by the same amount.

Company while accepting the mistake stated that job under question was still under progress and the actual expenditure would be booked in current year.

1.2.35 Tungabadra Steel Products Limited

1. Contract work-in-progress (WIP) included three projects undertaken between 1981 and 1989 valued at Rs.42.27 lakh. The Company had not been able to transfer the expenditure to sales due to (i) non-completion of final testing/commissioning, and (ii) non-extension of contract period by the customer. As there was no response from the customer since 1995, the chances of releasing the expenditure to the sales were very bleak and required to be charged off in the accounts. This resulted in over-statement of contract WIP and profit by Rs.42.27 lakh.

Management stated that it was confident of converting WIP into sales.

The reply is not tenable as the WIP related to a period which was more than 20 years old and there was no possibility of completion of the balance work.

2. This included Rs.90.24 lakh due from a customer in respect of a project kept in abeyance. As the customer was BIFR referred, the realisability of the amount was doubtful and hence a provision of Rs.82.94 lakh (after adjusting advance of Rs.7.30 lakh) was required to be made. Non-provision of the same resulted in over-statement of sundry debtors and profit by Rs.82.94 lakh.

Management stated that necessary adjustments would be made in the books of accounts on final settlement by BIFR.

MINISTRY OF PETROLEUM AND NATURAL GAS

1.2.36 Bharat Petroleum Corporation Limited

1. Sundry debtors included a net debit balance of Rs. 121.16 crore made up of 2.16 lakh debit items amounting to Rs. 4134.40 crore and 1.33 lakh credit items amounting to Rs. 4013.24 crore remaining unlinked, of which 1.07 lakh items remained unreconciled for more than two years. In view of non-reconciliation of these items sundry debtors balance could not be considered to be correct.

Management stated that the unreconciled items were mainly due to non-adjustment of advance payments made by the customers. Further, its clearance was a continuous process and had no material impact on debit balance.

Management's reply is untenable as the large number of unreconciled and unlinked debits and credits indicated a system deficiency.

2. Loans and advances included an excess claim on Oil Co-ordination Committee (OCC) to the extent of Rs. 1.00 crore due to erroneous calculation of amount reimbursable from Pool Account towards long term settlement in respect of non–management staff. Consequently, loans and advances were over-stated and net recovery from/payment to Industry Pool Account under-stated with consequential over-statement of profit.

Management admitted the mistake and committed that necessary corrections would be made in the next year's account.

3. Stores consumption included stores valued Rs. 1.28 crore lying in stock at LPG Bottling Plants and other 14 locations as at the end of the year resulting in over-statement of consumption of stores, spares and materials and under-statement of inventory of stores and spares with consequential under-statement of profit. The value of such stocks lying at other locations could not be determined in the absence of information.

Management stated that in view of large number of low value inventory maintaining separate stores accounting for each of these locations was not considered necessary. However, this aspect had been addressed with the implementation of SAP where such stores item could be conveniently inventorised at the up country locations.

Management's reply is untenable, as the unutilised material lying at locations could not be treated as consumption and might give scope for defalcation/fraud in stores accounts.

4. Depreciation provided during the current year was over-stated by Rs. 349.92 crore due to provision of depreciation on LPG cylinders procured during the year at 100 per cent instead of 16.21 per cent applicable according to Note to Accounts and the proviso thereunder in Schedule XIV of the Companies Act, 1956.

Management stated that they had been following a consistent policy of providing depreciation on LPG cylinders at 100 per cent which was higher than the rate prescribed in Schedule XIV to the Companies Act, 1956 and was also in line with the A S-6 issued by the Institute of Chartered Accountants of India.

Management's reply is untenable. While providing 100 per cent depreciation, the Company had not ensured compliance to the condition that aggregate value of such items should not exceed 100 percent of total cost of plant & machinery. Other oil PSUs had shifted to charging normal depreciation rates in respect of LPG cylinders.

1.2.37 Engineers India Limited

The provision for taxation was understated by Rs.2.47 crore being the income tax including surcharge (Rs.0.06 crore) and interest (Rs.0.69 crore) on non-deduction of TDS on canteen subsidy paid to employees up to the year 1999-2000 in violation of Income Tax Act, 1961.

Management stated that such expenses reimbursed to the employees were within the prescribed monetary limit under Income Tax Act, and therefore, non-taxable in the hands of employees as taxable perquisites.

The contention of the management is not tenable since the amount was paid directly to the employees and not through the canteen contractor, as required under Income Tax Act, 1961. Hence the payment was perquisite in the hands of employees.

1.2.38 Gas Authority of India Limited

1. Advances for capital expenditure included an amount of Rs.1.36 crore as recoverable under a bank guarantee on which an injunction was granted in September 1998. No provision has been made against this amount.

Management stated that as the matter was sub-judice, it was not felt necessary to make any provision on this account.

The reply is not tenable as the amount of advance backed by bank guarantee, which was not alive, should have been provided as doubtful of recovery considering the nature and period of dispute.

2. Profit for the year was overstated by total Rs.67.58 crore on account of short provision of depreciation by Rs.8.78 crore on tele-supervisory system, accounting of Rs.7.97 crore being interest accrued, Rs.2.39 crore towards export incentive on the basis of entry in Duty Entitlement Pass Book scheme and Rs.48.44 crore on account of claims on Oil Co-ordination Committee in contravention to the accounting policy which provided for accounting of such claims on realisation basis. The Company had also written back a claim of Rs.21.82 crore accounted for in 1999-2000 on accrual basis and shown the amount as prior-period expenses in the current year.

Management assured to amend the accounting policy relating to the claims in the next financial year.

3. The fact that lease deed for 183880 square meters of land at Jaipur costing Rs.1.20 crore was yet to be executed in favour of Company had not been disclosed. The Management accepted the comment.

1.2.39 Indian Oil Corporation Limited

1. Microbial Desulphurisation Process Plant (MDPP) was capitalised in March 1998 for Rs.13.26 crore, on which depreciation of Rs.4.46 crore had been charged. The plant was capitalised without successful trial runs and was lying idle and in-operative since then due to design/manufacturing defect. This should have been shown at the lower of net

book value or net realisable value.

Management stated that matter was under review for alternative course of action.

2. Plant and Machinery was over-stated by Rs.63.20 crore on account of non-adjustment of Rs.63.20 crore recovered from LPG cylinder manufacturers towards rate difference recovery. The treatment given by the Company was different from other public sector undertakings in the oil sector who had capitalised only when the amount paid was to the cylinder manufacturers. Consequently, depreciation and loans & advances – claim on oil pool account were also over-stated by Rs.13.96 crore.

Management stated that the matter was under dispute and adjustment could be carried out only after the dispute was settled. The reply of the management is not tenable as other oil PSUs viz. HPCL, BPCL & IBP had adjusted/de-capitalised the above amount, but the Company had deviated from the practice followed by other oil PSUs.

3. After change of accounting policy in the current year to provide depreciation as per Schedule XIV of the Companies Act, 1956, the Company had not written back the excess depreciation of Rs.1022.45 crore provided in earlier years due to non-adoption of Schedule XIV without a bonafide technological evaluation on LPG cylinders and pressure regulators purchased upto 1999-2000. This resulted in over-statement of accumulated depreciation and loans & advances – amount recoverable from industry pool account by Rs.1022.45 crore.

Management stated that the Oil Co-ordination Committee (OCC) had revised the compensation of depreciation at the rate of 16.21 per cent with effect from 1 April 1998 during 2000-2001.

The reply of the management is not tenable as depreciation charged in excess of Schedule XIV of the Companies Act, 1956 was not permitted without the bonafide technological evaluation. Therefore, over-charged depreciation should have been written back accordingly.

4. Other income included Rs.295.69 crore being the amount of non-refundable deposit collected under the Tatkal LPG connection scheme during the years 1995-96 to

1999-2000. This should have been shown as prior-period income instead of current year's income. This resulted in over-statement of profit and income for the current year and under-statement of prior-period income by Rs.295.69 crore.

Management stated that OCC had conveyed the decision to account for the deposit in 2000-2001 and accounting treatment was in line of AS-5.

The reply of the management is not tenable because as per the opinion of the Expert Advisory Committee of ICAI, the amount should have been accounted for as income in the year of receipt. This was also in contravention of AS-5.

5. According to accounting policy, claims on OCC/Government arising on account of Administered Price Mechanism (APM) are accounted for as income on acceptance in principle. But in the following cases income was recognised without acceptance in principle by OCC/Government.

(i) An amount of Rs.367.73 crore on account of sales tax recoverable from Foreign Airlines had been refused for payment. The claim in respect of this had also not been accepted by the OCC/Government. This resulted in over-statement of sundry debtors and profit by Rs.367.73 crore.

Management stated that above amount was recoverable from foreign airlines. The view of the management is not tenable as the sale tax was not covered under bilateral agreement between Indian Government and the Governments of foreign airlines.

(ii) An amount of Rs.17.38 crore being the amount claimed from OCC in respect of customs duty based on vessel ullage for the period from 1994-95 to 1997-98 was rejected by OCC in March 2001. This resulted in over-statement of profit and claims recoverable from industry pool account by Rs.17.38 crore.

Management stated that as per APM, the full cost towards customs duty was reimbursable and OCC had withheld the amount in view of divergent views of different Judicial authorities. The fact remains that OCC had rejected the claim.

1.2.40 Oil and Natural Gas Corporation Limited

1. Other current assets included Rs.15.89 crore being the amount of interest accrued up to March 1999 on loans (Rs.15.00 crore) given to two PSUs in the year 1989.

Recovery of these loans and interest had not been secured by any guarantee. Provision on this account was not made.

Management stated that amounts were overdue from PSUs and Company was pursuing with concerned PSUs for recovery of principal as well as interest thereon.
The reply of the management is not tenable as the loan given in 1989 to two PSUs was not secured and as such recovery of loan amount and interest was doubtful.

2. Expenditure was under-stated by Rs.122.10 crore on account of following:

(i) Rs.41.54 crore on account of allocation of expenditure during the year on consumption of spare parts and workshop services/repairs to different services and consequently to Exploratory Wells-in-Progress and Producing Properties, which should have been expensed as cost of repairs.

Management stated that as per the consistent practice followed by the Corporation, the expenditure was first accounted for under the various support services and then allocated to the various activities.

Management's reply is not tenable as the expenditure on repairs and replacement (including expenditure on spares) of equipment was a normal maintenance cost and had to be expensed instead of capitalising to different activities.

(ii) Rs.2.54 crore on account of expenditure on inland freight incorrectly booked under Advances.

Management agreed to carry out necessary adjustment in the year 2001-02.

(iii) Rs.10.92 crore due to non-consideration of depreciation on a Gas Sales Pipeline in a joint venture as per the accounting policy.

Management stated that necessary accounting adjustment would be carried out in the year 2001-02.

(iv) Rs.8.26 crore on account of non-expensing of cost of idle rig days (waiting for ready site/staff/material etc.) during the year.

Management stated that these cases were normal in cycle idle days and not covered under the accounting policy. Hence these were not been charged in Profit & Loss account.

Management's reply is not tenable. As per Company's instruction contained in circular dated 31 January 2000, expenditure on abnormal idle rig days was to be charged to Profit & Loss account.

(v) Rs.4.56 crore on account of expenditure on repairs and replacement of drilling rig equipment, incorrectly capitalised.

Management stated that systems, which were adopted in place of the earlier one, resulted in upgradation and enhanced the performance of the system. It was an addition to fixed asset and hence the same was capitalised.

Management's reply is not tenable as the expenditure was incurred on replacement of the worn out parts of the entire system. It had neither increased the operational efficiency of the rig nor had prolonged the total estimated life of the rig. As such, this expenditure should have been charged to the Profit & Loss account.

(vi) Rs.8.20 crore on account of interest on additional land compensation payable as per High Court order of December 2000 for land acquired but capitalised. Similar expenditure in Ahmedabad, Ankleshwar and Mehsana projects had been expensed.

Management stated that such payments made at Hazira project were relating to acquisition of land and were apparently attributable to land cost.

Management's reply is not tenable as in other projects of ONGC, the payment of interest on land compensation was treated as revenue expenditure and was charged to Profit & Loss account.

(vii) Rs.17.57 crore on account of undercharge of depletion in respect of Mumbai High Field, which had been calculated by adopting a figure of recoverable reserves higher than Company's total estimated production of hydro-carbons from the field up to the year 2030, based on the available facilities.

Management replied that as per the accounting policy, the reserves as approved by Reserve Estimates Committee (REC) were being considered conservately for working out the depletion since 1985-86.

Management's reply is not tenable. As per REC chart, the reserves in respect of Bombay High Field as on 1 April 2000 were 148.78 Million Metric Tonne (MMT). However, as per re-development plan (June 2001), the Company had estimated 139.337 MMT reserves for next 30 years counting from April 2000. Company should have conservatively adopted lower figure 139.337 MMT for working out depletion.

(viii) Rs.2.86 crore on account of non-provision towards terminal benefits payable to field workers (working since 1977-1999) for their continuous past service, as per Memorandum of Settlement of January 2001.

Management replied that payment of one time lump-sum terminal benefit was subject to the condition that pending court cases would be withdrawn by the two Unions. As no court case had been withdrawn, no liability was provided for.

Management's reply was untenable as Company had accepted the liability for payment of terminal benefits when the agreement was signed with the Unions. Therefore, this liability should have been been recognised in the accounts.

(ix) Rs.6.35 crore on account of undercharge of depletion due to non-consideration of Profit Petroleum given to the Government, as per provisions of the Production Sharing Contract, as part of production.

Management replied that necessary accounting adjustment would be carried out during 2001-02.

(x) Rs.74 lakh on account of value of stores and spares issued for consumption during the year to the wells, which were subsequently abandoned as dry wells.

Management replied that necessary accounting adjustment would be carried out during 2001-02.

(xi) Rs.12.95 crore on account of under-provision against the value of stores and spares found discrepant during physical verification.

Management replied that reconciliation of inventory was in process and the final discrepancy report was expected in 2001-2002. Thereafter, adjustment if any, would be carried out in the books of accounts.

(xii) Rs.4.10 crore on account of carried over expenditure on four exploratory locations where activities ceased between August 1996 and July 1997, which should have been expensed in line with Company's policy of expensing such costs.

Management stated that these exploratory locations fall under the blocks for which Government of India had invited the bids. Hence, these locations had been retained as exploratory wells-in-progress.

Management's reply is not tenable as the expenditure on these locations, incurred more than three years back, was required to be expensed keeping in line with the accounting policy of the Company.

(xiii) Rs.1.51 crore on account of claims pertaining to the period till 1988-99 on account of services provided to a joint venture, which had been disputed and rejected.

Management stated that necessary accounting adjustment would be carried out in the year 2001-02.

1.2.41 Oil India Limited

Profit of the Company was overstated by Rs.6.14 crore due to non-provision towards impairment of a well which was included in the producing properties (net) at Rs.6.30 crore being the cost of successful well in Gulabwalla which was not being exploited for reasons of commercial viability. As net realisable value of gas from this well was estimated at Rs.15.86 lakh only, the Company should have provided for difference of Rs.6.14 crore. Similar comment was taken on last year's accounts.

Management stated that the wells in Gullabwalla field in Rajasthan were hydro-carbon bearing and would be exploited after settling the pricing issue.

MINISTRY OF POWER

1.2.42 Nathpa Jhakri Power Corporation Limited

Loans and advances included Rs 13.42 crore deposited with the High Court, Shimla on account of claims of landowners for enhancement of compensation, which should have been shown under the head Advance for capital works instead of Loans and advances.

Management noted the comment.

1.2.43 National Hydro-electric Power Corporation Limited

1. Insurance claim of Rs.1.57 crore lodged in August 1994 had not yet been decided. This should have been provided for in the accounts. This resulted in over-statement of current assets as well as profit by Rs.1.57 crore.

Management stated that the claim was under consideration at the headquarters of the insurance company and no provision was required to be made in this regard.

Reply of the management is not tenable as the Company could not get the insurance claim cleared from the insurance company even after a lapse of more than six years.

2. The Company had not provided liability amounting to Rs.4.54 crore for completion of supply of the equipment in respect of Dulhasti Project, which resulted in under-statement of current liabilities as well as capital work-in-progress by Rs.4.54 crore.

Management noted the comment.

1.2.44 Rural Electrification Corporation Limited

The Company was liable to pay to Government of India guarantee fee at the rate of 0.25 per cent per annum on the internal borrowings. Further, the Company was also liable to pay guarantee fee at double the rate for the period of default where the guarantee fee was not paid on due date. As the Company had not paid the guarantee fee on due dates amounting to Rs.9.87 crore payable in respect of counter guarantee given by the Government, it had become liable to pay guarantee fee at double the rate which worked out to Rs.19.74 crore.

The reply of the management that guarantee fee as stipulated by the Government from time to time had been paid by the Corporation is not acceptable as the Ministry of Finance in September 1992 had clearly stated that guarantee fee would be levied in respect of guarantees already issued but still partially outstanding.

MINISTRY OF RAILWAYS

1.2.45 Container Corporation of India Limited

1. Leasehold land did not include Rs.25.34 crore in respect of 109.33 hectares of land in possession of the Company for which payment had already been made. This resulted in under-statement of leasehold land and over-statement of capital work-in-progress by Rs.25.34 crore.

Management noted the comment.

2. The Company had not provided liability amounting to Rs.90.06 lakh towards demand raised by Customs Department in respect of pilfered goods resulting in under-statement of current liabilities and over-statement of profit by Rs. 90.06 lakh.

Management noted the comment.

1.2.46 Indian Railway Finance Corporation Limited

Rolling stock procured at cost of Rs.77.11 crore was capitalised in October/November 2000 instead of from the date of putting the same to use in February 2001. This resulted in over-statement of depreciation and under-statement of profit by Rs. 2.46 crore.

Management stated that the capitalisation of rolling stock in October/November 2000 was based on the payment made on shipment of coaches from Germany. In terms of the lease agreement with the Ministry of Railways, assets were leased from the date of payment of consideration and being a leasing company, date of leasing was the date of putting the assets to use. Hence, there was no over-statement of depreciation.

The reply is not tenable, as the Company deviated from its accounting policy, according to which depreciation was to be provided from the date of putting the assets to use.

1.2.47 IRCON International Limited

1. Fixed Assets included Rs.4.55 crore being the value of buildings/flats, which were yet to be transferred in the name of the Company. This had not been disclosed in the Accounts.

Management noted the comment.

2. The Company had not accounted for an escalation bill amounting to Rs.57.40 lakh in respect of work executed up to 31 March 2001, which resulted in under-statement of work-in-progress as well as profit by Rs.57.40 lakh.

Management noted the comment.

1.2.48 Konkan Railway Corporation Limited

Net loss of Rs.381.62 crore during the year had been understated by Rs.9.12 crore on account of the following:

1. Non-provision of Rs.3.68 crore lying with M/s Punwire Limited since 1998. Realisability of this amount was uncertain and the case was being litigated in the Punjab High Court.

Management stated that the Corporation had proceeded criminal initiated against M/s. Punwire Limited and was certain of getting decree in its favour.

The reply is not tenable as realisability of amount was uncertain as M/s. Punwire Limited had since been disinvested. Provisions should have been made.

2. Non-provision of Rs.5.44 crore lying with private parties for more than 3 years.

Management stated the amount pertained to Government department/companies and as such was not doubtful of recovery.

The reply is not tenable as this amount pertained to private parties and was more than three years old. Provision should have been made.

MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

1.2.49 National Highway Authority of India (1999-2000)

1. The Authority had spent Rs.97.07 crore more than the maintenance grant received by it from the Government of India. This deficit was incorrectly adjusted from the capital resulting in under-statement of capital by Rs.97.07 crore.

Authority stated that as they receive fund from Government of India for maintenance of highways, excess of expenditure over specific funds received from Government of India had been adjusted against the capital provided by Government of India.

The contention of the Authority is not tenable as funds receivable for maintenance of highways from Government of India should not be adjusted against capital.

2. The capital reserve represents:

(i) Damages amounting to Rs.5.17 crore recovered from an ex-contractor on termination of his contract, which should have been credited to capital work-in-progress.

Authority noted the audit comment.

(ii) Liquidated damages amounting to Rs.4.42 crore due from a contractor, the imposition of which had been deferred by the Authority. The Authority had, however, credited the capital reserve by Rs.4.42 crore with a corresponding debit to claims recoverable. This incorrect accounting resulted in over-statement of each of capital reserve and claims recoverable by the same amount.

Authority stated that the liquidated damages were due on 31 March 2000 but the actual recovery of same was deferred.

The reply is not tenable, since the recovery of liquidated damages was deferred, the treatment given by the Authority in accounts was incorrect.

3. The Authority had not included Rs.5.27 crore towards interest on unutilised

capital grants. This resulted in under-statement of capital grants and over-statement of profit by the same amount.

Authority noted the audit comment.

4. Capital work-in-progress was over-stated by Rs.8.89 crore due to the inclusion of:

(i) Rs.1.79 crore under advances for shifting of utilities and acquisition of land which should have been shown as Advances-Others

Authority stated that they were finalising the significant accounting policies and issue would be dealt with accordingly.

(ii) Revenue expenditure of Rs.98 lakh incurred on study undertaken against a grant receivable from the Government which should have been shown as amount recoverable under Current assets, Loans & advances.

Authority noted the audit comment.

(iii) Advances of Rs.4.63 crore paid to two contractors against material brought at the work at Vijaywada which should have been shown as Advances to contractors.

Authority noted the audit comment.

(iv) Rs.1.49 crore being the cost of completed site offices and residential building at Durgapur.

Authority noted the audit comment.

5. The income from agency charges was overstated by Rs.5.34 crore due to accounting of:

(i) Agency charges amounting to Rs.1.39 crore at the rate of 9 per cent as income in respect of projects owned, funded and executed by the Authority without involvement of any outside agency. As no such charges were receivable by the Authority on execution of such projects, the position disclosed in Note to the Accounts was defective to this extent.

Authority stated that they implemented the capital work projects on behalf of the Government of India, accordingly agency charges on the value of work executed were treated as income.

The reply is not tenable as Authority can not book income on the execution of work from its own funds.

(ii) Agency charges of Rs.13.89 lakh at the rate of 3 per cent on the amount of advances paid to two contractors at Vijaywada for procurement of material. The recognition of the income was in contravention of position disclosed in Note to the Accounts as the advances paid were for procurement of material and not for escalation of work which did not represent execution of the works.

Authority noted the comment.

(iii) Agency charges of Rs.3.81 crore at the rate of 9 per cent on the amount advanced (Rs.56.46 crore) to various State Public Works Department towards maintenance of highways in respect of which the utilisation certificates had not been received from them till the finalisation of the accounts. The recognition of this income was not in order as the advances paid did not represent the execution of the works.

Authority noted the comment.

6. The interest on loan from Government of India was understated by Rs.25.20 crore due to non-provision of interest on loan received from Government of India.

Authority stated that matter was taken up with the Government of India for treating the loan in perpetuity with zero interest and accordingly, no provision was made.

In the absence of any Government of India decision in this regard, the provision for interest should have been made as per terms and conditions of the sanction of the loan.

MINISTRY OF SMALL SCALE INDUSTRIES, AGRO AND RURAL INDUSTRIES

1.2.50 National Small Industries Corporation Limited

1. Other liabilities and losses were understated by Rs.1.23 crore on account of non-provision of penalty for non-payment of guarantee fee to the Government in respect of the fund borrowed by the Company.

Management stated that since huge amount was receivable from the Government of India towards deficit of various grants, the guarantee fee was not paid and hence, penalty for delayed payment had not been provided.

The contention of the management is not tenable as the provision was required to be made as per Government directives.

2. Provisions included Rs.8.98 crore being the exchange rate variation and represented 80 per cent of 11.75 per cent interest payable on KFW-XII line of credit. This interest was to be retained by the Company in pursuance of the loan agreement for meeting the losses in exchange rate variation. However, the losses and gains due to exchange rate variation were treated in pursuance of AS-11 and the provision amounting to Rs.9.32 crore created in the last five years from 1996-97 was utilised only once during 1998-99 when the exchange variation loss of Rs.0.34 crore was debited to the provision account. Thus, the provision of Rs.8.98 crore became unnecessary and resulted in over-statement of provision and loss by Rs.8.98 crore (previous Rs.7.30 crore).

Management stated that they had been making provisions upto March 1998 as per the terms of agreement without giving effect to the provisions of AS-11. However, no provision for the year 1998-99 was made and the same was adversely commented by the auditors. During the year 1999-2000, Rs.1.86 crore was provided and also written back as the liability on account of this credit line was translated at the exchange rate prevailing as on 31 March 2000 in accordance with AS 11, which was again commented upon by the auditors. Keeping in view the audit observations, the entire back log i.e. Rs.2.19 crore for 1998-99, Rs.1.86 crore for 1999-2000 and Rs.1.68 crore for 2000-01 had been provided during the year 2000-01. Thus, as on 31 March 2001, total sum of Rs.8.98 crore was lying under provisions for exchange variation under KFW-XII line of credit. The provision had, thus, been made in terms of loan agreement.

The reply is not tenable as reserves had been utilised only once and as such there was no need for the same.

MINISTRY OF STEEL

1.2.51 Ferro Scrap Nigam Limited

1. The Company did not provide for doubtful escalation claim of Rs.1.08 crore refuted by Indian Iron & Steel Company Limited (IISCO), the realisability of which was uncertain.

Management stated that the claim being the difference between provisional rates and final rates was raised for the services rendered during the period August 1995 to November 1997. IISCO agreed to pay the current service charges bills from July 2001 and to pay additional Rs.5.00 lakh in every month to liquidate their old outstanding.

The reply of the management is not tenable, as IISCO had not agreed to pay the claim for the period relating to August 1995 to November 1997. As the debt was more then 3 years old and its realisability was uncertain, provision should have been made.

2. Liability towards leave encashment had been provided on arithmetical basis as per accounting policy instead of actuarial valuation in accordance with AS-15.

Management stated that as per AS-15, accounting for retirement benefits would depend on the type of arrangement which the employer had chosen to make with suitable disclosure of method followed. Management further stated that AS also provided for calculating the accrued liability by reference to any other rational method for those enterprises which employed only a few persons. Accordingly, the Company had made provision for leave encashment on arithmetical basis.

Management's contention that AS-15 accepts the different practices for accounting the retirement benefits and does not stipulate for making provision based on actuarial valuation is factually not correct. AS-15 specifically provides that accounting liability should be calculated according to actuarial valuation. Further, AS envisages calculation of the accrued liability by reference to any other rational method for those enterprises which employ only a few persons. Since the Company was having more than 1300 employees it did not come under the category of enterprises which employed only a few persons. Hence, provision should have been made on the basis of actuarial valuation and not on arithmetical basis.

1.2.52 Hindustan Steelworks Construction Limited

Net Profit of Rs.851.73 crore for the year 1999-2000 had been overstated by Rs.159.54 crore on account of:

1. Incorrect write back of provision for doubtful debts -Rs.2.44 crore.

Management stated that the provision for the doubtful recoveries created in the earlier years, now found no longer required, has been written back after the proper justification and the approval of competent authority.

Management's reply is not tenable. In the absence of confirmation/or the realisation of debts from the parties, the write back of the provision for doubtful debt was not correct.

2. Under-statement of provisions for doubtful recoveries in respect of old disputed and doubtful debtors lying outstanding for a long time (3 to 18 years) without any confirmation from the clients – Rs.127.59 crore.

Management stated that most of the clients were Government departments/ public sector undertakings. There were several instances where Company had received old dues which were more than 8 to 10 years old.

Management's contention is not acceptable as absence of confirmation/acceptance of the long outstanding claims/debts by the parties, non-realisation/settlement of debts/claims for a long time ranging between 3 and 18 years, disputes and rejection of the claims were indicative of the fact that debts had become doubtful of recovery.

3. Under-provision towards supply of electricity to residential/labour colony, fabrication yard, main building and also rent, electricity etc. for quarters allotted by Bokaro Steel Plant for use of Company's employees-Rs.3.81 crore.

Management stated that for want of proper debit note, liability could not be provided.

However, the same had been considered as contingent liability in 1998-99 and also in 1999-2000.

Management's contention is not convincing as the estate dues payable were definite and firm liabilities. Provision should have been created as against contingent liability.

4. Non-provision of penal interest on defaulted Provident Fund (PF) contribution-Rs.25.70 crore.

Management stated that as required in trust deed, the shortfall in the revenue accounts had been made good. An amount of Rs.3.50 crore had been provided against the anticipated shortfall for the year 1999-2000. Trust deed did not provide for any penal interest on defaulted remittance.

Management's reply is not acceptable in view of fact that the provision of penalty/damages/interest was applicable in case where a Company made default in depositing its contribution in PF account. Since the Company defaulted in making payment of contribution during past 3 years, the default attracted the provision of penalty as per Section 14 of PF Act.

1.2.53 Indian Iron and Steel Company Limited

Loss of Rs.187.31 crore for the year 2000-2001 had been understated by Rs.73.02 crore on account of following:

1. Non-provision of liability for cess on cost payable to Government of West Bengal for the period 2000-2001-Rs. 16.98 crore

Management stated that based on the Hon'ble Supreme Court's judgement on the subject the Hon'ble High Court, Kolkata had passed a judgement that levy of cess was beyond the legislative competence of West Bengal State. The State Government had filed special leave petition. Accordingly, there was no definite liability. However, the amount had been shown as contingent liability treating the same as disputed.

Management's reply is not acceptable in view of the fact that based on of Hon'ble

Supreme Court's judgement given in 1991-92, the Company had been making provision continuously since 1991-92 to 1999-2000. As no new development had taken place during 2000-2001, there was no cause for changing the policy. Other companies Bharat Coking Coalfield Limited (BCCL) and Eastern Coalfields Limited (ECL) had been paying cess to State Government. Since the cess was payable, the liability should have been provided on the line of other coal companies.

2. Non-provision of liability towards Leave Travel Concession (LTC)/ Long Leave Travel Concession (LLTC) for the block year 1998-2001- Rs. 1.03 crore.

Management stated liability towards LTC/ LLTC accrued only when journey approved/performed. Expenditure for the block years 1998-99 and 2000-01 had already been provided for on the basis of actual availing of LTC/LLTC. In other cases, no liability accrued for such unavailed LTC/LLTC. This accounting treatment had been consistently followed and hence there was no under provisioning of liability.

The contention of management is not acceptable as the facility of LTC/LLTC for the block years 1998-99 and 2000-2001 had not been withdrawn but only deferred upto March 2001. Provision should have been made in the accounts in view of the para 1.09 of the Guidance note of ICAI and AS-1.

3. Non-provision of liability towards wage revision in respect of collieries employees due from 1 July 1996 to 31 March 2001 - Rs.45.75 crore

Management stated that the Company had been referred to BIFR. The pay revision was pending as no decision could be taken. Hence, no liability accrued.

Management's contention is not correct as the recommendation of Joint Bipartite Committee was agreed to by IISCO management for implementing wage revision in respect of colliery employees for a period of 5 years with effect from 1 July 1996. Other BIFR referred coal companies viz. ECL, BCCL etc. had already revised the pay scales of the employees. Since the liability was certain this should have been provided either on estimated basis or on the basis of calculation as made by the Company in respect of their colliery employees.

4. Overvaluation of stock of boiler ash lying at old dump area - Rs. 1.59 crore.

Management stated that out of the stock of 1.43 lakh tonnes of boiler ash valuing Rs. 1.59 crore, a quantity of 0.70 lakh tonnes was sold. As the stock had tangible value, the same had been appropriately valued.

Management's reply is not tenable in view of the fact that stock of boiler ash lying at old dump area for several years could not be disposed of/sold in spite of taking initiative to sell the boiler ash through tender. Full provision was required to be made.

5. Non-provision for doubtful claims lying with Joint Plant Committee (JPC) for more than 10 years - Rs. 5.77 crore.

Management stated that the receivable claim from JPC was adequately covered against outstanding payable to JPC. Therefore, provision was not required.

Management's reply is not acceptable as the claim was lying against JPC for more than 10 years and without any persuasion of its realisation.

6. Non-provision for partially constructed residential quarters/36 seated Guest House lying incomplete since March 1992 - Rs.1.90 crore.

Management stated that the construction of quarters was held up on account of resource constraints and pending Company's revival plan. At appropriate time, efforts would be made for its completion and gainful utilization.

Management's reply is not tenable in view of the fact that the construction of quarters was held up due to non-availability of fund both from external and internal sources. As construction had not been resumed till date for want of fund, and project was lying incomplete for the last nine years, provision should have been made.

1.2.54 MECON Limited

The Accounts of the Company for the year 1999-2000 were revised as a result of the observations made by the Comptroller and Auditor General of India, as indicated in Note No.28 (Schedule 12 II)-Notes to the Accounts thereby increasing the loss by Rs.2.43

crore. The following further comments were made upon or supplement to the Auditor's Report under Section 619(4) of the Companies Act, 1956 on the accounts of Company.

Net loss for the year 1999-2000 had been understated by Rs.75.29 crore on account of the following:

1. Accounting of higher percentage of progress of work as against the actual work completed -Rs.4.18 crore.

Management stated that the percentage of progress achieved in the execution of lump sum fee consultancy contracts was arrived at on the technical estimate based on the milestones achieved.

Management's reply is not acceptable in view of the fact that the actual percentage of progress had not been worked out correctly as it was found less by 5.37 per cent after linking up physical progress of different sites activities.

2. Withdrawal of contingency provision of 10 per cent of the value of the order before completion of the work/supply of material -Rs.4.38 crore.

Management stated that on completion of respective scope of work as certified by Project Co-ordinator, the income had been recognised in line with the accounting policy.

Management's reply is not tenable as the mechanical completion certificate was not submitted by the client as of 31 March 2001. Accounting of income was not justified as the project was not completed. Hence, accounting of income in such circumstances tantamounts to violation of the Company's own approved and adopted accounting policy.

3. Non-provision towards estimated future loss in respect of job-in-progress in violation of AS-7 - Rs.12.91 crore

Management stated that the cost to complete the consultancy jobs with lumpsum fee related to manpower expenses (salaries & wages) which were accounted for in full in the respective years. Provision towards future losses was not considered necessary on such jobs.

Management's contention is not acceptable in view of the fact that without making any provision towards estimated future loss calculated on expenditure, the valuation made for the job-in-progress was against the requirement of para 19 of mandatory AS-7.

4. Short-provision of liability in respect of revision in salaries and wages due from 1 January 1997-Rs.4.25 crore.

Management stated that pending finalisation of revision in wages for the employees, the extent of liability was not ascertainable.

Management's contention is not justified as the Company itself worked out the monthly expenditure against wage revision as per decision taken in the Board meeting held in August 1999. Provision should have been made accordingly.

5. Non-provision towards liquidated damages already recovered by the clients and not disputed by the Company/finally disallowed by the client-Rs.4.27 crore.

Management stated that the corresponding recoveries made from the respective vendors were in excess of the recoveries made by the clients. Pending final settlement with these vendors, no provision was considered necessary.

Management's contention is not acceptable as the jobs had been closed long back and Company had no claim towards deducted liquidated damages.

6. Non-provision for claims disallowed more than three years ago by a client due to delay in completion of a project by the Company, the realisability of which was bleak - Rs.10.13 crore.

Management stated that the debts were being pursued and were considered good and realisable.

Management's reply is not acceptable in view of the fact that the debts as shown outstanding had been disallowed by the clients due to non-fulfillment of contractual obligation by the Company. As such, chance of their realisation was remote.

7. Non-provision for disputed escalation claims not admitted by the client - Rs.25.91 crore.

Management stated that the escalation claim made by the Company was as per terms of the contract and its realisation was being pursued. No provision was considered necessary at this stage.

Management's reply is not acceptable as the client (RSP) has rejected the company's claim towards escalation. Recognition of income by changing their accounting policy was against the provision contained in the para 9 of AS-9 since the realisation of escalation was doubtful and uncertain.

8. Non-provision for the amount deducted by client on account of work completed by them at the risk & cost of the Company - Rs.9.26 crore

Management stated that the arbitrary withholding of Rs.6.73 crore by one of the clients was contested and was considered good and realisable. As against Rs.2.53 crore withheld by another client, company had correspondingly withheld Rs.2.81 crore from the respective vendors. Pending settlement, the extent of liability, if any, was not ascertainable.

Management's reply is not tenable as the clients deducted the amount from the invoice of Company on account of faulty design, defective supply, liquidated damages and risk cost. Since clients refused to pay the deducted amount, the realisation of debts was doubtful for which provision was required.

1.2.55 National Mineral Development Corporation Limited

1 (a) A reference is invited to comment no.1 of the Comptroller & Auditor General of India on accounts of the Company for the year ended 31 March 2000 wherein it was pointed out that the leasehold land was overstated by Rs.4.87 crore due to capitalising the entire amount of Rs.8.93 crore paid towards penal compensatory afforestation on the land to be broken instead of capitalising Rs.4.06 crore being the amount actually payable on the leasehold land already broken on the date of expiry of mining lease of Deposits 5/14.

Despite the above audit comment, the Company did not adjust the amount that was capitalised in excess during the year 2000-2001. As a result the advances recoverable continue to be understated by Rs.4.87 crore with the result that there was an over-statement of cumulative depreciation by Rs.1.33 crore with corresponding under-statement of cumulative profit.

(b) A reference is invited to the comment no.2 of the Comptroller & Auditor General of India on the accounts of the Company for the year ended 31 March 2000 wherein it was pointed out that the leasehold land was overstated by Rs.1.07 crore due to capitalisation of penal compensatory afforestation paid on the land to be broken instead of capitalising the amount payable on the area already worked/used in respect of Deposit-10. Despite the above audit comment, the Company did not adjust the amount that was capitalised in excess. As a result, there was an over-statement of net block by Rs.77.13 lakh and incidental expenditure during construction awaiting allocation by Rs.29.87 lakh. This resulted in under-statement of advances recoverable by Rs.1.07 crore.

Management while admitting the excess payment stated that refund of excess payment had been taken up with the Madhya Pradesh State Government and necessary adjustments would be carried out on the basis of final settlement.

2. Leasehold land was overstated by Rs.16.73 crore due to capitalisation of the entire amount of Rs.19.33 crore paid towards safety zone charges instead of actual amount payable based on correct calculation of boundaries relating to Deposit 5, Deposit 10, Deposit 10 float ore, Deposit 11, Deposit 14 and Deposit-14 NMZ. This resulted in over-statement of depreciation by Rs.4.01 crore (current year Rs.83.67 lakh, prior period Rs.3.17 crore), under-statement of incidental expenditure during construction in respect of Deposit 10 and Deposit 10 float ore by Rs.55.14 lakh and under-statement of advances recoverable by Rs.16.73 crore.

Management stated that although the case of refund of excess payment made was rejected by the State Government without citing specific reasons, the same would be pursued further for an amicable settlement.

1.2.56 Sponge Iron India Limited

A reference is invited to the comment no.2 of C&AG of India on the accounts of Company for 1999-2000. Current liabilities and provisions were understated by Rs.1.73 crore due to utilisation of Government grants received under National Renewal Grant (NRG) towards VRS payments for meeting inadmissible item of expenditure viz. notice pay, gratuity, leave enchasment etc. during the years 1995-96 to 1999-2000. This resulted in under-statement of prior-period expenditure as well as cumulative loss by Rs.1.73 crore.

Management stated that company did not debit any NRF amount except ex-gratia amount from June 1999 onwards after receipt of revised Government guidelines.

The reply is not tenable since Ministry had categorically clarified (July 2000) that ever since the inception of NRF from 1992-93, assistance from NRF had been made available to PSUs only for making compensation payment under voluntary retirement scheme (VRS) i.e ex-gratia as per DPE guidelines.

1.2.57 Steel Authority of India Limited

Net loss of Rs.728.66 crore had been understated by Rs. 1275.94 crore on account of the following:

1. (i) Employees' remuneration and benefits had been understated by Rs. 326.04 crore due to non-provision for interim relief in respect of employees for 14 months from April 1998 to May 1999 (Rs. 122.78 crore): non-provision for estimated liability towards LTC/LLTC on accrual basis for the block years 1998-99 and 2000-01 (Rs. 60.70 crore): short provision against wage revision for non-executive employees for the period from 1 January 2001 to 31 March 2001 (Rs.70.83 crore) and premature adjustment of liability on Performance Linked Benefit Scheme (PLBS) – (Rs.71.73 crore).

Management stated that as regards liability towards arrears of wage revision including interim relief for 14 months, the same was to be discussed separately with the Union and as such no liability existed. The difference, if any, between the estimated liability and the actual would be provided for during 2001-2002 on finalisation of detailed agreement.

Regarding LTC/LLTC liability, the same accrued only when journeys had been approved/performed. In this case, since the journeys had not been approved/performed, no liability accrued for such un-availed LTC/LLTC. Further, composite offer envisaged no past liability on account of PLBS and the same had been duly considered while making overall provision towards wage revision on estimated basis.

Management's reply is not acceptable in view of the fact that wage revision and interim relief of 14 months, the Company did not reject the demand rather it accepted and offered to pay interim relief after some time. Hence, liability existed as on the date of balance sheet. As a note of fact, the Board of Directors had since approved (September 2001) the proposal to make payment of arrears. Regarding LTC/LLTC, the reply is not tenable since in the present case, availment of LTC/LLTC for 1998-99 and 2000-01 was deferred till March 2001 and this facility could be availed after 31 March 2001. Since, the Company already received the benefits of service put by the employees during 1998-99 and 2000-01, a suitable provision for LTC/LLTC for these years should have been provided for. Further, though liability of PLBS had been withdrawn, the Company had not assessed and provided for liability for the new scheme in place of existing PLBS as per composite package. Since the liability for new scheme had not been provided for, the withdrawal of PLBS was not appropriate.

(ii) Income of the Company had been overstated by Rs.24.20 crore due to accounting of material worth Rs. 132.17 crore as sales although despatch documents were held under the custody of the Company/material returned by the customers.

Management stated sales had been accounted for consistently based on the delivery of goods to the carriers wherein significant risks and rewards of ownership had been passed on to the customers. In the cases referred, the despatches had been made to the customers and accordingly included in the sales. However, the documents were held in the custody of the Company for securing the payments.

Management's reply is not acceptable in view of the fact that the despatch documents were given to customers only after 31 March 2001. By retaining despatch documents as on 31 March 2001 the Company had retained the effective control of the goods transferred. Hence in view of AS-9, revenue should not have been recognised but postponed till the despatch of delivery documents.

(iii) Expenses had been understated by Rs. 131.28 crore due to the following :

(a) Non-provision for debts, loans and advances against IISCO Ujjain Pipe & Foundry Company Limited, a sick company under liquidation - Rs. 16.51 crore

Management stated that the value of land and building of IISCO Ujjain Pipe & Foundry Company Limited assessed by an independent agency adequately covered the debts loans and advances given by the Company.

Management's reply is not acceptable in view of the fact that the assets of IISCO Ujjain had been vested with the Official Liquidator and valuation made by SAIL of the assets of IISCO Ujjain had no relevance. Further, inability of debtor to pay dues or the party closing down its business were indicative of the fact that loans and advances and debtors had become doubtful of recovery. Further, as the Company was in liquidation since 1997 and the amount could not be realised, provision was required.

(b) Non-provision for entry tax on limestone at the rate prescribed by the Madhya Pradesh/Chattisgarh Government - Rs. 35.25 crore.

Management stated that as the matter of entry tax was sub-judice, the same had been disclosed as contingent liability.

Management's contention is not tenable in view of the fact that as per para 10 of AS-4 contingent loss should be provided for when it was probable that future event would confirm that liability had been incurred as on date of Balance Sheet. The plea of the Company was rejected by the Entry tax Authorities and also by the Hon'ble Madhya Pradesh (MP) High Court who held that SAIL was liable to pay the entry tax at the rate prescribed in the notification of Madhya Pradesh Government.

(c) Non-provision for income tax paid under protest and shown as advance - Rs. 52.65 crore.

Management stated that the Company had been advised by a Tax Expert that it was eligible for benefits of exemption in respect of the profits derived from the generation of power for the purpose of computing taxable income as per provision of Section 115 JA of Income Tax Act. The case was under appeal. As such, tax paid had been disclosed as contingent liability.

Management's reply is not tenable in view of the fact that since SAIL is in the business of manufacturing and selling of steel products and not in the business of generation and distribution of power, power generated in the captive power plant was consumed internally and not sold, the benefit of exemption as stipulated in Section 115JA was not available to SAIL.

(d) Non-provision against stores and spares declared surplus/non-moving for more than 10 years - Rs. 20.88 crore.

Management stated that there was a well defined procedure in the Company for declaration of obsolete/surplus stores & spares and creation of provision thereof. Usability of materials in other mills/sister units/subsidiary companies needed to be ascertained before declaring any item as surplus. As such, provision was required to be made only when the items were declared surplus.

Management's reply is not acceptable as the Company had been holding stores and spares for more than ten years and their non-use within a normal production cycle indicated that these were surplus to the requirement and this should have been provided for.

(e) Treatment of revenue expenditure relating to Blast Furnace (BF)-1 in Durgapur Steel Plant (DSP) as deferred revenue expenditure. - Rs. 5.99 crore

Management stated that the expenditure had been treated as deferred revenue expenditure (DRE) in earlier years and continued to be charged off this year also.

Management's contention is not tenable in view of the fact that Guidance Note on audit of Miscellaneous expenditure issued by ICAI categorically states that unless some benefit from an expenditure can be reasonably expected to be received in future, there is no justification for carrying forward the expenditure to be written off in subsequent years. Since the Company had not been getting any benefit from the expenditure booked as DRE, the deferment thereof was contrary to accepted accounting principles. Incorrect treatment of an expenditure as DRE in the past was not a valid reason.

(iv) (a) The Company had not provided for unrealised claims amounting to Rs. 44.76 crore pending for 17 years to 25 years with M/s. Tiazpromexport (TPE), Russia for short supply of equipment to Bhilai Steel Plant (BSP) during 1976 to 1984.

Management stated that the refund claim had been accepted by TPE in the protocol meetings between Government of India and Government of Russia and the recovery was being followed up through inter-governmental meetings/protocol.

Management's reply is not acceptable as the claim was pending for the last 17-25 years. Neither Russian Government nor TPE had accepted it as debt. Since the realisability of claim was doubtful, provision should have been made in the accounts.

(b) The Company had extended Financial assistance/advances to Hindustan Steelworks Construction Limited (HSCL) in excess of contractual obligations for modernisation of Durgapur Steel Plant (DSP) during 1990-95 amounting to Rs. 133.40 crore, the realisability of which is doubtful.

Management stated that in the interest of the early completion of the projects, financial assistance/advances were given to HSCL from time to time. All the issues regarding adjustment/recovery of advance to HSCL from time to time were envisaged to be settled on closure of contracts. In order to settle the issue alongwith the disputed claims of HSCL, the matter had been referred to a Conciliator. The Conciliation proceedings were under progress and appropriate adjustments would be made based on decision arising out of conciliation proceedings.

Management's reply is not tenable in view of the fact that advance given was in excess of contractual provisions, all assets had been capitalised more than 5 years ago. The dispute had not yet been settled even after referring the matter to conciliator two years back.

Further, HSCL had disputed the above amount and lodged a counter claim of Rs. 135.80 crore on DSP/SAIL.

(v) (a) Valuation of accumulated mixed coke lying embedded at Bokaro Steel Plant (BSL) which was neither utilised nor sold at Rs.66.90 crore and accumulated residual inferior grade iron ore fines at BSP which had no market value valued at Rs.92.20 crore, resulted in ove-statement of inventories.

Management stated that mixed coke lying at BSL was usable within the plant and had a good market outside. Mixed coke lying in the yard was being continuously drawn and used in the Sinter Plant. Further, accumulated iron ore fines stock at BSP were usable. Blending with high Fe grade fines would give the desired quality iron ore fines for Sinter Plant. Requirement of iron ore fines would also increase with the commissioning of Sinter Plant-3 at BSP during 2001-02. As the stock existed, there was no over-statement of inventories.

Management's reply is not acceptable as the old stock of mixed coke lying at BSL was neither used for sintering mix in the plant nor sold in market. As regards accumulated residual inferior grade iron ore fines at BSP, the valuation thereof was not proper in view of the fact that the inferior iron ore stock was only residual quantity and remaining unconsumed over the years and were also neither usable in the process nor saleable in the market.

(b) Non-capitalisation/delay in capitalisation of certain plant & equipment at BSL – resulted in undercharging of depreciation by Rs. 38.11 crore.

Management stated that as per normal principles of capitalisation, the plant was considered to have been commissioned from the date it was ready for commercial production after trial runs. The term 'commercial production' refers to production in commercially feasible quantities and in a commercially practicable manner on a sustained basis. Production in commercially feasible quantities in sustained manner could be achieved by the Continuous Casting Department (CCD) plant at BSL from February 1999 onwards and hence accordingly capitalised during 1999-2000.

Reply of the management is not tenable in view of the fact that CCD plant was ready for commercial production and unit B and unit A were commissioned on 5 August 1998 and 2 December 1998. Hence depreciation should have been charged from the commissioning dates of units and not from February 1999.

(vi) Other revenues had been overstated due to recognition of entire amount of premium lease rent as current year's income instead of spreading it over the entire lease period - Rs.4.53 crore.

Management stated that the amount was received during 1999-200 and 2000-01 on account of land premium towards cost of development of infrastructural facilities and had correctly been credited to other revenues.

Management's reply is not acceptable in view of the fact that amount was received for the maintenance cost to be incurred over the lease period of 33 years and should be spread over accordingly in view of principle of matching cost to revenue.

(vii) Company made investment of Rs. 374.94 crore in Indian Iron & Steel Company Limited (IISCO). Since IISCO was declared a sick industrial company by Board for Industrial and Financial Reconstruction (BIFR), the recoverability of amount was doubtful.

Management stated that since the current value of IISCO's assets including mines, plant & machinery, land & building etc. was quite adequate to cover the Company's investment in it, no provision was called for in the accounts.

Reply of the management is not acceptable. The market value, as per para 27 of the Guidance Note on Audit of Investment issued by ICAI, is determined by break-up value method, capitalisation of yield and yield to maturity method. The break-up value is determined by the assets value shown on the company's balance sheet which, in case of IISCO, was negative. Further, the other method also gives negative results as IISCO's accumulated loss was Rs.617.27 crore and it had been consistently recording losses. Since SAIL had considered the revalued value of IISCO's assets which was not realised/realisable as on 31 March 2001 and accordingly had not made any provision against investment, it tantamounts to recognising contingent gain which was contrary to para 12 of AS-4 which prohibits recognising the contingent gain.

(viii) The Company had given financial assistance/advances to HSCL for modernisation of BSL (Rs.34.38 crore) during 1995-2000 and against future jobs to be executed (Rs. 2.54 crore). Further, an amount of Rs. 2.66 crore was also recoverable from HSCL towards other advances/estate dues at Bhilai and Durgapur. The chance of realisation of these amounts was remote. However, no provision had been made.

Management stated that in the interest of the early completion of the projects, time to time adjustable/recoverable advances were given to HSCL. Adjustment/recovery of advances was being followed up.

Management's reply is not tenable in view of the fact that all the advances paid to HSCL till December 1998 had been frozen by the Ministry and no adjustment could be possible till date. As the recoverability, collection or adjustment of advance was uncertain and doubtful, the provision should have been made.

2 Fixed assets included the following idle/surplus assets :

(i) (a) Rotary Kiln-II, two Slag Pot Transporters, Electro Static Precipitator for BF gas mixing, assets of power distribution system and Fertiliser Plant of RSP lying unused for more than three years due to non-completion of schemes/obsolescence of technology for want of requirement - (Rs. 20.79 crore).

(b) Soaking pits/cover cranes of Slabbing Mill, skids of Re-heating Furnace No.1, assets of 12 investment planning unit schemes, DG set and stamping machine of BSL lying unused for a period ranging from 3 to 7 years due to non-completion of schemes/obsolescence of technology for want of requirement - (Rs. 42.02 crore).

Management stated that some facilities/assets did remain idle for some time due to technical or commercial reasons. As per normal accounting practice, depreciation continued to be charged on such assets. Some items also remained under work-in-progress on account of disputes with the contractors, mid-term review of schemes and other market related considerations. Status of each scheme was being reviewed regularly. Further efforts would be made in the current year to identify alternative use or declare as surplus/obsolete for disposal etc.

Management's contention is not acceptable in view of the fact that the assets/equipment were lying either idle due to obsolescence of technology or incomplete for a considerable period and their revival and alternative use was doubtful.

(ii) Fixed Assets had been overstated by Rs. 143.62 crore due to capitalisation of avoidable escalation paid in excess of contractual provisions to a private firm M/s. Mukand Ltd., in respect of modernisation of Rourkela Steel Plant (RSP) - Rs.58.91 crore and to various contractors engaged in the modernisation of BSL beyond contractual provision and avoidable payment of R&D cess -Rs. 84.71 crore.

Management stated that escalation payments made to contractors under contractual provisions was a part of capital cost of assets and, therefore, had been correctly capitalised. Similarly R&D cess paid on items relating to modernisation schemes had been capitalised. Action was being taken for its refunds and appropriate adjustments would be made on getting such refunds.

Management's reply is not acceptable in view of the fact that R&D cess paid by BSL was not covered by any foreign collaboration agreement and was also not payable in respect of foreign contracts not covered under foreign collaboration agreement in view of the judgement of the High Court, Kolkota. Further, such cess had not been paid by even other plants like Durgapur Steel Plant, etc.

MINISTRY OF SURFACE TRANSPORT

1.2.58 Dredging Corporation of India Limited

The Company charged an amount of Rs.10.76 crore incurred towards importing a Dredger from Holland (Rs.8.97 crore for customs duty and Rs.1.79 crore for transportation charges) to revenue instead of debiting to the cost of Dredger and also withdrew an amount of Rs.1.29 crore (transportation charges) from the same asset account which was capitalised last year and charged to revenue during 2000-2001. This resulted in under capitalisation of the asset by Rs.12.05 crore, under-statement of depreciation by Rs.17.80 lakh and consequential under-statement of profit by Rs.11.88 crore.

Management stated that the company had rightly charged the voyage expenses and the customs duty to revenue as per AS-10.

Management reply is not tenable as AS-10 was applicable in case of start up and commissioning charges etc. The comment is related to the treatment of expenditure (customs duty and transportation charges) incurred in connection with the acquisition of an asset viz. Dredger.

1.2.59 Indian Road Construction Corporation Limited

1. Title deeds in respect of buildings valuing Rs.66.94 lakh, purchased in 1986-87 from Standing Conference of Public Enterprises, was yet to be executed in favour of the Company. This fact had not been disclosed in the accounts.

Management noted the comment for future compliance.

2. In terms of Ministry of Finance office memorandum dated 4 June 1993 read with memorandum dated 24 April 1992, the Company was liable to pay guarantee fee at the rate of 1.2 per cent per annum on the outstanding amount of principal of external borrowings guaranteed by the Government of India. Further, the Company was liable to pay guarantee fee at double the normal rate if the guarantee fee was not paid on due dates. As the Company had not paid the guarantee fee on due dates, it become liable to pay guarantee fee at penal rate of 2.4 per cent for which no provision was made in the accounts. This resulted in under-statement of current liabilities and provisions as well as interest and finance charges by Rs.6.04 crore (including prior-period Rs.5.31 crore). Consequently, the profit of Rs.23.92 lakh for the year would turn into loss of Rs.5.80 crore.

Management stated that Government's office memoranda were issued in 1992 and 1993.

As the counter guarantee given by Government was not extended beyond December 1990, no such fee was payable on this account. Further, in absence of any formal claim/clarification to this account by the concerned authority and in view of the Government decision to wind up the Company, it was viewed to account for this liability, if any, on receipt of formal demand from the authority concerned.

The reply is not tenable as the guarantee already issued was still outstanding and as such, the Company was liable to pay the guarantee fee.

MINISTRY OF TEXTILES

1.2.60 National Textile Corporation (DPR) Limited

Fixed assets included land measuring 26 acre (approx.) relating to Panipat Woolen Mills and Kharar Textile Mills (nationalised in April 1974) of the Company, which had been in possession of the erstwhile owners. The fact that the case pertaining to title of these lands had been pending in the High Courts of Punjab and Haryana, had not been disclosed in the Accounts.

Management noted the comment

MINISTRY OF URBAN DEVELOPMENT

1.2.61 Housing and Urban Development Corporation Limited

1. Buildings included Rs.4.33 crore being the value of lease hold buildings at Jaipur and Thiruvananthapuram, which should have been distinctly disclosed.

Management stated that the matter would be referred to the Institute of Chartered Accountants for their expert opinion.

2. (i) Grant received from Ministry did not include Rs.29.84 crore being the interest earned on unspent amounts of grant received from the Ministry of Urban Development and Poverty Alleviation since 1989 even though as per directives of the Ministry such interest was to be used for the earmarked scheme only. This resulted in under-statement of current liabilities and over-statement of profit by Rs.29.84 crore.

Management stated that at the time of release of funds by the Ministry, there was no condition of interest payment. However, the Ministry enquired in June 1997 about interest earned and raised a demand during 2000-2001 for payment of interest on the unutilised funds from time to time. The issue of interest payment would be taken up in the current year with the Ministry and necessary action would be taken accordingly.

(ii) Interest of Rs.91.76 lakh earned on the unspent balance of subsidy received from the Ministry of non-Conventional Energy Sources, had not been provided for as liability. This resulted in under-statement of current liabilities and over-statement of profit by Rs.91.76 lakh (previous - Rs.30.58 lakh).

Management stated that as per sanction order, interest earned on undisbursed funds was to be deducted by the Ministry from the future releases and as on date, no such recovery had been made. However, the issue of interest would be taken up in the current year in consultation with the Ministry and necessary action would be taken accordingly.

3. In accordance with its accounting policy, the Company had not provided a sum of Rs. 2.17 crore on account of employer's contribution to Provident Fund (Rs.14.84 lakh) and gift to employees (Rs.2.02 crore), which was in contravention of Section 209 (3) (b) of Companies Act, 1956. As the amounts were paid before the finalisation of the accounts, the same should have been provided. This resulted in under-statement of current liabilities and provisions and over-statement of profit by Rs. 2.17 crore.

Management stated that the accounting policy would be reviewed in the current year and necessary action would be taken accordingly.

1.3 Review of Accounts:

Name of the Ministry/Company		Brief comments
Department of Atomic Energy		
1.3.1	**Uranium Corporation of India Limited**	Percentage of profit before tax to capital employed, net worth and sales decreased from 3.09, 2.91 and 10.06 in 1999-2000 to 0.79, 0.74 and 2.54 in 2000-2001 respectively.
MINISTRY OF CHEMICALS & FERTILIZERS		
Department of Chemicals and Petro-chemicals		
1.3.2	**Hindustan Organic Chemicals Limited**	In all the three years ended 31 March 2001 Company incurred continuous loss aggregating Rs.167.15 crore mainly due to high debt servicing cost.
1.3.3	**Indian Petrochemicals Corporation Limited**	(i) Stock of stores & spares, catalysts and chemicals increased from 12.58 months' consumption as on 31 March 1999 to 13.75 months' consumption as on 31 March 2001. (ii) Current assets as on 31 March 2001 included Rs.30.72 crore due from four companies referred to BIFR and Rs.75.86 crore due from sixteen customers in respect of which either legal cases were in process or customers facing financial crisis.
Department of Fertilizers		
1.3.4	**Fertilizer Corporation of India Limited**	(i) Net worth of the Company to per rupee of paid-up capital declined from Rs. (-) 7.01 in 1999-2000 to Rs. (-) 8.18 in 2000-2001. (ii) Percentage of accumulated loss to paid-up capital increased from 801.38 in 1999-2000 to 917.71 in 2000-2001. (iii) Percentage of long-term debt to equity increased from 281.82 in 1999-2000 to 298.52 in 2000-2001.

1.3.5 Hindustan Fertilizer Corporation Limited

(i) Net worth of the Company per rupee of paid-up capital declined from Rs. (-) 4.42 in 1999-2000 to Rs. (-) 6.64 in 2000-2001.

(ii) Percentage of accumulated loss to paid-up capital had increased from 540.26 in 1999-2000 to 764.29 in 2000-2001.

(iii) Percentage of long-term debt to equity increased from 198.53 in 1999-2000 to 209.79 in 2000-2001.

1.3.6 Madras Fertilizers Limited

Value of finished products in terms of number of months' production had increased from 1.86 in 1999–2000 to 2.35 in 2000–2001 due to high finished stock holding to the extent of Rs.190.35 crore on account of poor off-take.

1.3.7 National Fertilizers Limited

(i) Working capital of the Company which was Rs.758.38 crore as on 31 March 1999 increased to Rs.923.04 crore as on 31 March 2001 mainly due to increase in inventory value by Rs.44.54 crore over the three years. Similarly, Net worth increased from Rs.1363.04 crore as on 31 March 1999 to Rs.1405.14 crore as on 31 March 2001. The increase was mainly due to increase in General Reserves & Surplus.

(ii) During the year ended March 2001, the Company generated funds amounting to Rs.185.74 crore as compared to Rs.145.82 crore during the previous year. This was mainly due to increase in loan funds.

(iii) Net profit of Rs.19.67 crore mainly constituted of other income e.g. miscellaneous income of Rs.11.15 crore and interest income of Rs.15.45 crore.

(iv) Earning per share (face value Rs.10) decreased from Re.0.84 in 1998-99 to Re.0.56 in 2000-01.

(v) Company proposed a dividend of Rs.8.19 crore in 2000-2001 as compared to Rs.12.34 crore during the year 1998-99 showing a decrease by 33.63 percentage.

(vi) Sundry debtors to sales increased from 18.67 per cent in 1999-2000 to 21.30 per cent in 2000-2001.

1.3.8	**Projects Development India Limited**	Working capital of the Company which was positive during 1998-99 [Rs.3.39 crore] became negative during 1999-2000 [Rs.(-)12.88 crore] and 2000-2001 [Rs.(-)33.44 crore].
1.3.9	**Rashtriya Chemicals & Fertilizers Limited**	Stock of finished products increased from 1.11 months' sales in 1998-99 to 1.48 months' sales in 2000-01 indicating reduced turnover ratio.

MINISTRY OF COAL & MINES

Department of Coal

1.3.10	**Bharat Coking Coal Limited**	(i) Earning per share had further reduced to Rs. (-) 602.79 as on 31 March 2001 as against Rs. (-) 326.88 as on 31 March 2000. (ii) Stock of coal, coke etc. represented 3.04 months' sales as against the norm of 1 month. (iii) Net worth of the Company had drastically reduced to Rs. (-) 1962.88 crore as on 31 March 2001 in comparison to Rs. (-) 724.67 crore as on 31 March 2000.
1.3.11	**Coal India Limited**	Profitability ratio had an abrupt decline due to marked reduction of profit after tax to R.280.21 crore in 2000-2001 compared to Rs.581.18 crore in the previous year.
1.3.12	**Central Coalfields Limited**	Net worth of the Company had a sharp decline from Rs.556.70 crore in 1999-2000 to Rs. (-) 253.28 crore in 2000-2001 due to increase in loss in 2000-2001 by over 600 per cent compared to previous year.
1.3.13	**Central Mine Planning & Design Institute Limited**	(i) Earning per share had reduced to (-)Rs. 237.62 in 2000-2001 as against Rs. 0.85 in 1999-2000. (ii) Net worth of the Company had reduced to Rs.35.40 crore as on 31 March 2001 in comparison to Rs.41.45 crore as on 31 March 2000.

1.3.14	**Eastern Coalfields Limited**	(i) Net worth of the Company had reduced to Rs. (-) 1644.09 crore as on 31 March 2001 as against Rs. (-) 730.11 crore as on 31 March 2000. (ii) Earning per share of the Company had reduced to Rs. (-) 413.45 in 2000-2001 as against Rs. (-) 328.27 in 1999-2000

MINISTRY OF COMMERCE AND INDUSTRY

1.3.15	**Export Credit Guarantee Corporation of India Limited**	Percentage of insured export to total exports steadily decreased to 12 in 2000-01 from 16 in 1998-99.

MINISTRY OF DEFENCE

Department of Defence Production & Supplies

1.3.16	**Bharat Dynamics Limited**	Profit before tax for 2000-2001amounted to Rs.77.69 crore after taking into account Rs.81.16 crore being the interest income in respect of short term deposits/loans/advances/other deposits etc.
1.3.17	**Bharat Electronics Limited**	Stock of raw material, stores and spares represented 8.8 months' consumption as on March 2001 as against 8.3 months' as on March 2000.
1.3.18	**Hindustan Aeronautics Limited**	Stock of raw material, stores and spares represented 16.76 months' consumption as on March 2001 as against 15.72 months' consumption as on March 2000.
1.3.19	**Mazagaon Dock Limited**	During 2000-01 the Company incurred a loss of Rs.18.36 crore as against a profit of Rs.13.07 crore in previous year.
1.3.20	**Mishra Dhatu Nigam Limited**	Profit of Rs.35 lakh for the year had been worked out after including Rs. 66 lakh earned by way of interest on funds invested in inter-corporate deposits.

MINISTRY OF FINANCE

1.3.21	**National Insurance Company Limited**	Company incurred a loss of Rs. 43.07 crore in foreign operations during 2000-2001 as against a profit of Rs.11 lakh earned in the previous year.

1.3.22	**New India Assurance Company Limited**	Company incurred a loss of Rs.18.16 crore in foreign operations during 2000-01 as compared to profit of Rs.7.60 crore earned in the previous year.

MINISTRY OF HEAVY INDUSTRY AND PUBLIC ENTERPRISES

1.3.23	**Bharat Pumps & Compressors Limited**	(i) Paid-up capital of Rs.52.03 crore had been completely eroded by the accumulated loss of Rs.107.81 crore as on 31 March 2001. (ii) Sales decreased by Rs.3.70 crore and loss for the year increased by Rs.9.96 crore during 2000-2001 as compared to 1999-2000.
1.3.24	**Bridge & Roof Co. (India) Limited**	Inventory of raw material increased by 59.65 per cent during 2000-01 as compared to 1999-2000.
1.3.25	**Burn Standard Company Limited**	Paid-up capital of the Company had been fully eroded in view of the negative net worth.
1.3.26	**Hindustan Paper Corporation Limited**	Percentage of doubtful debts to total debts had increased from 4.48 as on 31 March 1999 to 19.35 as on 31 March 2001.
1.3.27	**Hindustan Photo Films Manufacturing Company Limited**	(i) As against the reserve of Rs.22.11 crore at the end of year 2000-2001, the accumulated loss was Rs.1475 crore. (ii) Current liabilities were more than the current assets by Rs.689.10 crore, Rs.918.59 crore and Rs.1167.67 crore respectively for the last three years ended 31 March 2001. (iii) Percentage of sundry debtors to sales increased from 53.12 per cent to 76.08 per cent and to 87.01 per cent during the last three years ended 31 March 2001.
1.3.28	**Instrumentation Limited, Kota**	Accumulated loss had fully eroded the paid-up capital and consumed the loan funds to the extent of Rs.61.81 crore.
1.3.29	**Jessop & Co. Limited**	Paid-up capital of the Company had been fully eroded in view of the negative net worth.

1.3.30	**Mining & Allied Machinery Corporation Limited**	(i)	Net worth of the Company declined sharply from Rs. (-) 1060.34 crore in 1999-2000 to Rs. (-) 1294.07 crore in 2000-2001.
		(ii)	Debt equity ratio increased from 10.37:1 in 1999-2000 to 11.92:1 in 2000-2001
		(iii)	Percentage of debtors to sales was 648.14 as on 31 March 2001 as against 524.67 as on 31 March 2000.
1.3.31	**Richardson & Curddas (1972) Limited**	(i)	Net worth of the Company suffered erosion and turned negative from Rs.6.08 crore in 1998-99 to Rs.(-) 19.09 crore at the close of 2000-01.
		(ii)	Percentage of sundry debtors to sales increased steadily from 56.97 in 1998-99 to 79.65 in 2000-01 indicating poor realisation of dues.
1.3.32	**Scooters India Limited**		Stock of finished goods in terms of months' sales decreased from 0.95 in 1998-99 to 0.90 in 1999-2000 but increased to 1.91 in 2000-2001.

MINISTRY OF INFORMATION & BROADCASTING

1.3.33	**National Film Development Corporation of India Limited**	Percentage of sundry debtors to sales steadily increased from 44.55 in 1998-99 to 63.03 in 2000-01 indicating poor realisation of dues.

MINISTRY OF INFORMATION TECHNOLOGY

Department of Electronics

1.3.34	**National Informatic Centre Services Inc.**	Company incurred a loss of Rs.43.07 crore during 2000-01 as against a profit of Rs.0.11 crore on its foreign operations.

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

1.3.35	**Indian Renewable Energy Development Agency**	Earning per share (Rs.1000 face value) decreased from Rs.121.64 in 1998-99 to Rs.72.80 in 2000-01 due to increase in share capital and decrease in profit.

MINISTRY OF PETROLEUM AND NATURAL GAS

1.3.36	**Bharat Petroleum Corporation Limited**	(i) Reserves and Surplus of the Company were 13 times of its paid-up capital as on 31 March 2001 as against 22 times as on 31 March 2000. (ii) Debts outstanding for more than three years as on 31 March 2001 amounted to Rs.87 crore.
1.3.37	**Bongaigaon Refinery & Petrochemicals Limited**	Although the percentage of total debts to sales declined from 2.72 per cent in 1998-99 to 1.22 per cent in 2000-01, the percentage of doubtful debts to total debts increased from 4.67 per cent to 18.92 per cent during the same period.
1.3.38	**Gas Authority of India Limited**	Sales of the Company increased from Rs.6193.11 crore in 1998-99 to Rs.9197.44 crore in 2000-01 i.e. 48.51 per cent, while profit after tax increased from Rs.1059.92 crore in 1998-99 to Rs.1126.17 crore in 2000-01, i.e. by 6.25 per cent only
1.3.39	**Hindustan Petroleum Corporation Limited**	Debts outstanding for more than three years as on 31 March 2001 amounted to Rs.32.12 crore.
1.3.40	**Indian Oil Corporation Limited**	(i) Percentage of current ratio which is a measure of solvency increased from 116.07 in 1998-99 to 152.73 in 1999-2000 and further increased to 173.97 in 2000-2001 mainly due to increase in pool dues. (ii) Percentage of profit before tax to sales (excluding duties) decreased from 4.36 in 1998-99 to 3.59 in 1999-2000 and 2.91 in 2000-2001, which showed a declining trend mainly due to increase in sale price of products. (iii) Stores and spares at the end of 2000-2001 represented 15.3 months' consumption as against 15.1 months' consumption in 1999-2000 and 13.6 months' consumption in 1998-99.

1.3.41	**Oil India Limited**	(i)	Percentage of profit before tax to sales increased from 33.50 in 1998-99 to 38.15 in 1999-2000 due to increase in prices of crude oil, natural gas, LPG, transportation tariff and decreased to 30.44 in 2000-2001 due to provision of unidentified assets, compensation payable under VRS and other adjustments relating to previous year.
		(ii)	Cost of production per tonne of crude oil went up from Rs.1613.28 in 1998-99 to Rs.2018.34 in 1999-2000 and further to Rs.2283.69 in 2000-01.
		(iii)	Sundry debtors which represented 2.57 months' sales in 1998-99 had decreased to 2.32 months' sales in 1999-2000 and increased to 2.96 months' sales in 2000-01. Sundry debtors as on 31 March 2001 (Rs.487.41 crore) included Rs.81.88 crore (16.80 per cent of total debtors) due mainly from ASEB (Rs.45.71 crore) and HFCL (Rs.36.17 crore) which were outstanding for more than 3 years.
1.3.42	**Oil and Natural Gas Corporation Limited**	(i)	Producing properties valuing Rs.90.32 crore (net) as on 31 March 2001 did not produce any oil/gas during the year due to various technical/administrative reasons.
		ii)	Inventory as on 31 March 2001 included stores and spares valuing Rs.195.68 crore and of capital stores valuing Rs.59.54 crore, which were not moved for over two years.
		(iii)	Stores and spares valuing Rs.4.08 crore as on 31 March 2001 were in transit for over three years.
		(iv)	Discrepancies on physical verification of capital items numbering 2441 and stores and spares numbering 3179 item pertaining to the period 1990-91 to 2000-01 and 1994-95 to 2000-01 respectively were not reconciled.

MINISTRY OF POWER

1.3.43	**Rural Electrification Corporation Limited**	The Company generated funds amounting to Rs.1816.00 crore in 2000-2001 as compared to Rs.1587.10 crore in 1999-2000. This generation was mainly from borrowings (external sources) through bonds. Utilisation of funds was mainly in loans to State Electricity Boards.

MINISTRY OF RAILWAYS

1.3.44	**Konkan Railway Corporation Limited**	Paid-up capital of Rs.779.02 crore had been fully eroded by the accumulated loss of Rs.1302.46 crore.

MINISTRY OF STEEL

1.3.45	**Kudremukh Iron Ore Company Limited**	Profit for the year before tax Rs.66.95 crore included Rs.28.81 crore derived from other sources.
1.3.46	**Maharashtra Elektrosmelt Limited**	Company became sick during the year as its net worth turned negative (Rs.17.49 crore).
1.3.47	**National Mineral Development Corporation Limited**	Profit for the year included Rs.38.46 crore being the non-operational income earned on deposits with Banks as well as on loans to PSUs and other financial institutions.
1.3.48	**Rashtriya Ispat Nigam Limited**	Loss for the year ended 31 March 2001 amounted to Rs.291.03 crore decreased by Rs.36.47 crore due to valuation of imported raw materials and stores and spares at landed cost inclusive of import duty benefits, which was in violation to Accounting Standard–2.

MINISTRY OF SURFACE TRANSPORT

1.3.49	**Dredging Corporation of India Limited**	Profit for the year ended 31 March 2001 amounting to Rs.157.22 crore included an amount of Rs.14.15 crore being the non-operational income.

MINISTRY OF TEXTILES

1.3.50	**Cotton Corporation of India Limited**	(i) Company incurred a loss of Rs.8.58 crore during 2000-2001 as against profit of Rs.12.91 crore during 1998-99 and Rs.1.75 crore during 1999-2000. (ii) Stock of finished goods represented 4.76 months' sales in 2000-01 as compared to 2.28 months' sales in 1998-99 indicating poor sales turnover.

1.3.51	**National Handloom Development Corporation Limited**	The sundry debtors represented 1.70 months' sales in the year 2000-2001 as compared to 1.48 months' in 1999-2000 and 1.44 months' in 1998-99.
1.3.52	**National Textile Corporation (APKK&M) Limited**	(i) Accumulated loss was 13.49 times of the paid-up capital. (ii) Company had defaulted in repayment of principal (Rs.1.81 crore) an payment of interest (Rs.4.50 crore).

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

1.3.53	**National Buildings Construction Corporation Limited**	Accumulated loss had fully eroded the paid-up capital and consumed the loan to the extent of Rs.4.03 crore.

1.4 Significant findings reported by Statutory Auditors:

As per Section 227 (3) (e) of the Companies Act, 1956 [as amended by Companies (amendment) Act, 2000], the auditor's report shall also state in thick type or in italics the observations or comments of the auditors which have any adverse effect on the functioning of the Company. While certifying the accounts of the PSUs for the year 2000-2001, the Statutory Auditors made the following major qualifications highlighting the impact on Balance Sheet and Profit and Loss Account:

Department of Bio-Technology

1.4.1 Indian Vaccines Corporation Limited

Loss for the year of Rs.16.20 lakh would have been converted into profit of Rs.1.08 crore had the provision of doubtful advances for Rs. 67 lakh and accounting of waiver of loan of Rs.1.91 crore been considered by the Company.

Department of Chemicals And Petro-Chemicals

1.4.2. Hindustan Antibiotics Limited

(i) Non-provision for the loss on dis-investment - Rs.26.78 lakh;

(ii) Non-provision for penal interest on loan taken from IDBI & Canara Bank - Rs 2.62 crore;

(iii) Non-provision for overdue interest, penal interest & service charges on lease rent payable to Kirloskar Investment & Leasing Limited - Rs.37.71 lakh;

(iv) Non-provision for penal interest for Government plan loan, professional tax, tax deducted at source Rs.40.92 lakh; and

(v) Non-provision towards stock allegedly misappropriated by C & F Agent - Rs.14.78 lakh.

Had the above observations been considered by the Company the loss for the year would have been Rs. 8.73 crore (as against the reported figure of Rs.4.91 crore), accumulated losses at year end would have been Rs. 177 crore (as against the reported figure of Rs.161.48 crore).

MINISTRY OF COAL AND MINES

Department of Coal

1.4.3 Coal India Limited

Income related to earlier years amounting to Rs.56.34 crore had not been provided for.

Had the above observation been considered, the profit would have been reduced by Rs.56.34 crore.

1.4.4 Western Coalfields Limited

(i) Mining activities in Chincholi and Wirur mines were suspended in 1997 and 1999 respectively due to heavy losses and adverse geo-mining condition. Pending finalisation of strategic plan for these mines, the amount of Rs.15.22 crore incurred thereon had not been provided for;

(ii) Bills amounting to Rs.9.61 crore were not raised, subject to adjustment with regard to sampling results;

(iii) Old unadjusted advances of Rs.1.43 crore had not been provided for;

(iv) Non-moving and obsolete items of stores worth Rs.3.03 crore had not been provided for

Had the above observations been made, the profit of Rs.28.23 crore as well as assets would have been reduced by Rs.10.07 crore.

MINISTRY OF COMMUNICATIONS

1.4.5 Mahanagar Telephone Nigam Limited

Provisions had not been made in respect of:

(i) Rs.0.43 crore receivable from Electronics Corporation of India (including liquidated damages of Rs.0.03 crore) remaining unpaid for several years.

(ii) Capital advances aggregating Rs.0.70 crore towards acquisition of land at the Mumbai unit.

(iii) Liquidated damages aggregating Rs.9.77 crore refundable to ITI Limited, in terms of a directive from DOT, pending approval of the Board of Directors of the Nigam.

(iv) Rs.2.44 crore recoverable from Hindustan Cables Ltd., relating the period prior to 1998-99.

Had the provision been made in respect of the above items, the profit and reserves for the year would be lower by Rs.13.34 crore.

MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION

1.4.6 Central Warehousing Corporation

1 Investments (at cost) included Rs.80 lakh invested with Punjab State Warehousing Corporation for setting up a Container Freight Station at Ludhiana as joint venture which was not contemplated under Warehousing Corporations Act, 1962. The net income, inclusive of profit/loss, from 1989-90 to 1996-97, aggregating to Rs.7.46 crore as minimum return at the rate of 12 per cent which had been accounted for, remained outstanding as on 31 March 2001. The income for 1997-98 to 2000-01 and the corporation's share in the assets and liabilities as on 31 March 2001 had not been incorporated in the accounts since the same had not been furnished by the Punjab State Warehousing Corporation.

2. Loan instalment of land and interest charges payable to Food Corporation of India (FCI) as on 31 March 2001 were shown as Rs. 1.71 crore as against Rs. 2.69 crore claimed by FCI but refuted by CWC. The outstanding balance of interest was subject to reconciliation with FCI.

3. The Corporation had not taken into account the income of Rs. 128.00 crore (previous year Rs. 129.45 crore) from bonded stocks, excluding management bonded.

4. Outstanding liabilities included Rs. 7.64 crore lying with the Corporation towards

auction proceeds of time-barred bonds. Pending final settlement with the Custom Authorities, the amount had not been recognised as revenue.

5. Leasehold land included value of land at Narela, Delhi of Rs. 1.32 crore which project had been abandoned/closed. Further expenditure of Rs. 28.12 lakh on the project has been included in work-in-progress.

6. Penalties for delayed movement of export/import loaded containers were imposed on Handling & Transport contractors for an amount aggregating to Rs. 2.53 crore against which the Corporation had recovered an aggregate amount of Rs 1.85 crore. The cases were under arbitration/review/contested in Court of Law. Pending arbitration award/final decision by Court the amount had not been treated as revenue.

MINISTRY OF DEFENCE

1.4.7 Mazagaon Dock Limited:

(i) Adjustment of cheques received by the Company up to 15 April 2001 (dated 31 March 2001) in the accounts, which was not in accordance with the generally accepted accounting practice resulted in under-statement of Sundry Debtors and Loans & Advances by Rs.33.86 crore and Rs.5.27 crore respectively and over-statement of cheques in hand by Rs.39.13 crore.

(ii) Non- accounting of interest granted on refund of Income- tax amounting to Rs. 71.82 lakh resulted in over-statement of loss by the same amount.

Had the above observations been adjusted in the accounts, the net debit balance of Profit & Loss account would have been Rs.8.46 crore (as against Rs.9.18 crore as per accounts); Cash & bank balances would have been Rs.1002.20 crore (as against Rs.1041.33 crore as per accounts); Sundry Debtors would have been Rs.213.76 crore (as against Rs. 179.91 crore as per accounts); and Loans & Advances would have been Rs.285.08 crore (as against Rs.279.81 crore as per accounts).

Department of Fertilizers

1.4.8 Pyrites, Phosphates & Chemicals Limited

(i) No provision had been made in the accounts for certain fixed assets found short on physical verification, book value of which were Rs.8.49 lakh.

(ii) No provision had been made in the accounts for subsidy/incentive receivables of Rs.9.71 crore from Government of India which were doubtful of recovery (for claims relating to 1993-94 to 1997-98).

(iii) Loans and advances included Rs.71.94 lakh recoverable from banks as claimed by the Company, for which no confirmation had been received from bank. In view of uncertainty in the admittance of the claim, this should have been accounted for after acceptance of the claim amount as per principle stated in AS-9 issued by the ICAI.

Had the above observations been taken into account, the loss for the year would have been Rs. 118.82 crore (as against reported figure of Rs. 108.30 crore) and net Current assets, Loans and advances would have been Rs.(-) 37.73 crore (as against reported figure of Rs. 27.21 crore).

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

1.4.9 Engineering Projects (India) Limited

(i) Profit for the year (Rs.19.47 crore) was overstated by Rs.7.90 crore due to:

(a) Over-statement of Loans and Advances (Rs.82.73 crore) by Rs.5.44 crore on account of non-adjustment towards an arbitration award pronounced against the Company

(b) Over-statement of Sundry Debtors (Rs.48.69 crore) by Rs.2.49 crore on account of inadequacy of provision made towards amount retained by the clients towards liquidated damages.

(c) Crediting of exchange variation profit of Rs.0.03 crore to exchange variation reserve in the current year.

(ii) Accumulated loss (Rs.856.24 crore) and exchange variation reserve (Rs.59.51 crore) had been overstated by Rs.59.51 crore due to non-recognition of accumulated profit on exchange variation

1.4.10 Heavy Engineering Corporation Limited

1. Revenue had been recognised as sales against interest amounting to Rs.6.80 crore on disputed claim receivable from a customer which was not in accordance with AS-9

2. Company had capitalised Rs.4.89 lakh, to the extent ascertained, which was in the nature of repairs and maintenance. This was not in accordance with AS-10.

3. Company had withdrawn an admitted liability of Rs.1.53 crore and considered as prior period income without confirmation/settlement by the creditor.

4. No provision had been made in respect of:

(i) Capital work-in-progress of Rs.2.77 crore on erection/commissioning had been deferred for over three years.

(ii) Liquidated damages of Rs.10.90 crore deducted by a customer, which was not in accordance with the accounting policy.

(iii) Interest on overdue amount to small scale industrial undertakings Rs.7.61 lakh had not been provided.

Had the above observations been considered, the loss for the year after prior-period adjustments and VR Scheme expenses would have been Rs.211.39 crore (as against the reported figure of Rs.189.26 crore), the figure of profit & loss account in the Balance Sheet would have been debit balance of Rs.1363.81 crore (as against the reported figure of Rs.1341.68 crore debit balance), Sundry Debtors would have been Rs.116.06 crore (as against the reported figure of Rs.133.76 crore), Capital work-in-progress would have been Rs.10.96 crore (as against the reported figure of Rs. 13.78 crore) and the Current liabilities would have been Rs.474.79 crore (as against the reported figure of Rs.473.18 crore).

1.4.11 Instrumentation Limited, Kota

No provision towards arrears of pay and allowances of Rs.6.99 crore had been made for the period 1 January 1992 to 31December 1998.

As a result, loss of Rs.135.82 crore for the year had been under-stated by Rs.6.99 crore.

MINISTRY OF PETROLEUM AND NATURAL GAS

1.4.12 Bongaigaon Refinery and Petrochemicals Limited

1. No provision had been made in the accounts for long outstanding trade dues from sick/closed undertakings amounting to Rs.3.01 crore.

2. Company had not written off the expenditure of Rs.1.86 crore, included in capital work-in-progress spent in preparation of feasibility report received in October 1996 for enhancement of production capacity of DMT plant which was not being implemented due to receding of its products.

3. No provision had been made in the accounts for stores not moved for more than 5 years valuing Rs.3.91 crore.

4. Amortisation of insurance spares instead of providing for depreciation in accordance with AS-6 read with AS-10 resulted in under-statement of loss and over-statement of Fixed Assets by Rs.4.32 crore.

Had the above observations been considered, loss for the year would have been Rs.70.54 crore (as against reported loss of Rs.57.44 crore) and Fixed Assets would have been Rs.463.91 crore (as against reported figure of Rs.470.09 crore) and net current assets would have been Rs.157.03 crore (as against reported figure of Rs.163.94 crore).

MINISTRY OF POWER

1.4.13 National Hydro-electric Power Corporation Limited

Profit of Rs.447.10 crore was overstated by Rs.48.44 crore due to taking effect of exchange rate variation to the extent of Rs.42.75 crore in the carrying cost of fixed assets and due to non-provision of Rs.5.69 crore of old debtors.

1.4.14 National Thermal Power Corporation Limited

(i) Provision for tariff adjustment amounting to Rs. 267.00 crore had been made where tariff was likely to be lower than the existing one;

(ii) Calculation of tariff for Rs. 77.51 crore on the basis of estimated capital cost, pending finalisation of tariff by Central Electricity Regulatory Commission.

Had the above observations been considered, the profit for the year and reserve and surplus reported would be less by Rs. 344.51 crore.

Department of Small Industries, Agro & Rural Industries

1.4.15 National Small Industries Corporation Limited

(i) Non-provision of Rs.0.85 crore against receivable from MEA Raj Biraj Project;

(ii) Writing back of amount of Rs.0.51 crore on account of lease equalisation in respect of seized assets.

Had the above observations been considered, the loss for the year would have been increased by Rs.1.36 crore.

MINISTRY OF SOCIAL JUSTICE & EMPLOYMENT

1.4.16 Artificial Limbs Manufacturing Corporation of India Limited

Profit for the year of Rs.51.03 lakh would have been converted in to loss of Rs.29.01 lakh and prior-period adjustment would have been higher by Rs.8.19 crore had the penal interest of Rs.8.99 crore been provided for.

MINISTRY OF TEXTILES

1.4.17 National Textiles Corporation (Maharashtra North) Limited

(i) Non–payment of dues in respect of provident fund and ESIC including estimated damages and interest - Rs.39.86 crore ;

(ii) Non-provision towards payment made prior to 1995 - Rs.8.18 crore

(iii) Non-provision of towards wages/salaries and other dues of employees for the post takeover period - Rs.15.26 crore; and

(iv) Non-provision of gratuity liability for the employees transferred in 1994 - Rs.5.39 crore

Had the effect of the above observations been incorporated in the accounts, the loss for the year would have been Rs.276.36 crore (as against the reported loss figure of Rs.207.67 crore). The net loss carried forward to Balance Sheet would have been Rs.1498.75 crore (as against the reported figure of Rs. 1430.06 crore), Other Current Assets would have been Rs.6.47 crore (as against the reported figure of Rs.29.91 crore).

1.4.18 National Textiles Corporation (South Maharashtra)

No provision had been made for the following liabilities in the account:

(i) Penal interest leviable by banks and financial institution for the year - Rs.9.18 crore;

(ii) Liabilities on account of upward pay revision of employees governed by Industrial Dearness Allowance - Rs.5.19 crore;

(iii) Excise duty on controlled cloth, vicose, polyster and towels/bed sheets - Rs.2.18 crore;

(iv) Damages on delayed payment of outstanding dues of Provident Fund and ESIC - Rs.20.30 crore; and

(v) Disputed delayed payment of power/water charges dues - Rs.6.90 crore.

Had the above observations been considered, the net loss would have been Rs.231.99 crore (as against Rs.188.24 crore reported), secured loans would have been Rs.167.85 crore (as against Rs.158.67 crore reported) and current liabilities would have been Rs.234.76 crore (as against Rs.200.19 crore reported).

MINISTRY OF URBAN AFFAIRS & EMPLOYMENT

1.4.19 National Buildings Construction Corporation Limited

On the basis of the impact of qualifications contained in the Report, the net profit for the year (Rs.2.49 crore) would be converted into a net loss of Rs.49.36 crore and the total net assets would be reduced from the reported figure of Rs.127.92 crore to Rs.76.07 crore and hence the said accounts do not reflect a true and fair view (i) in case of Balance Sheet of the state of affairs of the Company as at 31 March 2001 and (ii) in case of Profit and Loss account, of the profit disclosed for the year ended on that date.

CHAPTER 2 : COMMENTS FROM THE SUPPLEMENTARY REPORTS OF THE STATUTORY AUDITORS

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report, in long form, upon various aspects including the internal control systems of the functioning of the Company audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement.

An illustrative resume of major recommendations made or opinion expressed or comments made by Statutory Auditors on possible improvement in the accounts and system of control in some of the 276 Central Government Companies and 86 Deemed Government Companies in existence as on 31 March 2001 and audited by them, is given below:-

NAME OF THE MINISTRY/COMPANY — AREA FOR IMPROVEMENT

2 .1 SYSTEM OF FINANCIAL CONTROL AND ACCOUNTS

Department of Bio Technology

2.1.1 Bharat Immunologicals and Biologicals Corporation Limited

(i) System of recording procurement and disposal of stores was not implemented properly. Resultantly, many discrepancies were found during the physical verification of stores.

(ii) Capital work-in-progress and advances on capital accounts amounting to Rs.1.12 crore and Rs.21.32 lakh were outstanding since long and needed proper action.

(iii) Confirmation certificates for loan and interest were not available. Therefore, accuracy of the interest chargeable on the term loan and its impact on accounts could not be commented upon.

(iv) An amount of Rs.16.24 lakh received in excess share application money had been utilised in contravention of provisions of the Companies Act, 1956.

(v) Value of stock of scrap and waste at the year end had not been determined in accordance with Accounting Standard (AS)-2.

(vi) System of preparing proper records viz. goods issue register, issue indents, stock register/inventory of material/goods lying at project site was not followed properly.

(vii) Company did not have any system of physical verification of material lying at project site.

2.1.2 Indian Vaccines Corporation Limited

(i) Accounts were prepared on the principles of 'Going concern' despite the project for which the Company was formed, had not been implemented since 1992 and was also unlikely to be completed.

(ii) Company did not follow AS-1 and 10.

MINISTRY OF CHEMICALS AND FERTILIZERS

Department of Chemicals and Petro-Chemicals

2.1.3 Hindustan Organic Chemicals Limited

Delegation of power had not been reviewed and revised since 1976.

2.1.4 Indian Petrochemical Corporation Limited

(i) Swap Transactions (FOREX-Finance) were accounted for at the end of the year instead of at the time of settlement.

(ii) System of timely recovery of outstanding dues had not been effectively followed with the change of the market scenario.

(iii) Three remittances-in-transit amounting to Rs.1.31 crore transferred by SBI Ludhiana to IPCL (HO) Vadodara in November 2000 remained unlinked on 31 March 2001. Further, one SBI, Ludhiana demand draft dated 24 August 1998 for Rs.41801 also remained unlinked on 31 March 2001.

(iv) There were deficiencies and inadequacies in the system of internal control and internal checking in respect of authentication of journal vouchers, credit/debit notes for rebate, discount and freight. The accuracy and authenticity of the debit and credit notes and journal vouchers were not verified by the subsequent officer.

2.1.5 U. P. Drugs & Pharmaceuticals Limited

(i) Trial balance was not drawn periodically. This needed to be drawn up quarterly.

(ii) Compilation of accounts needed to be done half yearly instead of at year end.

(iii) Control accounts and subsidiary accounts needed to be reconciled quarterly instead of on yearly basis.

(iv) There was no system of downward delegation of financial powers below Managing Director.

Department of Fertilizers

2.1.6 Fertilizers and Chemicals Travancore Limited

The Company made deviation from AS-2 (valuation of inventories) and AS-10 (accounting for fixed assets) in the following cases:

(i) Cost of inventory included administrative and other overheads incurred at each unit which did not contribute in bringing the inventories to their present location and condition. These items had to be excluded from the cost of inventory.

(ii) Engineering divisions of the Company had included the administrative overheads and idle time in the value of capital works executed by them for other divisions of the Company. This resulted in over-statement of capital expenditure accounted for by the other divisions of the Company and recognition of income under the head 'services for own unit'.

2.1.7 National Fertilizers Limited

(i) In the case of receipt of stores on purchase, the process of material inspection took abnormal time ranging between four weeks to four months, this required improvement in the system.

(ii) In the following cases, the accounting policies of the Company were not in conformity with the Accounting Standards:

a) Stand by equipment and servicing equipment pulled out on replacement and machinery spares already put to use were valued and included in inventory on the basis of own technical assessment plus cost incurred on reconditioning instead of depreciating such asset over the residual useful life of respective plant and machinery. This practice was not in conformity with AS-10.

b) Escalation claims for input cost variation had been accounted for on estimation basis.

2.1.8 Projects Development India Limited

(i) There was a considerable time lag between the date of completion of job and actual invoicing due to execution of jobs at various places and delay in receipt of billing advice from the inspecting units. A system of sending the billing advice and inspection certificate immediately after completion of the jobs needed to be developed so that the invoice could be raised without any delay.

(ii) Valuation of inventories of raw materials and work-in-progress had been done at cost instead of at lower of cost or net realisable value as required under AS-2.

(iii) Periodicity of drawing trial balance was not fixed.

MINISTRY OF COAL AND MINES

Department of Coal

2.1.9 Neyveli Lignite Corporation Limited

Following deficiencies reported in the earlier years persisted in recording, procuring and disposal of stores:

(i) Delay in preparation of Inspection-cum-receipt Report (IRR) after receipt of materials and transport memorandum.

(ii) In some cases even after consumption of materials, the receipt and consumption were not recorded in stores ledger due to non-preparation of IRR.

(iii) Delay in accounting the physical verification differences. The differences were not intimated periodically to the Accounts department for taking timely action.

(iv) Control and subsidiary accounts in respect of sundry creditors for stores and staff advances and payroll related accounts, were not reconciled periodically.

MINISTRY OF COMMERCE & INDUSTRY

2.1.10 Indian Trade Promotion Organisation

(i) Company took an inordinately long time in settling invoices with third parties. Total outstanding dues in respect of third party fairs as on 31 March 2001 stood at Rs.8.72 crore.

(ii) In case of Indian Airlines Limited, recovery of licence fee, sharing of sale of ticket at gate and recovery of electricity/water charges etc. was based on the agreement which expired in November, 1999.

(iii) As on 31 March 2001, an amount of Rs.2.31 lakh with foreign banks remained unconfirmed. In some cases, balances as per foreign bank statement did not tally with the books maintained by the Company.

(iv) As on 31 March 2001, an amount of Rs.6.28 lakh credited by the Indian banks was pending adjustment for want of details.

(v) Company had charged Rs.3.85 crore to revenue on account of contribution made for construction of Chennai Trading Centre.

MINISTRY OF COMMUNICATIONS

Department of Telecommunications

2.1.11 Intelligent Communications Systems (India) Limited — No system for delegation of financial powers existed in the Company.

2.1.12 Videsh Sanchar Nigam Limited — Staff advances of Rs.40.10 lakh were lying unreconciled and unconfirmed. Necessary action was required to reconcile the said amount and obtain confirmation from the staff members.

MINISTRY OF DEFENCE

Department of Defence Production & Supplies

2.1.13 Bharat Electronics Limited — The Company did not prepare division-wise Accounts.

MINISTRY OF FINANCE

Department of Banking

2.1.14 Zenith Securities and Investments Limited — Company did not have a stop loss limit and proper monitoring of the market price of investments.

MINISTRY OF HEALTH AND FAMILY WELFARE

2.1.15 Hindustan Latex Limited	System of drawing trial balance periodically was not followed.

MINISTRY OF HEAVY INDUSTRY AND PUBLIC ENTERPRISES

2.1.16 Bharat Heavy Electricals Limited	Under centralised cash management scheme of the Company following old outstanding entries as on March 31 2001 were continuing: (i) Credits of Rs.1.04 crore and debits of Rs.1.81 crore made by the Company were not responded to by the banks. (ii) Debts of Rs.1.43 crore and credits of Rs.0.69 crore made by the banks in the Company's account were not entered in the books of the Company.
2.1.17 Engineering Projects (India) Limited	(i) Trial balances in some of the closed projects were not prepared periodically and were prepared only at the end of the year. (ii) Materials issued by the client and issued to the associates were not reconciled periodically and regularly but only at the close of the contract. (iii) Company was charging all material and spares and stores, (other than cement and steel) to revenue in the year of purchase, even though the same might not be utilised in that year. This consequently enhanced the cost of the contract which resulted in advance booking of expenditure and profit thereon while calculating work-in-progress.
2.1.18 Instrumentation Limited, Kota	Accounting policies were not in conformity with the Accounting Standards in respect of treatment of revenue recognition of sales, treatment of encashment of leave of the employees and treatment of valuation of inventory.
2.1.19 Mining & Allied Machinery Corporation Limited	No bank statements and balance confirmation certificates were procured in respect of thirteen banks whose aggregate balance was Rs. 16.23 lakh.

2.1.20 Triveni Structurals Limited

Company did not follow AS-11 for the effects of changes in foreign exchange rates which resulted in over-statement of loss by Rs.73.77 lakh (net) and under-statement of sundry debtors and current liabilities by Rs.94.57 lakh and Rs.20.80 lakh respectively.

MINISTRY OF HUMAN RESOURCES & SCIENCE AND TECHNOLOGY

2.1.21 Educational Consultants (India) Limited

(i) System of recording of receipts and expenditure needed to be streamlined as many such items were booked on the last day of the accounting year. The same needed to be booked as and when they occurred.

(ii) The Company had not complied with AS-9 in respect of KVS projects phase-I by accounting for Rs.6.82 crore as income and Rs.6.57 crore as expenditure on despatch of the goods from the supplier's premises whereas no delivery and installation had been completed till 31 March 2001. Similarly in respect of KVS Project phase-II, Rs.3.23 crore as income and Rs.3.13 crore as expenditure had been accounted for on delivery of goods at client's premises whereas no installation had been completed as per agreement till 31 March 2001.

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

2.1.22 Indian Renewable Energy Development Agency Limited

Accounting policy for accounting of certain items of income and expenditure on cash basis was not as per AS-9.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.1.23 Bharat Petroleum Corporation Limited

(i) Rs.45.33 crore was outstanding for more than three years payable to other oil companies in respect of product exchange and other charges. Reconciliation of transactions had been made with the Indian Oil Corporation Limited up to 1995 and with Hindustan Petroleum Corporation Limited up to 1992.

(ii) In the bank reconciliation statement at the end of 31 March 2001, debits for Rs.65.65 crore and credits for Rs.62.66 crore credits were pending for reconciliation for over six months.

2.1.24 Oil & Natural Gas Corporation Limited

(i) Reconciliation between inter-office accounts between units needed to be strengthened particularly in respect of employees related accounts; i.e. loans and advances, interest accrued thereon, employees related libilities etc.

(ii) Updation of the control accounts subsidiary accounts and the reconciliation process needed to be strengthened particularly in respect of inventories, fixed assets and employee advances. Corrective action needed to be taken promptly and regularly.

MINISTRY OF POWER

2.1.25 National Hydro-electric Power Corporation Limited

(i) In respect of Uri project, there was an accumulation of dead inventory in the three years of commercial production. This needed to be looked into.

(ii) In respect of Salal project and Dulhasti project, physical disposal of items after these were identified as disposable was not done, which resulted in accumulation of slow moving and dead items in the stores.

(iii) In respect of Salal project, there was difference in the bank accounts pertaining to the prior-period.

(iv) A number of transactions were lying un-reconciled/unadjusted for a long period at Head office.

2.1.26 Power Finance Corporation Limited

System of recording of receipts & expenditure was deficient in view of the following:-

(i) No supporting documents were attached with the vouchers of disbursement and recovery.

(ii) Most of the vouchers were un-narrated.

2.1.27 Tehri Hydro Development Corporation Limited

(i) Accounting policy regarding treatment of expenditure on rehabilitation and resettlement of oustees was ambiguous as it did not clearly state as to where the expenditure was to be capitalised.

(ii) Materials which were in the joint custody of the company's engineer-in-charge and contractors were not physically verified.

MINISTRY OF RAILWAYS

2.1 28 Container Corporation of India Limited

(i) At Inland Container Depot (ICD), Tondiarpet (southern region), the reconciliation between the 'Depository Register' maintained at the counters and 'Advance from customers Account' had not been completed and was under process.

(ii) Accounting of freight and handling income/expense had been done on cash basis, which was not in consonance with Section 209 of the Companies Act, 1956 and AS-9.

2.1.29 Konkan Railway Corporation Limited

There were delays in bringing on record expenditure and receipts. Income recognition procedure needed further tightening specifically the interest on advances and others to be recovered from contractors etc.;

Following accounting policies were in deviation of Accounting Standards:

(a) Non-bifurication of land into freehold land and leasehold land.

(b) Interest and finance charges after the assets were completed and put to use had been capitalised.

(c) Non-amortisation of leasehold land over the life of lease.

(d) Depreciation on fixed assets was generally charged at the rate prescribed in Companies Act, 1956 except some of the assets for which depreciation had been charged based on the life of the assets concerned as per Indian Railway Manual.

(e) Non-compliance of AS-2 with respect to net realisable value.

MINISTRY OF SHIPPING

2.1.30 Cochin Shipyard Limited

Since no proper stock registers were maintained, the discrepancy, if any, was not ascertainable in respect of sub-stores for ship repairs.

MINISTRY OF SMALL INDUSTRIES AND AGRO & RURAL INDUSTRIES

2.1.31 National Small Industries Corporation Limited

(i) Treatment of certain expenses/income on cash basis was not in accordance with the provisions of Section 209 of the Companies Act, 1956.

(ii) As per policy of the Company, debtors/receivables were shown as secured on the basis of original value of security instead of present market/realisable value of such securities.

(iii) No market survey had been conducted for each exhibition as evidenced from the records and in 3 exhibitions, the recovery of participation fee had been found to be marginal

(iv) In case of Hanuman Oil Mills, the amount advanced was more than the sanctioned limit.

(v) Norms for provision for doubtful debts were inadequate keeping in view their age, rate of recovery and lack of adequate security.

(vi) System of monitoring of debts was not adhered to in full. As a result, the debtors/receivables were outstanding for long and the rate of recovery had been quite low.

(vii) No system was followed for physical verification of imprest on regular/periodical basis.

(viii) No system of doing reconciliation between the fixed assets register and the financial books existed.

MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

2.1.32 Artificial Limbs Manufacturing Corporation of India Limited

Loss/profit, if any, on disposal of obsolete/surplus inventories/ fixed assets and insurance claims received were accounted for on cash basis instead on accrual basis.

2.1.33 National Backward Classes Finance and Development Corporation Limited

(i) There had been delay, in adjustment of advances given for various nature of expenses.

(ii) A scheme-wise and sector-wise loans register needed to be maintained by the Company.

2.1.34 National Minorities Development & Finance Corporation Limited

(i) Company did not have a well-defined system of control and subsidiary accounts. Its accounting system did not generate subsidiary accounts in certain cases.

(ii) Accounting policies followed by the Company were not in consonance with the Accounting Standard regarding accounting of fixed assets, the delayed interest and liquidated charges which were accounted for on cash basis.

MINISTRY OF STEEL

2.1.35 Bharat Refractories Limited	Company had no specific system of regularly identifying and monitoring disposal of non-moving, obsolete or surplus raw materials, stores & stores and finished goods.
2.1.36 Heavy Engineering Corporation Limited	(i) Revenue had been recognised as sales against interest amounting to Rs.6.80 crore on disputed claim receivable from customers which was not in accordance with AS-9.
	(ii) Building at Kolkata (Rs.54.81 lakh) had been capitalised during the year 2000-2001 but the title deed had not been executed in favour of the Company.
2.1.37 Sponge Iron India Limited	Fixed assets were overstated by Rs.8.49 crore due to capitalisation of pig iron plant as on 1 April 1999 instead of January 1996 (when the same was ready for commercial operation) and the revenue expenditure of Rs.8.49 crore incurred in modification of plant during the period January 1996 to March 1999 should have been charged off to Profit and Loss account instead of its capitalisation. This resulted in under-statement of loss for the year by Rs.13.13 crore.
2.1.38 Steel Authority of India Limited	System needed to be strengthened particularly in case of identification and disposal of obsolete, slow moving and surplus materials.

MINISTRY OF SURFACE TRANSPORT

2.1.39 Indian Road Construction Corporation Limited	Company had not complied with the AS-11 for the balance sheet items of all the closed foreign projects, which had been kept freezed in Indian Rupees. Due to this, the gain/loss, if any, had neither been determined nor provided in the accounts.
2.1.40 Shipping Corporation of India Limited	(i) Control and subsidiary accounts in respect of liner freight were in arrears from 1998-99.
	(ii) Reconciliation of stores and spares in transit, which included stores/spares supplied to vessels had been completed only upto 1993-94.

MINISTRY OF TEXTILES

2.1.41 Cotton Corporation of India Limited

Officer in charge of Delhi Branch operated cash imprest of Rs.19.80 lakh without any delegation.

2.1.42 National Textile Corporation (Gujarat) Limited

(i) In the Rajnagar Mill, control accounts were not reconciled periodically with the stores, time-keeping, sales and purchase departments.

(ii) In the Petlad Mill, reconciliation statement with Bank of Baroda (Petlad) was not prepared for the year 2000-2001. Further, cash credit and current account for the year 2000-2001 were not reconciled.

2.1.43 National Textile Corporation (UP) Limited

(i) Balances of sundry creditors, personal advances, insurance claims, sundry debtors, loans and advances (including subsidiaries), security and other deposits were not reconciled/confirmed as on 31 March 2001.

(ii) Company did not have a qualified Company Secretary as required under Companies Act, 1956.

MINISTRY OF TOURISM

2.1.44 India Tourism Development Corporation Limited

(i) System of recording the sales was inadequate (Hotel Kanishka, New Delhi)

(ii) System of drawing trial balances at regular intervals was not in vogue. (Hotel Janpath, New Delhi; Hotel Agra Ashok, Kosi Restaurant, Bharatpur Forest Lodge, Hotel Patliputra Ashok, Patna; Hotel Indraprastha, New Delhi; Lodhi Hotel, New Delhi; Project & Engineering Division, New Delhi and Corporate office).

(iii) Frequency of reconciliation of bank accounts was not adequate (Hotel Agra Ashok, Taj Restaurant, Kosi Restaurant, Ashok Tours & Travels, Agra and Bharatpur Forest Lodge).

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.1.45 National Buildings Construction Corporation Limited

(i) Material consumption was accounted for only at the end of the year.

(ii) Accounting policies were not in conformity with the Accounting Standards in the following cases:

(a) Claims and variations arising under construction contracts were not accounted for strictly as per AS-7.

(b) Contrary to AS-7, no provision had been made for foreseeable losses and expected expenditure during the remaining maintenance period in respect of the projects.

(c) Contrary to AS-9, the Company had accounted for interest of Rs.24.87 crore towards amount receivable under deferred payment agreement between Government of India and Government of Iraq though the same was not renewed since 1991.

(iii) Subsidiary ledgers of Piece-rated Workers (PRWs), suppliers and sub-contractors were not reconciled at units with financial records maintained at Zones.

(iv) Recovery of dues in closed projects was very slow.

2.2. ASSETS AND INVESTMENTS

Department of Bio-Technology

2.2.1 Indian Vaccines Corporation Limited

Fixed asset register were not reconciled with financial books since no entries had been made in respect of depreciation

MINISTRY OF CHEMICALS AND FERTILIZERS

Department of Chemicals and Petro-chemicals

2.2.2 Hindustan Antibiotics Limited

Company had not revalued its investment in subsidiaries to recognise permanent diminution in value of long term investment as required by AS-13.

2.2.3 Indian Petrochemical Corporation Limited

(i) Two plants of Vadodara Complex namely, Aromatic Plant and Polymer Plant were not in operation for more than 5 years and 2 years respectively. The written down value of these plants as on 31 March 2001 was Rs.42.64 crore.

(ii) No activity had been carried out for the new projects namely, CAN & MMA/PMA at Gandhar and Cracker-LDPE at Vadodara Complex since 1996-97. The Company had incurred a sum of Rs.13.33 crore towards such projects, which had been shown under the Capital work-in-progress.

Department of Fertilizers

2.2.4 Fertilizers and Chemicals Travancore Limited

Details of certain assets had not been given in the Fixed Assets Register and not reconciled with the quantity on physical verification.

2.2.5 National Fertilizers Limited

(i) Company had capitalised certain assets on the basis of technical assessment of being ready for put to use notwithstanding the fact that the trial run was pending completion and property in goods had not been transferred in favour of the Company.

(ii) System of recovery of outstanding required improvement as sundry debtors and loan & advances amounting to Rs.321.90 crore were outstanding as on 31 March 2001.

(iii) Company had no investment policy.

2.2.6 Projects Development India Limited

(i) The location of fixed assets and distinctive number of the assets were not recorded in the fixed asset registers.

(ii) Despite the Company having a monitoring system of outstanding dues, recoveries of old dues were not forthcoming. As on 31 March 2001, Sundry debtors included Rs.6.48 crore which were outstanding for more than 3 years. Effective steps were needed to be taken by the Company.

(iii) Company did not have any investment policy.

(iv) Debtors included claims of Rs.27.50 lakh towards extra services rendered by the Company in the year 1999-2000 over and above the contractual value which were yet to be accepted by the clients.

MINISTRY OF COAL AND MINES

Department of Coal

2.2.7 South Eastern Coalfields Limited

Advances outstanding for a long period amounted to Rs.1.43 crore (Hasdeo area) comprising (i) stores issued to contractor on loan-Rs.18.39 lakh (ii) advance to contractor-Rs.6.87 lakh

(iii) stores advances - Rs.1.18 crore.

MINISTRY OF COMMERCE & INDUSTRY

2.2.8 Export Credit and Guarantee Corporation of India Limited	Location of assets and its quantity in Head Office was not ascertainable from the Register.
2.2.9 India Trade Promotion Organisation	(i) No physical verification of fixed assets was conducted after 1998-99. (ii) No cycle had been fixed for physical verification of fixed assets. (iii) Seggregation of serviceable and unserviceable assets was not carried out by the Company. (iv) A number of exhibits lying at Chennai office were not recorded in the register maintained there. Even the TV and VCR lying at Chennai office had not been recorded in the Fixed Assets register.
2.2.10 PEC Limited	Bank guarantee register was not properly maintained. The unexpired bank guarantee as per bank guarantee register as on 31 March 2001 were not tallied with details of expired bank guarantees as on 31 March 2001 provided by the banks.

MINISTRY OF COMMUNICATIONS

Department of Telecommunications

2.2.11 Intelligent Communications Systems (India) Limited	Company had not laid down any investment policy.

MINISTRY OF DEFENCE

2.2.12 Bharat Dynamics Limited	There were overdue inter corporate deposits amounting to Rs.4.65 crore (principal: Rs.2.76 crore plus interest: Rs.1.89 crore) from three PSUs which were referred to BIFR
2.2.13 Hindustan Aeronautics Limited	(i) Assets register of Aircraft Division was not up to date. (ii) There was no laid down policy for investment.

2.2.14 Mazagaon Dock Limited	Company had not used the assets valuing Rs.1.67 crore for more than 3 years.

MINISTRY OF FINANCE

2.2.15 Allbank Finance Limited	Company considered 97.83 per cent of its Sundry Debtors as doubtful.
2.2.16 BOB Cards Limited	Non-performing assets increased by 244 per cent (i.e. from Rs.4.48 crore to Rs.15.40 crore) even though turnover had increased by 6.5 per cent only
2.2.17 BOB Housing Finance Limited	Cash and imprest balances were not physically verified during the year on a regular basis by an authorised officer.
2.2.18 General Insurance Corporation of India Limited	Ratio of non-performing corporate debts to total corporate debts increased from 9.15 per cent in 1998-99 to 14.99 per cent in 2000-01.
2.2.19 Oriental Insurance Company Limited	Non-performing assets in consortium loans were 43.31 per cent for term loans, 12.34 per cent for debentures and 100 per cent for short term loans.
2.2.20 PNB Capital Services	(i) Investment in shares of other bodies corporate was in excess of the limit as allowed by Section 372 of the Companies Act, 1956. (ii) Some of the investments, loans and advances were in excess of the ceiling specified in the directions existing on the date of commencement of NBFC prudential norms (Reserve Bank) directions, 1998. (iii) Investment policy had not been drawn/revised keeping in view the requirement of Section 372 of the Companies Act, 1956 and NBFC prudential Norms (RBI) directions, 1998.

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

2.2.21 Bharat Heavy Electricals Limited	(i) In the case of Power sector, Northern Region and Power Sector Western Region, no delegation for fixing the dates of installation and commissioning of plant and machinery was given to any authority. (ii) In the case of Jhansi Unit, the date of installation and commissioning of individual plant and machinery had not been fixed.

(iii) Company had a system of monitoring the recovery of outstanding dues on regular basis except for Industrial Valve Plant, Goindwal Unit where vigorous efforts were required to be made for recovery for old outstanding.

(iv) In some units, timely recovery of outstanding dues was not forthcoming in number of cases, mostly Government agencies. In certain units, even TDS certificates were outstanding for which provision had to be made in the Books of Accounts.

2.2.22 Engineering Projects (India) Limited

(i) Amounts of Rs.12.52 crore and Rs.1.30 crore were deducted by the clients of the Company towards liquidated damages and interest on advances respectively. However, the same were kept under sundry debtors as the Company was of the opinion that the amounts were recoverable from the clients.

(ii) Cash and imprest balances were not physically verified during the year on regular basis by an authorised officer at some of the contract sites.

2.2.23 Jessop & Co. Limited

(i) System of monitoring timely recovery of outstanding dues was not adequate. Recovery process of long outstanding dues was poor.

(ii) Company made no efforts to get refund of earnest money of Rs.0.30 crore desposited for submitting tenders for order.

2.2.24 National Bicycle Corporation of India Limited

Surplus land of 321,493 sq.mtr. (Ghaziabad) was lying vacant since May 1998.

2.2.25 Scooters India Limited

Company did not have any laid down norms for investment policy.

2.2.26 Triveni Structurals Limited

Fixed Asset register had not been completed for the assets acquired prior to 1979-80 and needed to be completed.

MINISTRY OF HEALTH & FAMILY WELFARE

2.2.27 Hindustan Latex Limited

No physical verification of the fixed assets were conducted at Corporate Head Office, Trivandrum and Liaison Office, New Delhi and consequently not reconciled with financial books kept at these centres.

MINISTRY OF HOME AFFAIRS

2.2.28 Dadra and Nagar Haveli ST&SC, OBC & Minorities Financial & Development Corporation Limited	Principal of Rs.2.02 crore and interest of Rs.15.28 lakh were overdue from the beneficiaries.

MINISTRY OF INFORMATION TECHNOLOGY

Department of Electronics

2.2.29 National Informatic Centre Services Inc.	No investment policy had been laid down by the Company during the year.
2.2.30 Semi-Conductor Complex Limited	Company had not laid down policy for investments.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.2.31 Bongaigaon Refinery & Petrochemicals Limited	Persons authorised to hold the money did physical verification of imprest cash.
2.2.32 Certification Engineers International Limited	Recovery of Sundry debtors was not adequate and the correspondence for the recoveries were not on the record.
2.2.33 Engineers India Limited	Long outstanding doubtful debts were not being written off.
2.2.34 Indian Oil Corporation Limited	Book value investments in quoted public sector undertaking bonds and shares was Rs.3128.31 crore, while the market value thereof as on 31 March 2001 as per the quotations available worked out to Rs.2354.45 crore.

MINISTRY OF POWER

2.2.35 Nathpa Jhakri Power Corporation Limited	Reconciliation between physical assets and books was yet to be completed.
2.2.36 National Hydro-electric Power Corporation Limited	(i) In respect of Tanakpur, the follow up of old outstanding dues in various heads (Rs.1.99 crore) was required to be taken up. (ii) Company had not laid down any investment policy. (iii) Investment had been made without obtaining the consent of the President of India as required under the Articles of Association of the Company. (iv) In case of investment in shares of Indian Overseas Bank, the diminution in the value had not been reflected in the books.
2.2.37 North Eastern Electric Power Corporation Limited	Fixed Assets registers were not posted up to date and reconciled in certain locations.
2.2.38 Power Grid Corporation of India Limited	Company had generally maintained record of fixed assets. However, such records did not, in some cases, give full particulars including location of fixed assets. The assets were not comprehensively numbered and identified in certain cases. The assets had been physically verified by external agencies at reasonable intervals and in number of cases, discrepancies noticed on such verification had not been reconciled/adjusted.
2.2.39 Tehri Hydro Development Corporation Limited	Some of the accounts under capital works-in-progress were still under reconciliation.

MINISTRY OF RAILWAYS

2.2.40 Konkan Railway Corporation Limited	There were cases of advances given to contractors who had deserted the work. The recovery on account of risk & cost transactions was not effected even if the work had already been completed.

MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

2.2.41 Artificial Limbs Manufacturing Corporation of India Limited

Property and assets registers were not complete as same were under preparation.

2.2.42 National Back ward Classes Finance and Development Corporation Limited

(i) Property and Assets Registers had not been maintained properly.

(ii) Company carried huge bank balances and investments in FDR, which indicated that the funds were not deployed for the purpose for which the Company had been set up.

2.2.43 National Minorities Development and Finance Corporation Limited

(i) Register of fixed assets needed to be reconciled with financial books.

(ii) Company had no system of verifying imprest given to its staff.

(iii) Company had not laid down any specific investment policy.

MINISTRY OF STEEL

2.2.44 Bharat Refractories Limited

(i) Fixed assets register had not been posted upto date and not reconciled with financial books by Bhilai Refractories Plant.

(ii) Physical verification of fixed assets including plant & machinery, land & building and township had not been made in Forge Foundry Plant (FFP), Heavy Machine Tools Plant (HMTP) for the last several years.

MINISTRY OF SURFACE TRANSPORT

2.2.45 Indian Road Construction Corporation Limited

Sundry debtors amounting to Rs 15.46 crore were outstanding for more than 3 years, due to non-completion of various projects by the Company in Libya.

MINISTRY OF TEXTILES

2.2.46 Handicrafts and Handlooms Exports Corporation of India Limited

System of monitoring the timely recovery of outstanding dues from number of parties including foreign branches needed to be improved.

2.2.47 National Textile Corporation (Gujarat) Limited		In Petlad Mill, property and assets register was not updated and reconciled with the financial books.
2.2.48 National Textile Corporation (SM) Limited	(i)	Fixed assets register was not completed and maintained properly.
	(ii)	Bungalow at Napean Sea road and commercial building at Ballard Estate, Mumbai were in possession of unauthorised persons.

MINISTRY OF TOURISM

2.2.49 India Tourism Development Corporation Limited	(i)	Fixed Assets register was not maintained properly at Hotel Samrat-New Delhi; Ashok Tours and Travels-New Delhi; Hotel Ashok Bangalore; Hotel Indraprastha-New Delhi, Hotel Manali Ashok-Manali; Hotel Jaipur Ashok-Jaipur; Laxmi Vilas Palace Hotel, Udaipur; and Bharatpur Forest Lodge.
	(ii)	Balances as per fixed assets register were not reconciled with physical balances in some units (Hotel Samrat-New Delhi; Ashok Tours and Travels-New Delhi; Hotel Qutab-New Delhi; Hotel Ashok, Bangalore; Ashok Tours And Travels Bangalore; Hotel Indraprastha, New Delhi; Hotel Manali Ashok-Manali; Hotel Jaipur Ashok-Jaipur; Bharatpur Forest Lodge; Ashok Hotel-New Delhi; Duty Free Trade Division, New Delhi; Hotel Kanishka, New Delhi and Headquarters).
	(iii)	Old outstanding debts were not being pursued in many units (Hotel Varanasi Ashok, Hotel Khajuraho Ashok, Ashok Tours And Travels Patna and Project and Engineering Division; New Delhi)
	(iv)	Cash and imprest balances were not verified regularly at Hotel Patliputra Ashok-Patna and Airport Restaurant-Kolkata.
2.2.50 Madhya Pradesh Ashok Hotel Corporation Limited	(i)	Assets register was not completed in respect of some of the assets. The assets mentioned in the register had not been reconciled with the physical verification.
	(ii)	Out of the total Sundry debtors of Rs.34.57 lakh, a sum of Rs.14.10 lakh was outstanding for more than three years.

2.3 LIABILITIES AND LOANS

Department of Atomic Energy

2.3.1 Indian Rare Earths Limited	Company had defaulted in repayment of principal (Rs.52.40 crore) and interest thereon (Rs.110.27 crore) and penal interest of Rs.37.65 crore.

Department of Bio Technology

2.3.2 Bharat Immunologicals & Biologicals Corporation Limited	Company had defaulted in repayment of loans Rs.23.29 crore and interest Rs.29.71 crore and penal interest Rs.5.79 crore.
2.3.3 Indian Vaccines Corporation Limited	Advances to the tune of Rs.66.93 lakh were doubtful of recovery.

MINISTRY OF CHEMICALS AND FERTILIZERS

Department of Chemicals and Petro-chemicals

2.3.4 Hindustan Antibiotics Limited	Company defaulted in repayment of loan – Rs.72.69 crore (principal) and Rs.52.55 crore (interest thereon) as on 31 March 2001.
2.3.5 Hindustan Organic Chemicals Limited	Company defaulted in repayment of secured bonds (Rs.24.50 crore), fixed deposit (Rs.2.05 crore), interest on bonds (Rs.15.99 crore) and interest on fixed deposit (Rs.2.76 crore) as at 31 March 2001
2.3.6 U P Drugs & Pharmaceuticals Limited	Company defaulted in the repayment of loan of Rs.6.16 crore and interest of Rs.14.20 crore.

Department of Fertilizers

2.3.7 Fertilizers and Chemicals Travancore Limited	Company defaulted in payment of Government of India loan of Rs.72.39 crore and interest of Rs.167.17 crore thereon. Besides these the penal interest for the default in repayment of Government loans amounted to Rs.4.83 crore for which no provision had been made.

2.3.8 Madras Fertilizers Limited	Defaulted loan amounted to Rs.77.60 crore and interest and penal interest thereon amounted to Rs.77.78 crore as on 31 March.2001.
2.3.9 Projects Development India Limited	As on 31 March 2001 the Company had defaulted in payment of loans of Rs.14.91 crore payable to Government of India (Rs.4.83 crore) and Fertiliser Corporation of India (Rs.10.08 crore) and interest to the tune of Rs.22.81 crore payable to Government of India (Rs.10.32 crore) and Fertiliser Corporation of India (Rs.12.49 crore). In addition, penal interest of Rs.18.95 lakh was also payable on Government of India loan.

MINISTRY OF COMMUNICATIONS

Department of Telecommunications

2.3.10 ITI Limited	Company defaulted in repayment of principal (Rs.13.55 crore) and payment of interest (Rs.14.42 crore).

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

2.3.11 Bharat Heavy Electrical Limited	Guarantee fee including penal guarantee fee (Rs.100.51 crore) was payable to the Government of India.
2.3.12 Bridge & Roof Company (India) Limited	Company had defaulted in repayment of Government of India loan of Rs.9.20 crore and interest and penal interest of Rs.3.17 crore and Rs.22.01 crore respectively.
2.3.13 Instrumentation Limited	Revival plan of the Company was approved (December 1998) by BIFR. Accordingly, repayment of loans was rescheduled. However, default was made in repayment of secured/unsecured loan amounting to Rs.39.81 crore, interest Rs.14.85 crore and penal interest Rs.13.35 lakh.
2.3.14 Richardson & Cruddas (1972) Limited	Company defaulted in repayment of loan amounting to Rs.22.88 crore and interest Rs.11.06 crore.
2.3.15 Triveni Structurals Limited	Company defaulted in repayment of Government loans amounting to Rs.6.27 crore with interest thereon to the extent of Rs.3.62 crore and penal interest of Rs.7.81 crore.

MINISTRY OF PETROLEUM & NATURAL GAS

2.3.16 Oil India Limited	Company defaulted in payment of penal interest for pre-

matured payment of World Bank loan to the tune of Rs.8.95 crore as the Company appealed for its waiver.

MINISTRY OF SMALL INDUSTRIES & AGRO AND RURAL INDUSTRIES

2.3.17 Artificial Limbs Manufacturing Corporation of India Limited	Corporation had not repaid loans of Rs.14.33 crore taken from Government of India, overdue interest of Rs.28.75 crore and penal interest of Rs.8.99 crore

MINISTRY OF SHIPPING

2.3.18 Cochin Shipyard Limited	As against Rs.41.07 crore consisting of three equal instalments of the interest free loan received from Government of India due for repayment, the Company had repaid only Rs.5 crore upto 31 March 2001.

MINISTRY OF SURFACE TRANSPORT

2.3.19 Hindustan Shipyard Limited	Company was a constant defaulter of repayment of loans and interest thereon. Even the payment of guarantee fee to Government of India was defaulted in few instances.

MINISTRY OF TEXTILES

2.3.20 National Textiles Corporation (Maharashtra North) Limited	Company defaulted in repayment of principal (Rs.747.74 crore) and interest (Rs.395.28 crore) as of 31 March 2001.
2.3.21 National Textiles Corporation (South Maharashtra) Limited	Company defaulted in repayment of principal (Rs.660.89 crore) and interest thereon (Rs.391.30 crore).
2.3.22 National Textiles Corporation (UP) Limited	Company defaulted in repayment of loans and interest to the tune of Rs.664.19 crore (Rs.8.31 crore to banks including interest of Rs.5.73 crore and Rs.655.87 crore to NTC Ltd. New Delhi).

2.3.23 North Eastern Handicrafts and Handlooms Development Corporation limited

Company defaulted in repayment of Government of India loan of Rs.9.47 crore.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.3.24 National Buildings Construction Corporation Limited

(i) Company defaulted in repayment of loans (Rs.17.10 crore) and interest thereon (Rs.36.64 crore) as on 31 March 2001.

(ii) Company had a dispute with Canara Bank, as Canara Bank had unilaterally liquidated an Euro Dollar loan of US $8.75 million pertaining to an Iraqi project by converting it into a rupee loan of Rs.28.35 crore. Such conversion had not been agreed to by the Company and the case was pending in the Permanent Machinery of Arbitration.

2.4 INVENTORY AND CONTRACTING

(PSUs where maximum & minimum limits of stores and spares were not fixed and Economic Order Quantity was not prescribed have been given in Annexure-III)

Department of Atomic Energy

2.4.1 Nuclear Power Corporation of India Limited

Company had slow moving and surplus inventory of Rs.6.53 crore at Narora Atomic Power Station (NAPS) and Rs.9.78 crore at Madras Atomic Power Station (MAPS).

Department of Bio Technology

2.4.2 Bharat Immunologicals & Biologicals Corporation Limited

(i) The Company did not have a proper system of procurement and the following discrepancies were noticed :

(a) Suppliers were not making the supplies in time but no action had been taken against them for want of penalty/liquidated damages clause in the purchase orders.

(b) Inspection team/Quality control of the Company did not inspect the material before accepting the same in case of purchases made. The department did not inspect the material before despatch of the same in case of sales made by the Company resulting into a major rejection of material during the year.

(c) Pre-qualification tenders for suppliers were not invited and purchases had been made mainly on the basis of limited enquiries.

(d) Abnormal delay was observed in getting the advertisement published in the newspaper for various purchases.

(ii) No norms were fixed for losses/wastages.

(iii) Company did not have adequate system for regularly identifying and monitoring disposal of non-moving, obsolete or surplus raw material, finished goods and stores and spares.

MINISTRY OF CHEMICALS AND FERTILIZERS

Department of Chemicals and Petro-Chemicals

2.4.3 Hindustan Organic Chemicals Limited

Inventory of 5553 items valuing Rs.2.60 crore had not been moved since 5 years (Cochin unit).

2.4.4 Indian Petrochemicals Corporation Limited

(i) Under computerised system of accounting of material received in stores, entries in respect of liabilities for purchase were generated as soon as material was received taking the rate as per the purchase order. At the time of payment, purchase section verified the invoices and made deduction on account of late delivery etc. As a result, there remained a credit balance to party's account after payment was made. The review process of closed purchase orders should be expedited so that the balances in respect of closed purchase orders were appropriately adjusted.

(ii) Receipt of materials remained unaccounted due to pending inspection or for other minor procedures. In few cases, unaccounted material, which was physically issued and consumed in the respective plant, remained unaccounted for in the material ledger.

(iii) When goods were purchased against the letter of credit and through banks and subsequently rejected, the advance to suppliers remains unadjusted.

2.4.5 Rajasthan Drugs and Pharmaceuticals Limited	Company held surplus inventory of Rs.7.52 crore at Trombay unit, Rs.2.61 crore at Thal unit and Rs.2.69 crore as off-grade material.
2.4.6 U.P. Drugs & Pharmaceuticals Limited	Company did not have system for regularly identifying and monitoring disposal of non-moving obsolete or surplus raw materials, stores and spares & finished goods.

Department of Fertilizers

2.4.7 Fertilizers and Chemicals Travancore Limited	Inventory held in respect of general stores was high which needed to be brought down
2.4.8 National Fertilizers Limited	In case of advance payments to suppliers/contractors, an advance of Rs.32.73 lakh given to a party in 1996 could not be recovered and despite the amount being doubtful of recovery had not been provided for. However, in the case of Karsen, though the provision had been made earlier but the amount was still outstanding.
2.4.9 The Projects and Development India Limited	(i) In some cases of advance payments to suppliers/contractors, short supplies had been made by the suppliers against the advance payment and the balance left in party's account was difficult to recover. More initiative should be taken to recover excess advance paid in such cases. (ii) Inventories included non-moving/slow moving stores and spares aggregating to Rs.1.47 crore which were more than three years old, against which provision of Rs.46.88 lakh had been made for estimated loss based on technical assessment. All non-moving obsolete stores needed to be identified and disposed of.
2.4.10 Rashtriya Chemicals and Fertilizers Limited	Company held surplus inventory of Rs. 7.52 crore at Trombay unit and Rs. 2.61 crore at Thal unit besides off-grade material of Rs.2.69 crore.

MINISTRY OF COAL AND MINES

Department of Coal

2.4.11 Bharat Coking Coal Limited	Advances to suppliers outstanding more than three years amounted to Rs.17.95 crore.

2.4.12 Neyveli Lignite Corporation Limited — Non-moving stores for more than 3 years amounting to Rs.1.94 crore were lying as on 31 March 2001.

2.4.13 South Eastern Coalfields Limited — Non-moving, obsolete, surplus raw materials, stores and spares not moved for more than three years were valued at Rs.6.43 crore (Central Work Shop & Central Store), Korba, Rs.2.09 crore (Gevra Area). Rs.9.32 crore in (Korba area), Rs.5.14 crore in (Kusmunda area), Rs.5.01 crore in (Bisrampur), Rs.3.65 crore (Baikunthpur); Rs.3.74 crore (Chirimiri area) and Rs.2.93 crore (Hasdeo area).

Department of Mines

2.4.14 National Aluminium Company Limited — Stores and spares valuing Rs.10.43 crore had not moved over last 5 years.

MINISTRY OF COMMERCE & INDUSTRY

2.4.15 Export Credit and Guarantee Corporation of India Limited — Coimbatore branch had made advances to M/s Cheran Constructions Limited – Rs.1.14 crore during 1995-97 for acquiring office premises, construction of which was still incomplete.

MINISTRY OF COMMUNICATIONS

Department of Telecommunications

2.4.16 Videsh Sanchar Nigam Limited — Existing system of review of slow moving and non-moving items required to be streamlined and documented. In case of Pune branch, the review was not carried out periodically or not reviewed at all and no corrective measures were taken during the year. Further, in Northern Region, control and record keeping of stores was required to be improved substantially.

MINISTRY OF DEFENCE

Department of Defence Production & Supplies

2.4.17 Bharat Electronics Limited — No norms had been fixed for losses/shortages for raw materials.

2.4.18 Mishra Dhatu Nigam Limited — In respect of goods despatched to sub-contractors, the internal control procedure was inadequate.

MINISTRY OF ENVIRONMENT AND FORESTS

2.4.19	**Andaman & Nicobar Islands Forest & Plantation development Corporation Limited**	Company had no system for regular identification, monitoring and disposal of non/slow moving/obsolete stores and spares.

MINISTRY OF HEALTH AND FAMILY WELFARE

2.4.20	**Hindustan Latex Limited**	Present system/procedure for identifying the non-moving stores/spares/ obsolete surplus stores/finished goods/finished products required further improvement.

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

2.4.21	**Andrew Yule & Company Limited**	(i) Company had not fixed any norms for losses or wastages of raw materials (except Tea Division). (ii) Inventory valuing Rs.1.70 crore (raw materials-Rs.0.78 crore, packing materials-Rs.0.25 crore and stores & spares-Rs.0.67 crore) had not moved over 5 years.
2.4.22	**Braithwaite & Company Limited**	Stores valuing Rs.1.68 crore had not moved over last 4 years.
2.4.22A	**Braithwaite Burn & Jessop Construction Company Limited**	Company did not have adequate system for identifying and monitoring disposal of non-moving obsolete or surplus raw materials, stores and spares.
2.4.23	**Burn Standard Company Limited**	(i) Inventory valuing Rs.6.32 crore (raw materials-Rs.3.07 crore, stores-Rs.2.04 crore, finished goods-Rs.1.15 crore and work-in-progress-Rs.0.06 crore) had not moved over last 5 years. (ii) Company off-loaded few orders to sub-contractors although manufacturing facilities remained under utilised.
2.4.24	**Engineering Projects (India) Limited**	Advances for work amounting to Rs.15.23 crore were paid in excess of contractual obligations to Indian associates working under foreign contracts in earlier years.
2.4.25	**Jessop & Company Limited**	Company did not prepare age-wise analysis of non-moving, obsolete, surplus raw materials or stores and spares.

2.4.26 RBL Limited

Company had not fixed any norms for losses or wastages of raw materials used for manufacture of major products.

2.4.27 Triveni Structurals Limited

There were non-moving stores worth Rs.1.57 crore awaiting disposal for more than one year. Out of this, items worth Rs.1.12 crore were more than 3 years old.

MINISTRY OF INFORMATION TECHNOLOGY

2.4.28 National Informatics Center Services Inc.

Economic size for purchases needed to be determined keeping in view the market requirements and fast changing environment in which the Company operated.

2.4.29 Semi-Conductors Complex Limited

No norms were fixed for losses/wastages of raw material during manufacturing storage and transit.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.4.30 Bongaigaon Refinery and Petrochemicals Limited

(i) Stores and spares valuing Rs.4.06 crore had not been moved over last 5 years.

(ii) Company was holding surplus stores and spares amounting to Rs.1.77 crore.

2.4.31 Indian Oil Corporation Limited

Provision of Rs.24.68 crore only was made against non-moving/surplus stores of Rs.247.31 crore including Rs.73.88 crore as on 31 March 2001 for item lying more than 5 years old.

2.4.32 Oil and Natural Gas Corporation Limited

(i) There was considerable delay in few cases in processing of documents relating to procurement and disposal of stores (namely goods receipt voucher and goods issue voucher) and incorporating the same in the accounts.

(ii) Old balances were appearing under material-in-transit.

(iii) As on 31 March 2001, stores & spares and capital stores valuing Rs.195.68 crore and Rs.59.54 crore respectively were not moved for more than two years.

MINISTRY OF POWER

2.4.33 Nathpa Jhakri Corporation Limited

Advances to the major contractors towards their claims for compensation of extension of time, were yet to be adjusted in the books of accounts.

2.4.34 North Eastern Electric Power Corporation Limited

(i) No formal policy had been introduced for procurement of stores.

(ii) Company did not prepare age-wise analysis of non-moving, obsolete, surplus stores and spares.

MINISTRY OF RAILWAYS

2.4.35 Konkan Railway Corporation Limited

Corporation usually made advance payments to contractors/suppliers and recovered the advances through contractor's/supplier's bill. But in few cases the recoveries were postponed without sufficient reasons and recoveries were not done regularly. Moreover, in some of the cases where contractors had deserted the works, advances remained unadjusted.

MINISTRY OF TEXTILES

2.4.36 National Handloom Development Corporation

No system had been devised by the company for inspection of goods regarding its quality etc.

2.4.37 National Textile Corporation (Gujarat) Limited

There was no adequate system for disposal of the wastes at Petlad Mill.

MINISTRY OF TOURISM

2.4.38 India Tourism Development Corporation Limited

System for identifying and monitoring disposal of non-moving and surplus materials and finished goods was inadequate in units (Hotel Samrat-New Delhi, Airport Restaurant-New Delhi, Hotel Janpath-New Delhi, Lalitha Mahal Palace Hotel-Mysore and Hotel Jaipur Ashok-Jaipur).

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.4.39 National Buildings Construction Corporation Limited

Advances given to contractors/suppliers of closed projects needed to be periodically reviewed and adjusted.

2.5 COSTING

Department of Bio Technology

2.5.1 Bharat Immunologicals & Biologicals Corporation Limited

(i) Cost records of the Company were under preparation and as such were incomplete.

		(ii) Company did not have effective system for identification of idle labour hours and idle machine hours.

MINISTRY OF ENVIRONMENT AND FORESTS

Department of Chemicals and Petro-Chemicals

2.5.2	**Rajasthan Drugs and Pharmaceuticals Limited**	Company had no system for identification of idle labor and idle machine hours.
2.5.3	**U.P.Drugs & Pharmaceuticals Limited**	(i) Cost audit from financial year 1993-94 onwards was yet to be completed. (ii) There was no effective system for identification of idle labour hours and idle machine hours.

MINISTRY OF COAL AND MINES

Department of Coal

2.5.4	**South Eastern Coalfields Limited**	No system for identification of idle labour hours and machine hour existed in Central Workshop (CWS) & Central Store(CS), Korba, Gevera area, Raigarh area, Kusmunda area, Danpuri Coal complex.

MINISTRY OF DEFENCE

Department of Defence Production & Supplies

2.5.5	**Mazagaon Dock Limited**	Company did not have an effective system for computing the cost of major operations, jobs, products, process and services.
2.5.6	**Mishra Dhatu Nigam Limited**	(i) In the absence of separate cost accounting records other than cost sheets there was no reconciliation between cost accounts and financial accounts. (ii) Company had no system to identify labour hours.

MINISTRY OF CHEMICALS AND FERTILIZERS

2.5.7	**Andaman & Nicobar Islands Forest & Plantation Development Corporation Limited**	(i) Costing system followed by the Company was not proper. (ii) Company had no system of identification of idle labour hours.

MINISTRY OF HEAVY INDUSTRY AND PUBLIC ENTERPRISES

2.5.8	**Bharat Brakes & Valves Limited**	(i) Company did not have a system of cost accounts. (ii) Company did not have a system of identification of idle labour hours and idle machine hours.
2.5.9	**Bharat Heavy Electricals Limited**	(i) In Industrial Value Plant, Goindwal, although cost accounts were prepared, reconciliation with financial accounts was not done. (ii) Proper system of costing was not being followed at Insulator Plant, Jagdishpur. (iii) There was no effective system of identification of idle labour hours and idle machine hours at Central Foundry Forge Plant, Hardwar.
2.5.10	**Braithwaite & Company Limited**	Company did not have a system of identification of idle labour hours and idle machine hours.
2.5.11	**Braithwaite Burn Jessop Construction Company Limited**	Company did not have a system of identification of idle labour hours and idle machine hours.
2.5.12	**Bridge & Roof Co. (India) Limited.**	Company had no system of identification of idle labour hours and idle machine hours at Howrah Works.
2.5.13	**Burn Standard Company Limited**	Company did not compare idle time and idle machine hours with any standard (Burnpur, Howrah and Salem Works).
2.5.14	**Instrumentation Limited, Kota**	Due to inadequate production load, analysis of idle machine hours/labour hours was not done by the Management.
2.5.15	**Jessop & Company Limited**	Company did not reconcile cost accounts with financial accounts.

MINISTRY OF INFORMATION TECHNOLOGY

Department of Electronics

2.5.16	**Broadcasting Engineering Consultancy India Limited**	Company had no system of identifying idle labour.

2.5.17	**Semi-Conductors Complex Limited**	(i) Company did not prepare cost accounts. (ii) Company had no system for identification of idle machine hours/labour hours.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.5.18	**Gas Authority of India Limited**	Valuation of closing stock of LPG, other petroleum products and residuary natural gas was not in accordance with Accounting Standard – 2 resulting in non-adherence of this mandatory Accounting Standard.
2.5.19	**IBP Company Limited**	In Business group (engineering) Nasik, no reconciliation of cost records was made with the financial books.
2.5.20	**Numaligarh Refinery Limited**	Company did not prepare cost accounts.
2.5.21	**Oil and Natural Gas Corporation Limited**	Reconciliation of cost accounts with finance accounts had not been carried out.

MINISTRY OF POWER

2.5.22	**National Hydro-electric Power Corporation Limited**	Company had no effective system of identifying idle labour/machine hours.

MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

2.5.23	**Artificial Limbs Manufacturing Corporation of India Limited**	(i) Company followed standard costing method. However, these standards were not revised since 1991-92 and needed re-assessment. (ii) Corporation had no effective system for identification of idle labour hours and idle machine hours.

MINISTRY OF SMALL INDUSTRIES & AGRO AND RURAL INDUSTRIES

2.5.24	**National Small Industries Corporation Limited**	Company had not identified idle time for labour and machine hours.

MINISTRY OF STEEL

2.5.25	**Bharat Refractories Limited**	(i) There was no system of costing and computing cost of major operations in existence.

(ii) Idle labour hours had not been identified.

2.5.26 Indian Iron and Steel Company

Idle labour hours had not been identified.

2.6 INTERNAL AUDIT

Department of Bio-Technology

2.6.1 Bharat Immunologicals and Biologicals Corporation Limited

(i) Company did not have an adequate compliance mechanism on internal audit observations.

(ii) Company had no system of reporting irregularities noticed in the internal audit to the Board of Directors.

MINISTRY OF CHEMICALS AND PETROCHEMICALS

Department of Chemicals and Petro-chemicals

2.6.2 Hindustan Organic Chemicals Limited

Internal audit needed to be strengthed (Rasayani Unit).

2.6.3 Indian Petrochemicals Corporation Limited

Scope of the internal audit needed to be widened so as to cover the following areas in detail:

(i) Entry for the captilisation of assets in the fixed assets card and valuation of machinery spares used in an item of fixed assets.

(ii) Monthly reconciliation of receipt and consumption of materials between the statement of material section and the respective plants.

2.6.4 U.P. Drugs & Pharmaceuticals Limited

Internal audit system was not in existence for the last 3 years.

Department of Fertilizers

2.6.5 Fertilizers and Chemicals Travancore Limited

Internal Audit should also focus on the compliance of all the accounting standards and express their views independently.

2.6.6	**The Projects and Development India Limited**	Scope of internal audit needed to enlarge to be commensurate with the size and nature of business of the Company. The internal audit report needed to be submitted timely and be placed before Board of Directors or a Sub-committee thereof along with compliance report on quarterly basis.
2.6.7	**National Fertilizers Limited**	Internal audit system did not cover the reasons for delayed inspection of material at stores, perpetual non-identification of slow moving, non-moving and obsolete items, action taken on controllable factors attributable to the loss of production due to non-supply of feed stock by the suppliers and reasons for delay in taking decision on levy of liquidated damages.

MINISTRY OF COAL AND MINES

Department of Coal

2.6.8	**Bharat Coking Coal Limited**	Coverage of internal audit required to be made specific and result oriented.
2.6.9	**Central Mine Planning and Design Institute Limited**	Location-wise and function-wise coverage of internal audit should be increased.
2.6.10	**Eastern Coalfields Limited**	Follow-up action on the internal audit report required to be improved.
2.6.11	**Mahanadi Coalfields Limited**	Internal audit required substantial strengthening to make it commensurate with the size and nature of its business.

Department of Mines

2.6.12	**Manganese Ore India Limited**	System of internal audit needed to be strengthened.
2.6.13	**Mining & Allied Machinery Corporation Limited**	Company did not have any internal audit system commensurate with its size and nature of its business.
2.6.14	**National Aluminium Company Limited**	Internal audit needed to cover more areas of expansion project activities and compliance of internal audit observations should be expedited.

2.6.15	**North Eastern Development Finance Corporation Limited**	Scope of internal audit needed to be enhanced.
2.6.16	**West Bengal Consultancy Organisation Limited**	Company was not having any internal audit set-up.

MINISTRY OF CIVIL AVIATION

2.6.17	**Hotel Corporation of India Limited**	Extent of coverage of the case of operations, frequency of reporting and the follow up on the internal audit observations needed to be strengthened to make it commensurate with the size of the Company and nature of its business.

MINISTRY OF COMMERCE & INDUSTRY

2.6.18	**Export Credit Guarantee Corporation of India Limited**	Internal audit needed to be strengthened.
2.6.19	**India Trade Promotion Organisation**	Internal audit system needed to be streamlined and strengthened to commensurate with the size of the business and operation of the Company.

MINISTRY OF DEFENCE

Department of Defence Production & Supplies

2.6.20	**Mazagaon Dock Limited**	Internal audit needed to be strengthened.
2.6.21	**Mishra Dhatu Nigam Limited**	Scope and coverage of internal audit system needed to be enlarged and strengthened.

MINISTRY OF ENVIRONMENT AND FORESTS

2.6.22	**Andaman & Nicobar Islands Forest & Plantation Development Corporation Limited**	Internal audit system needed to be strengthened to commensurate with size of the Company and nature of its business.

MINISTRY OF FINANCE

2.6.23 BOB Capital Markets Limited

There was no internal audit system.

2.6.24 BOB Cards Limited

(i) Internal audit needed to be strengthened.

(ii) Company did not have internal audit manual.

2.6.25 National Insurance Company Limited

Internal audit was not commensurate with the size, nature and business of the company.

2.6.26 Oriental Insurance Company Limited

Internal audit was not commensurate with the size, nature and business of the Company. It needed to be strengthened with particular reference to periodicity and stress on compliance.

Department of Banking

2.6.27 Zenith Securities and Investment Limited

There was no internal audit system in the Company.

MINISTRY OF HEALTH AND FAMILY WELFARE

2.6.28 Hospital Services Consultancy Corporation Limited

(i) Internal audit system needed to be strengthened, particularly relating to income recognition, control of over billing and placing purchase orders, to make them commensurate with the size and business of the organisation.

(ii) There was no internal audit manual in the Company.

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

2.6.29 Bharat Heavy Electricals Limited

No internal audit was carried out in respect of foreign sites.

2.6.30 Braithwaite & Co. Limited

Scope of internal audit needed to be increased.

2.6.31 Braithwaite Burn & Jessop Construction Company Limited

Company did not have Internal Audit system.

2.6.32 Bridge & Roof Co. (India) Limited	Internal audit needed to be strengthened to make it more effective and commensurate with the size of the Company.
2.6.33 Burn Standard Company Limited	Internal audit system needed to be extended in respect of scrutiny of receivables and payables.
2.6.34 Cement Corporation of India Limited	There was no internal audit system in the Company.
2.6.35 Engineering Projects (India) Limited	(i) Internal audit system and a manual for the same had not been revised/updated for the past many years. (ii) Scope and coverage of the internal audit system was not adequate and not commensurate with the size of the Company. (iii) Head of the internal audit department was directly reporting to Director (Finance) instead of the Board/Chairman cum Managing Director.
2.6.36 Heavy Engineering Corporation Limited	Internal audit system was not commensurate with the size of Company and nature of its business.
2.6.37 Jessop & Co. Limited	Internal audit coverage was not adequate.
2.6.38 Richardson and Cruddas (1972) Limited	Internal audit needed to be strengthened.
2.6.39 Triveni Structurals Limited	Internal audit system was not in existence during the year under audit.

MINISTRY OF HOME AFFAIRS

2.6.40 Cross Country Hotels (Diu) Limited	There was no internal audit system in the Company.

2.6.41	**Dadar and Nagar Haveli ST &SC, OBC & Minorities Financial & Development Corporation Limited**	Internal audit was required to be strengthened.

MINISTRY OF HUMAN RESOURCES DEVELOPMENT & SCIENCE AND TECHNOLOGY

2.6.42	**Educational Consultants (India) Limited**	System of internal audit needed to be strengthened. It was done on sample basis, which was inadequate in terms of the size and nature of the business of the Company. The Company did not have any system of compliance of internal audit observations.

MINISTRY OF INFORMATION AND BROADCASTING

2.6.43	**Broadcast Engineering Consultants of India Limited**	(i) Periodicity of report had not been well defined. The report should have been submitted at least on quarterly basis. (ii) Follow-up of action taken on the previous report was not recorded in the internal audit report.

MINISTRY OF INFORMATION TECHNOLOGY

2.6.44	**National Informatics Centre Services Inc.**	Company did not have any internal audit system.
2.6.45	**Semi-Conductors Complex Limited**	Company had no system of submitting the internal audit reports to the Board of Directors.

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

2.6.46	**Indian Renewable Energy Development Agency Limited**	Company did not have a system of reporting the major irregularties to the Board of Directors.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.6.47	**Bongaigaon Refinery & Petrochemicals Limited**	Internal audit system needed to be strengthened to make it commensurate with the size and nature of the business.

2.6.48 Certification Engineers International Limited

Internal audit system was deficient in scope and coverage of work and its reporting. The internal audit was conducted by the internal audit department of Engineers India Limited, the holding company.

2.6.49 Engineers India Limited

(i) Scope and coverage of internal audit needed to be improved and strengthened so as to cover all aspects of the business operations and in a more detailed manner to make it commensurate with the size of the Company and nature of its business. This needed to be strengthened particularly in the area of billing and sundry debtors.

(ii) Compliance mechanism on the internal audit observations needed to be further strengthened.

2.6.50 IBP Co. Limited

Internal audit conducted at the Western Region, Mumbai was not sufficient to cover all the areas of the Region.

2.6.51 Oil and Natural Gas Corporation Limited

Compliance mechanism on internal audit recommendations needed to be strengthened further.

MINISTRY OF POWER

2.6.52 Nathpa Jhakri Power Corporation Limited

Internal audit system was required to be strengthened and elaborated with respect to the scope of work involved.

2.6.53 National Hydro-electric Power Corporation Limited

Process of settlement of the observations of internal audit was very slow. In respect of Uri-II, Sawalkot, Kishanganga, Baglihar, internal audit was not carried out.

2.6.54 National Thermal Power Corporation Limited

There was no system of seeking compliance of the observations of internal audit reports.

2.6.55 Power Grid Corporation of India Limited

Compliance and implementation mechanism in respect of internal audit reports needed to be strengthened.

2.6.56 Rural Electrification Corporation Limited

(i) Company had no internal audit manual.

(ii) Internal audit system was not commensurate with the size and nature of its business. Scope of its coverage needed to be enhanced considerably to cover all areas.

2.6.57 Tehri Hydro Development Corporation Limited	Considering the size and nature of the activities of the Corporation, frequency of the internal audit as well as its coverage needed to be enlarged particularly in respect of construction work-in-progress.

MINISTRY OF RAILWAYS

2.6.58 Indian Railway Finance Corporation Limited	Scope and extent of internal audit needed to be broadened to make it commensurate with the Company's size and the nature of business. The Company did not have any internal audit manual.
2.6.59 IRCON International Limited	Internal audit system needed to be further strengthened to make it commensurate with the Company's size and nature of the business.
2.6.60 Konkan Railway Corporation Limited	Internal audit system needed to be strengthened to make it commensurate with the size and nature of its business.
2.6.61 Mumbai Railway Vikas Corporation Limited	No internal audit was conducted during the year.

MINISTRY OF SMALL INDUSTRIES & AGRO AND RURAL INDUSTRIES

2.6.62 National Small Industries Corporation Limited	Internal audit system required further strengthening and streamlining to cover all areas of operations of the Company including the Head Office.

MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

2.6.63 National Minorities Development and Finance Corporation Limited	Internal audit system in certain areas like vouching of expenditure and checking of revenue generation needed to be strengthened.

MINISTRY OF STEEL

2.6.64 Steel Authority of India Limited	Internal audit needed to be further strengthened and its scope needed to be enlarged to cover all the locations and operational/financial areas.

MINISTRY OF SURFACE TRANSPORT

2.6.65 Cochin Shipyard Limited	Scope and extent of coverage of the existing internal audit system needed to be enlarged to make it

	commensurate with the size and nature of the business of the Company.
2.6.66 Indian Road Construction Corporation Limited	During the year 2000-2001, no internal audit was conducted.
2.6.67 The Shipping Corporation of India Limited	Internal audit needed to be strengthened.

MINISTRY OF TEXTILES

2.6.68 Cotton Corporation of India Limited	No internal audit had been conducted at New Delhi branch of the Company
2.6.69 National Handloom Development Corporation Limited	Scope of internal audit, needed to be enhanced so as to lay more emphasis on internal control on purchase of yarn/fabric/supplies of dyes and chemicals, considering the size and nature of the business. The compliance and follow up action needed to be made regularly and salient features of internal audit report particularly major commercial transactions, needed to be placed before audit committee at periodical intervals.
2.6.70 National Textiles Corporation (Gujarat) Limited	Internal audit system was required to be strengthened in case of reporting and its follow up in respect of Petlad Mill.
2.6.71 National Textiles Corporation (MP) Limited	Internal audit system was not effective and needed to be strengthened (New Bhopal Textile Mill, Bhopal).
2.6.72 National Textiles Corporation (UP) Limited	Prevailing internal audit system needed to be strengthened and improved in terms of area covered and reporting frequencies thereof.
2.6.73 North Eastern Handicrafts and Handlooms Development Corporation Limited	Company did not have any internal audit system.

MINISTRY OF TOURISM

2.6.74 India Tourism Development Corporation Limited	(i)	Internal audit of units needed to be strengthened (Hotel Samrat-New Delhi; Qutab Hotel-New Delhi; Airport Restaurant-New Delhi; Hotel Janpath-New Delhi; Hotel Patliputra Ashok-Patna; Duty Free Shop-Mumbai; Hotel Kanishka-New Delhi and Headquarters).
	(ii)	Observations by internal audit were not complied with properly at units (Hotel Varanasi Ashok-Varanasi; Hotel Janpath-New Delhi; Hotel Airport Ashok-Kolkata; Hotel Patliputra Ashok-Patna and Headquarters).

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.6.75 National Buildings Construction Corporation Limited	During the year, the internal audit of 75 out of 232 units was conducted. Keeping in view of the size and nature of activities, the coverage needed to be increased.

2.7 AUDIT COMMITTEE

As pointed out by the Statutory Auditors, a large number of PSUs did not have an Audit Committee of the Board of Directors. A Ministry/Department-wise list of all such PSUs is given as Annexure-IV.

2.8. GENERAL

Department of Bio-Technology

2.8.1 Bharat Immunologicals & Biological Corporations Limited	Selling expenses shown as incurred by the Company during the year 2000-2001 did not have any documentary support/evidence.

MINISTRY OF CHEMICALS & PETROCHEMICALS

Department of Chemicals & Petrochemicals

2.8.2 Hindustan Antibiotics Limited	An amount of Rs.49.95 lakh was yet to be realised against exports effected during January 1994 to March 1996.
2.8.3 Indian Petrochemical Corporation Limited	There was scope for optimisation of manpower with better work practices, higher level of technology, continuous training, safety standards and increased level of expertise and confidence.

2.8.4 U.P. Drugs & Pharmaceuticals Limited

(i) Segment-wise account and profit and loss statements were not prepared.

(ii) Anti-pollution devices were not installed to the required level due to financial constraints.

(iii) Norms about man-power were not fixed. About 100 employees were considered surplus by BIFR. VRS had been introduced but due to non-receipt of funds from National Renewal Fund (NRF), it could not be implemented.

(iv) No norms/standards were set for rejection to production/sales.

Department of Fertilizers

2.8.5 The Projects and Development India Limited

Following deficiencies were noted in the computerised system of operation of the Company:

(i) There was no uniformity in the accounting package being used in different units.

Ledgers/sub-ledgers did not give narration making it difficult to scrutinise the same.

(ii) In the Catalyst Division of the Company, 124 employees were surplus.

(iii) Outstanding amount of service tax pertaining to the agreements executed prior to the introduction of the service tax should be shown separately in the books of accounts as service tax recoverable. The current practice of clubbing it with debtors made it difficult to ascertain the value of outstanding service tax.

MINISTRY OF CIVIL AVIATION

2.8.6 Hotel Corporation of India Limited

(i) Company did not prepare segment wise Profit & Loss account.

(ii) Company had not fixed any norms for the manpower employed.

MINISTRY OF COMMERCE & INDUSTRY

2.8.7 Indian Trade Promotion Organisation

(i) Company had been exempted from income tax. Despite exemption, TDS was being deducted by other parties. During the last two years TDS amounting to Rs.40.67 lakh had been deducted by other parties.

(ii) Company had not made any provision for a strong room for tickets lying in the stores. The Company had not yet destroyed old tickets.

MINISTRY OF COMMUNICATIONS

Department of Telecommunications

2.8.8 Videsh Sanchar Nigam Limited

Debts amounting to Rs.7.06 crore as of March 2001 became time-barred under the Limitation Act, 1963 for lack of timely legal action by the Company.

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

2.8.9 Burn Standard Company Limited

No energy audit was conducted by any specialised agency in respect of Howrah, Burnpur and Salem Units of the Company.

2.8.10 Engineering Projects (India) Limited

(i) Income from escalation and extra work was not provided in the contract. Deemed export benefits and insurance claims were accounted for on cash basis. While the Company was charging the cost of escalation and extra work to the revenue in the year in which such expenditure was incurred, there was a mis-match of revenue with the expenditure incurred.

(ii) Sale proceeds on account of disposal of left out material and spares & stores were credited to miscellaneous income instead of reducing them from the cost of the contracts.

(iii) Profit/loss on account of exchange variations was accounted for on final settlement of all claims/liabilities with clients/associates of each contract. Till final settlement, exchange differences were carried under the head Exchange Variation Reserve. In some of the cases, claims of very nominal amounts were pending, but still the exchange variations were not transferred to the Profit and Loss account.

2.8.11 Instrumentation Limited, Kota	(i)	Company had not signed any Memorandum of Understanding with the Ministry.
	(ii)	There was no norm for manpower employment. In the absence of norms, the excess could not be determined.
	(iii)	Company was not regularly remitting provident fund dues. It had not paid damages for late payment of these dues even though provision for damages had been made in the accounts.
2.8.12 Sambhar Salt Limited		Company has not prepared the segment-wise Profit and Loss account.
2.8.13 Scooters India Limited	(i)	Company did not prepare segment-wise accounts and Profit and loss account thereof.
	(ii)	Although Voluntary Retirement Scheme existed in the Company, it still had surplus manpower of 270.
2.8.14 Triveni Structurals Limited		No disclosure in accounts was made in respect of supplies made, where liquidated damages stand recovered by the customers.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.8.15 Bharat Petroleum Corporation Limited	(i)	Muzaffarpur depot, Railway siding depot, Angul and facilities at Mid-east Integrated Steel Limited were lying idle for a long time.
	(ii)	Company did not prepare segment-wise Profit and Loss account.
2.8.16 Gas Authority of India Limited	(i)	Debtors and profit were overstated by Rs.70.61 crore due to non-provision of doubtful debts in case of one of the customers i.e. M/s. Essar Steels Ltd., at Hazira.
	(ii)	Company had not charged off to revenue, exchange rate difference on foreign currency loan taken from J-Exim Bank which was disbursed on 22 June 1998 after acquisition of relevant assets, in contravention of AS–11, which resulted in over-statement of fixed assets & profit by Rs.60.62 crore.

MINISTRY OF POWER

2.8.17 National Hydro-electric Power Corporation Limited	(i)	No energy audit was conducted by any specialised agency.
	(ii)	Position of manpower declared surplus at projects needed to be reviewed.
2.8.18 Power Grid Corporation of India Limited		Company had surplus employees in the non-executive cadre.
2.8.19 Rural Electrification Corporation Limited	(i)	Suitable steps were required to be taken to recover the overdue amounts from the guarantors of the loans particularly in case of Rural Electricity Co-operative societies which were under liquidation.
	(ii)	Monitoring of non-performing loans and advances needed to be strengthened.

MINISTRY OF RAILWAYS

2.8.20 Container Corporation of India Limited	Segment-wise Profit & Loss account, to comply with the requirements of AS 17 on Segment Reporting was not being prepared.
2.8.21 Konkan Railway Corporation Limited	Corporation prepared segment-wise accounts, but Profit & Loss statement was prepared on consolidated basis. Hence it was not possible to identify loss-making segments.

MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT

2.8.22 Artificial Limbs Manufacturing Corporation of India Limited	(i)	Company did not prepare segment-wise account and Profit and Loss statement.
	(ii)	Norms fixed in earlier years for losses/wastages of raw materials/stores had not been revised since long.

MINISTRY OF STEEL

2.8.23 Ferro Scrap Nigam Limited	Company was not preparing segment-wise profit & loss account.

2.8.24 Steel Authority of India Limited	Internal control in respect of areas like awarding the consultancy contracts, old capital expenditure lying under the head work-in-progress, proper confirmation of debts/claims/advances, unlinked debit/credit balance/stores/spares lying in stock in transit for a considerable period, reconciliation of finished goods as per stock records, capitalisation of manpower cost, etc. needed to be strengthened.

MINISTRY OF SURFACE TRANSPORT

2.8.25 Cochin Shipyard Limited	In ship repair department, wherever the purchases were made from the original equipment manufacturers and in the case of emergency purchases, the normal procedure of inviting tenders was not followed.
2.8.26 Indian Road Construction Corporation Limited	Company had not prepared segment-wise accounts.

MINISTRY OF TEXTILES

2.8.27 National Textiles Corporation Limited

(i) As per Government directives, subsidy on sales under Mill Gate Price Scheme for Rs.6.50 crore had been accounted for on accrual basis, even though claims worth Rs.3.25 crore were pending for submission as on 31 March 2001 to Government of India.

(ii) Internal control procedure with regard to purchase of stores and materials, equipment and other assets and sale of goods needed further strengthening.

(iii) There was no system for acknowledgement of goods by the user agency at proper level.

(iv) An amount of Rs.3.45 crore was recoverable from the various participants of marketing complex towards purchase cost (Rs.3.28 crore) and of decoration cost (Rs.16.88 lakh) as on 31 March 2001.

FOLLOW UP ACTION ON PREVIOUS REPORTS

As per Committee on Public Undertakings (COPU)'s instructions, Ministries/Departments are required to submit to the Committee the follow up action taken notes duly vetted by Audit in respect of comments/paragraphs included in the Reports of C&AG of India No.2 (PSUs) presented to Parliament within six months from the date of presentation of the relevant Audit Reports.

A review had revealed that inspite of reminders, the remedial/corrective action taken notes (ATNs) on 655 comments/paragraphs on various PSUs contained in the last five years' Audit Reports No.2 (PSUs) under the administrative control of the Ministry had not been forwarded to Audit for vetting. The details of outstanding ATNs are given in the Report of C&AG of India No.3 (PSUs) of 2002.

T. Narasimhan

(T.S.NARASIMHAN)
Deputy Comptroller and Auditor General
Cum Chairman, Audit Board

New Delhi
Dated: 28 February 2002

Countersigned

V. K. Shunglu

(V.K.SHUNGLU)
Comptroller and Auditor General of India

New Delhi
Dated : 28 February 2002

APPENDIX I

List of Central Government Companies

('R & S' given in the bracket represents Accounts 'Received' and 'Selected')

MINISTRY OF AGRICULTURE & COOPERATION

1. National Seeds Corporation Limited
2. State Farms Corporation of India Limited
3. Lakshadeep Development Corporation Limited (R & S)

DEPARTMENT OF ATOMIC ENERGY

4. Electronics Corporation of India Limited (R & S)
5. Indian Rare Earths Limited (R & S)
6. Nuclear Power Corporation Limited (R & S)
7. Uranium Corporation of India Limited (R & S)

DEPARTMENT OF BIO-TECHNOLOGY

8. Bharat Immunologicals & Biologicals Limited (R & S)
9. Indian Vaccines Corporation Limited (R)

DEPARTMENT OF CHEMICALS AND FERTILIZERS

Department of Chemicals and Petrochemicals

10. Bengal Chemicals and Pharmaceuticals Limited (R & S)
11. Bengal Immunity Limited
12. Bihar Drugs & Organic Chemicals Limited
13. Hindustan Antibiotics Limited (R & S)
14. Hindustan Flurocarbons Limited (R & S)
15. Hindustan Insecticides Limited (R & S)
16. Hindustan Organic Chemicals Limited (R & S)
17. Indian Drugs and Pharmaceuticals Limited
18. IDPL Tamil Nadu (Pvt.) Limited
19. Indian Petrochemicals Corporation Limited (R & S)
20. Karnataka Antibiotics and Pharmaceuticals Limited (R & S)
21. Maharashtra Antibiotics and Pharmaceuticals Limited
22. Manipur State Drugs and Pharmaceuticals Limited
23. Orissa Drugs and Chemicals Limited
24. Rajasthan Drugs and Pharmaceuticals Limited (R)
25. Smith Stanistreet Pharmaceuticals Limited
26. Southern Pesticides Corporation Limited (R & S)
27. U.P.Drugs and Pharmaceuticals Company Limited (R)

Department Of Fertilizers

28. The Fertilizer Corporation of India Limited (R & S)
29. The Fertilizer and Chemicals Travancore Limited (R & S)
30. Hindustan Fertilizer Corporation Limited (R & S)
31. Madras Fertilizers Limited (R & S)
32. National Fertilizers Limited (R & S)

33. Paradeep Phosphates Limited
34. The Projects and Development India Limited (R & S)
35. Pyrites Phosphates and Chemicals Limited (R & S)
36. Rashtriya Chemicals and Fertilizers Limited (R & S)

MINISTRY OF CIVIL AVIATION

37. Air India Limited (R & S)
38. Air India Charters Limited (R)
39. Airlines Allied Services Limited
40. Indian Airlines Limited
41. Vayudoot Limited
42. Pawan Hans Limited

MINISTRY OF COAL
Department of Coal

43. Bharat Coking Coal Limited (R & S)
44. Central Coalfields Limited (R & S)
45. Central Mine Planning and Design Institute Limited (R & S)
46. Coal India Limited (R & S)
47. Eastern Coalfields Limited (R & S)
48. Mahanadi Coalfields Limited (R & S)
49. Neyveli Lignite Corporation Limited (R & S)
50. Northern Coalfields Limited (R & S)
51. South Eastern Coalfields Limited (R & S)
52. Western Coalfields Limited (R & S)

Department of Mines

53. Bharat Gold Mines Limited (R & S)
54. Hindustan Copper Limited (R & S)
55. Hindustan Zinc Limited (R & S)
56. Mineral Exploration Corporation Limited (R & S)
57. National Aluminium Company Limited (R & S)
58. International Aluminium Products Limited (R & S)

MINISTRY OF COMMERCE & INDUSTRY

59 India Trade Promotion Organisation (R & S)
60. Export Credit and Guarantee Corporation of India Limited (R & S)
61. MMTC Limited (R & S)
62. National Centre for Trade Information (R)
63. The PEC Limited (R & S)
64. Spices Trading Corporation Limited (R & S)
65. The State Trading Corporation of India Limited
66. Tea Trading Corporation of India Limited

MINISTRY OF COMMUNICATIONS
Department of Telecommunications

67. Bharat Sanchar Nigam Limited
68. HTL Limited (R & S)
69. ITI Limited (R & S)
70. Intelligent Communication Systems India Limited (R)
71. Mahanagar Telephone Nigam Limited (R & S)
72. Telecommunication Consultants India Limited (R & S)
73. Videsh Sanchar Nigam Limited (R & S)
74. Millennium Telecom Limited (incorporated on 17 February 2000)

MINISTRY OF DEFENCE
Department Of Defence Production & Supplies

75. Bharat Dynamics Limited (R & S)
76. Bharat Earth Movers Limited (R & S)
77. Bharat Electronics Limited (R & S)
78. Garden Reach Shipbuilders and Engineers Limited (R & S)
79. Goa Shipyard Limited (R & S)
80. Hindustan Aeronautics Limited (R & S)
81. Mazagaon Dock Limited (R & S)
82. Mishra Dhatu Nigam Limited (R & S)
83. Vignyan Industries Limited (R & S)

MINISTRY OF ENVIRONMENT AND FOREST

84. Andaman and Nicobar Islands Forest and Plantation Development Corporation Limited (R & S)

MINISTRY OF FINANCE (INSURANCE DIVISION)

85. General Insurance Corporation of India Limited (R & S)
86. Industrial Credit Company Limited (R & S)
87. National Insurance Company Limited (R & S)
88. New India Assurance Company Limited (R & S)
89. Oriental Insurance Company Limited (R & S)
90. United India Insurance Company Limited (R & S)

Department Of Banking

91. Industrial Investment Bank of India Limited (R & S)
92. Zenith Securities and Investments Limited (R & S)

MINISTRY OF FOOD PROCESSING INDUSTRIES

93. Hindustan Vegetable Oils Corporation Limited
94. North Eastern Regional Agricultural Marketing Corporation Limited (R)

MINISTRY OF HEALTH & FAMILY WELFARE

95. Hindustan Latex Limited (R & S)
96. Hospital Services Consultancy Corporation (India) Limited (R)

97. Indian Medicines and Pharmaceuticals Corporation Limited

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

98. Andrew Yule and Company Limited (R & S)
99. Bharat Bhari Udyog Limited (R & S)
100. Bharat Brakes and Valves Limited (R)
101. Bharat Heavy Electricals Limited (R & S)
102. Bharat Heavy Plates and Vessels Limited (R & S)
103. Bharat Leather Corporation Limited (R & S)
104. Bharat Ophthalmic Glass Limited (R)
105. Bharat Process and Mechanical Engineers Limited (R)
106. Bharat Pumps and Compressors Limited (R & S)
107. Bharat Wagon and Engineering Company Limited (R & S)
108 Bharat Yantra Nigam Limited (R & S)
109 Bridge & Roof Company (India) Limited (R & S)
110. Braithwaite & Co. Limited (R & S)
111. Braithwaite Burn Jessop Construction Corporation Limited (R)
112. Burn Standard Company Limited (R & S)
113. Cement Corporation of India Limited
114. Cycle Corporation of India Limited (R)
115. Engineering Projects (India) Limited (R & S)
116. HMT (International) Limited (R & S)
117. HMT Limited (R & S)
118. HMT Machine Tools Limited (R & S)
119. HMT Watches Limited (R & S)
120. HMT Tractors Limited (R)
121. HMT Chinar Watches Limited (R & S) (incorporated on 4 September 2000)
122. Heavy Engineering Corporation Limited (R & S)
123. Hindustan Cables Limited (R & S)
124. Hindustan Newsprint Limited (R & S)
125. Hindustan Paper Corporation Limited (R & S)
126. Hindustan Photo Films Manufacturing Company Limited (R & S)
127. Hindustan Salts Limited (R & S)
128. HMT Bearings Limited (R & S)
129. Hooghly Printing Company Limited (R & S)
130. Instrumentation Limited (R & S)
131. Instrumentation Digital Control Limited (incorporated on 12 September 2000)
132. Instrumentation Control Valves Limited (incorporated on 12 September 2000)
133. IL Power Electronics Limited (incorporated on 12 September 2000)
134. Jessop & Company Limited (R & S)
135. The Mandya National Paper Mills Limited
136. Mining and Allied Machinery Corporation Limited (R & S)
137. Nagaland Pulp and Paper Company Limited (R & S)
138. National Bicycle Corporation Limited (R & S)
139. The National Industrial Development Corporation Limited (R)
140. National Instruments Limited (R & S)
141. Praga Tools Limited
142. NEPA Limited (R & S)
143. Rajasthan Electronics and Instruments Limited (R & S)
144. Rehabilitation Industries Corporation Limited
145. RBL Limited (R & S)
146. Richardson and Cruddas (1972) Limited (R & S)

147. Sambhar Salts Limited (R)
148. Scooters India Limited (R & S)
149. Tannery and Footwear Corporation of India Limite
150. Triveni Structurals Limited (R)
151. Tungahadra Steel Products Limited (R & S)
152. Tyre Corporation of India Limited
153. Weighbird (India) Limited (R & S)

MINISTRY OF HOME AFFAIRS
Union Territory of Chandigarh

154. Chandigarh Child and Women Development Corporation Limited
155. Chandigarh Industrial and Tourism Development Corporation Limited
156. Chandigarh Scheduled Castes Financial and Development Corporation Limited

Union Territory of Goa

157. Dadra Nagar Haveli,Daman and Diu SC & ST Finance Development Corporation Limited (R & S)
158. Omnibus Industrial Development Corporation of Daman and Diu and Dadra Nagar Haveli Limited (R & S)
159. Cross Country (DIU) Hotels Limited (R & S)

MINISTRY OF HUMAN RESOURCES DEVELOPMENT AND SCIENCE & TECHNOLOGY

160. Educational Consultants (India) Limited (R & S)

Department Of Science & Technology

161. Central Electronics Limited
162. National Research Development Corporation Limited (R)

MINISTRY OF INFORMATION & BROADCASTING

163. Broadcast Engineering Consultants India Limited (R)
164. National Film Development Corporation Limited (R & S)

MINISTRY OF INFORMATION TECHNOLOGY

(Department of Electronics)

165. CMC Limited (R & S)
166. Electronics Trade and Technology Development Corporation Limited
167. National Informatics Centre Services Inc. (R)
168. Semi-conductors Complex Limited (R & S)

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

169. Indian Renewable Energy Development Agency Limited (R & S)

MINISTRY OF PETROLEUM & NATURAL GAS

170. Balmer Lawrie and Company Limited (R & S)
171. Bharat Petroleum Corporation Limited (R & S)
172. Biecco Lawrie Limited
173. Bongaigaon Refinery and Petrochemicals Limited (R & S)
174. Chennai Petroleum Corporation Limited (R & S)
175. Certification Engineers International Limited (R)
176. Engineers India Limited (R & S)
177. Gas Authority of India Limited (R & S)
178. Guru Gobind Refineries Limited (incorporated in 13 December 2000)
179. Hindustan Petroleum Corporation Limited (R & S)
180. IBP Co. Limited (R & S)
181. Indian Oil Blending Limited (R & S)
182. Indian Oil Corporation Limited (R & S)
183. Kochi Refineries Limited (R & S)
184. Numaligarh Refineries Limited (R & S)
185. Oil India Limited (R & S)
186. Oil & Natural Gas Corporation Limited (R & S)
187. ONGC Videsh Limited (R & S)

MINISTRY OF POWER

188. Nathpa Jhakari Power Corporation Limited (R & S)
189. National Hydro-Electric Power Corporation Limited (R & S)
190. Narmada Hydro Electric Development Corporation Limited (incorporated on 1 August 2000)
191. North Eastern Electric Power Corporation Limited (R & S)
192. Power Grid Corporation of India Limited (R & S)
193. National Thermal Power Corporation Limited (R & S)
194. Power Finance Corporation Limited (R & S)
195. Rural Electrification Corporation Limited (R & S)
196. Tehri Hydro Development Corporation Limited (R & S)

MINISTRY OF RAILWAYS

197 Container Corporation of India Limited (R & S)
198. IRCON International Limited (R & S)
199. Indian Railway Catering and Tourism Corporation Limited (R) (incorporated on 27 September 1999)
200. Indian Railway Finance Corporation Limited (R & S)
201. Konkan Railway Corporation Limited (R & S)
202. Mumbai Railways Vikas Corporation Limited (R & S)
203. Rail India Technical and Economic Services Limited (R & S)
204. Rail Tel Corporation of India Limited (R & S) (incorporated on 26 September 2000)

Department Of Small Industries And Agro & Rural Industries

205 Andaman & Nicobar Islands Integrated Development Corporation Limited
206 The National Small Industries Corporation Limited (R & S)

Department Of Space

207. Antrix Corporation Limited (R & S)

MINISTRY OF STEEL

208. Bharat Refractories Limited (R & S)
209. Bhilai Oxygen Limited (R)
210. Ferro Scrap Nigam Limited (R & S)
211. Hindustan Steelworks Construction Limited (R & S)
212. IISCO Ujjain Pipe and Foundry Company Limited **(Under Liquidation)**
213. India Iron and Steel Company Limited (R & S)
214. J&K Mineral Development Corporation Limited (R)
215. Kudremukh Iron Ore Company Limited (R & S)
216. Maharashtra Elektrosmelt Limited (R & S)
217. Manganese Ore (India) Limited (R & S)
218. MSTC Limited (R & S)
219. MECON (India) Limited (R & S)
220. National Mineral Development Corporation Limited (R & S)
221. Rashtriya Ispat Nigam Limited (R & S)
222. Sponge Iron India Limited (R & S)
223. Steel Authority of India Limited (R & S)
224. SAIL Power Supply Company Limited (R)

MINISTRY OF SURFACE TRANSPORT

225 Central Inland Water Transport Corporation Limited (R & S)
226. Cochin Shipyard Limited (R & S)
227. Dredging Corporation of India Limited (R & S)
228. Hindustan Shipyard Limited (R & S)
229. Hooghly Dock and Port Engineers Limited (R)
230. Indian Road Construction Corporation Limited (R & S)
231. The Shipping Corporation of India Limited (R &S)

MINISTRY OF SOCIAL JUSTICE & EMPLOYMENT

232. Artificial Limbs Manufacturing Corporation of India Limited (R & S)
233. National Scheduled Castes and Scheduled Tribes Development Finance Corporation Limited (R & S)
234. National Backward Classes Finance & Development Corporation Limited (R & S)
235. National Minorities Development & Finance Corporation Limited (R & S)
236. National Safai Karamchari Finance and Development Corporation Limited (R & S)
237. National Handicapped Finance and Development Corporation Limited

MINISTRY OF TEXTILES

238. Bird Jute and Exports Limited
239. The British India Corporation Limited (R & S)
240. Brushware Limited (R)
241. Cawnpore Textiles Limited
242. Central Cottage Industries Corporation of India Limited (R & S)
243. The Cotton Corporation of India Limited (R & S)
244. The Elgin Mills Company Limited
245. The Handicrafts and Handlooms Export Corporation of India Limited (R & S)
246. Jute Corporation of India Limited

247. National Handloom Development Corporation Limited (R & S)
248. National Jute Manufactures Corporation Limited
249. National Textile Corporation Limited, New Delhi (R & S)
250. North Eastern Handicrafts and Handlooms Development Corporation Limited (R)
251. National Textile Corporation (Andhra Pradesh, Karnataka, Kerala & Mahe) Limited (R&S)
252. National Textile Corporation (Delhi, Punjab and Rajasthan) Limited (R & S)
253. National Textile Corporation (Gujarat) Limited (R & S)
254. National Textile Corporation (Madhya Pradesh) Limited (R & S)
255. National Textile Corporation (Maharashtra North) Limited (R & S)
256. National Textile Corporation (South Maharashtra) Limited (R & S)
257. National Textile Corporation (Tamil Nadu and Pondicherry) Limited
258. National Textile Corporation (Uttar Pradesh) Limited (R & S)
259. National Textile Corporation (West Bengal, Assam, Bihar & Orissa) Limited (R & S)
260. Swadeshi Mining and Manufacturing Corporation Limited

MINISTRY OF TOURISM

261. Assam Ashok Hotel Corporation Limited
262. Hotel Corporation of India Limited (R & S)
263. Donyo Polo Ashok Hotel Corporation Limited
264 Indo-Hokke Hotels Limited (R & S)
265. India Tourism Development Corporation Limited (R & S)
266. Madhya Pradesh Ashok Hotel Corporation Limited (R & S)
267. Pondicherry Ashok Hotel Corporation Limited (R & S)
268. Punjab Ashok Hotel Company Limited
269. Ranchi Ashok Bihar Hotel Corporation Limited
270. Utkal Ashok Hotel Corporation Limited (R & S)

MINISTRY OF URBAN AFFAIRS & EMPLOYMENT

271. Delhi Metro Rail Corporation Limited (R & S)
272. Hindustan Prefab Limited (R)
273. Housing and Urban Development Corporation Limited (R & S)
274. National Buildings Construction Corporation Limited (R & S)

MINISTRY OF WATER RESOURCES

275. National Projects Construction Corporation Limited
276. Water and Power Consultancy Services (India) Limited (R)

APPENDIX II

List of Deemed Central Government Companies under Section 619(B) of the Companies Act, 1956.

A. Deemed Government Companies promoted by the Nationalised Banks

1. AB Housing Finance Limited (R & S)
2. All Bank Finance Limited (R & S)
3. Andhra Bank Financial Services Limited (R & S)
4. Bhartiya Reserve Bank Note Mudran Pvt.Limited (R & S)
5. BOB Assets Management Co. Limited (R & S)
6 BOB Cards Limited (R & S)
7. BOB Capital Markets Limited (R & S)
8 BOB Fiscal Services Limited **(Under Liquidation)** (R & S)
9. BOB Housing Finance Limited (R & S)
10. BOI Assets Management Limited (R & S)
11. BOI Finance Limited (R & S)
12. BOI Shareholding Limited (R & S)
13. Canbank Computers Limited (R)
14. Canbank Factors Limited (R & S)
15. Canbank Financial Services Limited (R & S)
16. Canbank Investment Management Services Limited (R & S)
17. Canbank Ventures Limited (R & S)
18. Cent Bank Financial & Custodial Services Limited (R & S)
19. Cent Bank Home Finance Limited (R & S)
20. Corpbank Homes Limited (R & S)
21. Corpbank Securities Limited (R & S)
22. Gilt Securities Trading Corporation Limited (R & S)
23. IDBI Capital Market Services Limited (R & S)
24. IDBI Principal Asset Management Limited (R & S)
25. IDBI Trusteeship Services Limited (incorporated on 8 March 2001)
26. Ind Bank Housing Limited (R & S)
27. Ind Bank Merchant Banking Services Limited (R & S)
28. Indfund Management Limited (R & S)
29. India Clearing & Depositary Services Limited (**Under Liquidation**)
30. PNB Assets Management Limited (R & S)
31. PNB Capital Services Limited (R & S)
32. PNB Gilts Limited (R & S)
33. PNB Housing Finance Corporation Limited (R & S)
34. PNB Securities Limited (R & S)
35. Securities Trading Corporation of India Limited (R & S)
36. SIDBI Trustees Co. Limited (R & S)
37. SIDBI Ventures Co. Limited (R & S)
38. Vibank Housing Finance Limited (R & S).

B. Deemed Government Companies promoted by the Rubber Board

1. Adoor Rubbers (P) Limited
2. Bharathapuzha Rubbers (P) Limited (R & S)
3. Kavanar Latex Limited
4. Meenachil Treated Rubberwood (P) Limited (R)
5. Periyar Latex (P) Limited

6. Pomba Rubbers (P) Limited
7. Ponmudi Rubbers (P) Limited (R & S)
8. Rubber Park India (P) Limited (R & S)
9. Rubber Wood India (P) Limited
10. Sahyadri Rubbers (P) Limited (R)
11. Thunchathu Ezhuthachan Rubbers (P) Limited
12. Vallathoi Rubbers (P) Limited

C Other Demeed Government Companies

1. Accumeasures (Punjab) Limited
2. Agricultural Finance Corporation Limited (R)
3. Ahmedabad Vadodara Express Way Company Limited (incorporated on 5 April 2000) (R)
4. Allied International Products Limited **(Under Liquidation)**
5. Andaman Fisheries Limited
6. Andhra Pradesh Industrial and Technical Consultancy Organisation Limited (R)
7. Ashok Paper Mills Limited
8. Becker Grey and Company (1930) Limited
9. Bihar Industrial and Technical Consultancy Organisation Limited
10. Bisra Stone Lime Company Limited (R & S)
11. Cochin Refineries Balmer Lawrie Limited (R & S)
12. Derco Cooling Coils Limited (R & S)
13. Discount and Finance House of India Limited (R & S)
14. Excellsior Plants Corporation Limited **(Under iquidation)**.
15. Gangavati Sugars Limited (R)
16. GIC Assets Management Company Limited (R & S)
17. Gujarat Chemicals Port Terminal Company Limited (incorporated on 18 November 2000)
18. India Tea and Restaurants Limited (R)
19. Industrial and Technical Consultancy Organisation of Tamil Nadu Ltd. (R)
20. J&K Industrial and Technical Consultancy Organisation Limited
21. Karnataka Agri Development Finance Co. Limited (R & S)
22. Kerala Industrial and Technical Consultancy Organisation Limited (R)
23. Madan Industries Limited
24. Millenium Information System Limited (incorporated on 8 February 2000)
25. Moradabad Toll Road Company Limited (R & S)
26. Nalanda Ceramics and Industries Limited
27. North Bengal Dolomite Limited
28. North Eastern Industrial and Technical Consultancy Organisation Limited
29. North Eastern Finance Development Corporation Limited (R & S)
30. Orissa Industrial and Technical Consultancy Organisation Limited
31. Power Trading Corporation Limited (R & S)
32. Ruby Rubber Works Limited **(Under liquidation)**
33. Textile Processing Corporation of India Limited **(Under liquidation)**
34. U.P.Industrial Consultants Limited (R)
35. Wagon India Limited (R & S)
36. West Bengal Consultancy Organisation Limited (R & S)

APPENDIX III

List of Central Statutory Corporations under the audit of CAG

MINISTRY OF CIVIL AVIATION

1. Airports Authority of India (R & S)

MINISTRY OF CONSUMER AFFAIRS FOOD & PUBLIC DISTRIBUTION

2. Central Warehousing Corporation (R & S)
3. Food Corporation of India

MINISTRY OF POWER

4. Damodar Valley Corporation (R & S)

MINISTRY OF SURFACE TRANSPORT

5. Inland Waterways Authority of India (R & S)

MINISTRY OF ROAD TRANSPORT & HIGHWAYS

6. National Highways Authority of India (R & S)

ANNEXURE - I

(As refered to in para I of Overview)

(A) Name of PSUs for which 'Accounts Revised' and 'no Comments' issued.

Government Companies

1. Bharat Coking Coal Limited
2. Bharat Heavy Electricals Limited
3. Bharat Heavy Plate & Vessels Limited
4. Coal India Limited
5. Eastern Coalfields Limited
6. Export credit and Guarantee Corporation of India Limited
7. Goa Shipyard Limited
8. Hindustan Aeronautics Limited
9. Hindustan Shipyard Limited
10. Mahanadi Coalfields Limited
11. Mumbai Railways Vikas Corporation Limited
12. Neyvelli Lignite Corporation Limited
13. Rashtriya Ispat Nigam Limited

Deemed Government Companies

1. Vibank Housing Finance Limited

(B) Name of PSUs where Accounts Revised and Comments issued

Government Companies

1. Bharat Earth Movers Limited
2. Central Coalfields Limited
3. Dredging Corporation of India Limited
4. ITI Limited
5. National Mineral Development Corporation Limited

(C) Details of PSUs whose Accounts audit were under progress

Government Companies

1. Air India Limited
2. Andaman & Nicobar Islands Forest & Plantation Development Corporation Limited
3. Bharat Yantra Nigam Limited
4. Bengal Chemicals and Pharmaceuticals Limited
5. Bharat Wagon and Engineering Company Limited
6. British India Corporation Limited
7. Burn Standard Company Limited
8. Central Inland Water Transport Corporation Limited
9. Hindustan Cables Limited
10. Hindustan Copper Limited

11. Hindustan Insecticides Limited
12. Hindustan Steelworks Construction Limited
13. HMT Machine Tools Limited
14. HMT Watches Limited
15. Hotel Corporation of India Limited
16. MMTC Limited
17. MECON (India) Limited
18. National Instruments Limited
19. National Textile Corporation Limited (Holding Company)
20. National Textile Corporation (AP) Limited
21. Southern Pesticides Corporation Limited

Deemed Government Companies

1. Ind Bank Housing Limited
2. Rubber Park India (P) Limited

Statutory Corporation

1. Airports Authority of India
2. Damodar Valley Corporation
3. National Highway Authority of India

ANNEXURE-II

(As referred to in para I of Overview)

(A) Name of PSUs where 'Comments' were issued

I. Government Companies

DEPARTMENT OF ATOMIC ENERGY

1. Electoric Corporation of India Limited
2. Indian Rare Earths Limited
3. Uranium Corporation of India Limited

Department of Bio Technology

4. Bharat Immunologicals & Biologicals Limited

MINISTRY OF COAL AND MINES
Department of Coal

5. Central Mine Planning & Design Institute Limited
6. Northern Coalfields Limited
7. South Eastern Coalfields Limited
8. Western Coalfields Limited

Department of Mines

9. Bharat Gold Mines Limited
10. Hindustan Zinc Limited

MINISTRY OF CHEMICALS & FERTILIZERS
Department of Chemicals and Petro-chemicals

11. Hindustan Antibiotic Limited
12. Indian Petrochemicals Corporation Limited

Department of Fertilizers

13. The Fertilizer Corporation of India Limited
14. The Fertilizer and Chemicals Travancore Limited
15. Hindustan Fertilizer Corporation Limited
16. National Fertilizers Limited
17. Pyrites, Phosphates and Chemicals Limited

MINISTRY OF COMMERCE & INDUSTRY

18. India Trade Promotion Organisation
19. The PEC Limited

MINISTRY OF COMMUNICATIONS
Department of Telecommunications

20. HTL Limited
21. Mahanagar Telephone Nigam Limited
22. Videsh Sanchar Nigam Limited

MINISTRY OF DEFENCE
Department of Defence Production & Supplies

23. Bharat Electronics Limited

MINISTRY OF FINANCE
(INSURANCE DIVISION)

24. United India Insurance Company Limited

DEPARTMENT OF BANKING

25. Industrial Investment Bank of India Limited

MINISTRY OF HOME AFFAIRS
Union Territory of Goa

26. Omnibus Industrial Development Corporation of Daman & Diu and Dadar Nagar Haveli Limited

MINISTRY OF HEALTH & FAMILY WELFARE

27. Hindustan Latex Limited

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

28. Bharat Pumps & Compressors Limited
29. Braithwaite & Company Limited
30. HMT (Bearings) Limited
31. Heavy Engineering Corporation Limited
32. Instrumentation Limited
33. Mining and Allied Machinery Corporation Limited
34. RBL Limited
35. Richardson and Cruddas (1972) Limited
36. Scooter India Limited
37. Tungabhadra Steel Products Limited
38. Weighbird (India) Limited

MINISTRY OF HUMAN RESOURCES DEVELOPMENT & SCIENCE AND TECHNOLOGY

39. Educational Consultants (India) Limited

MINISTRY OF PETROLEUM & NATURAL GAS

40. Bharat Petroleum Corporation Limited
41. Chennai Petroleum Corporation Limited
42. Engineers India Limited
43. Gas Authority of India Limited
44. Indian Oil Corporation Limited
45. Oil India Limited
46. Oil & Natural Gas Corporation Limited

MINISTRY OF POWER

47. Nathpa Jhakari Power Corporation Limited
48. National Hydro-Electric Power Corporation Limited
49. National Thermal Power Corporation Limited
50. Power Grid Corporation of India Limited
51. Rural Electrification Corporation Limited

MINISTRY OF RAILWAYS

52. Container Corporation of India Limited
53. Konkan Railway Corporation Limited
54 Indian Railway Finance Corporation Limited
55. IRCON International Limited
56. RITES Limited

MINISTRY OF SMALL INDUSTRIES AND AGRO & RURAL INDUSTRIES

57. The National Small Industries Corporation Limited

MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

58. Artificial Limbs Manufacturing Corporation of India Limited
59. National Safai Karamcharies Development & Financial Corporation Limited

MINISTRY OF STEEL

60. Bharat Refractories Limited
61. Ferro Scrap Nigam Limited
62. Indian Iron & Steel Company Limited
63. Kudramukh Iron Ore Company Limited
64. Sponge Iron India Limited
65. Steel Authority of India Limited

MINISTRY OF SURFACE TRANSPORT

66. Indian Roads Construction Corporation Limited
67. Cochin Shipyard Limited

MINISTRY OF TEXTILES

68. National Textile Corporation (DPR) Limited.

MINISTRY OF TOURISM

69. India Hokke Hotels Limited

MINISTRY OF URBAN DEVELOPMENT

70. Housing and Urban Development Corporation Limited

II. List of Deemed Central Government Companies under Section 619(B) of the Companies Act, 1956.

Deemed Government Companies promoted by the Nationalised Banks

1. Andhra Bank Financial Service Limited
2. Andhra Bank Housing Finance Limited
3. Bhartiya Reserve Bank Note Mudran Limited
4. Gilt Securities Trading Corporation Limited
5. Ind Bank Merchant Banking Limited
6. PNB Assests Management Limited
7. PNB Capital Services Limited
8. PNB Gilts Limited

Statutory Corporations

MINISTRY OF CONSUMER AFFAIRS FOOD & PUBLIC DISTRIBUTION

1. Central Warehousing Corporation

MINISTRY OF SURFACE TRANSPORT

2. Inland Waterways Authority of India limited.

(B) PSUs where 'No' Comments were issued

Government Companies

MINISTRY OF AGRICULTURE & COOPERATION

1. Lakshadeep Development Corporation Limited

DEPARTMENT OF ATOMIC ENERGY

2. Nuclear Power Corporation of India Limited

MINISTRY OF CHEMICALS & FERTILIZERS
Department of Chemicals and Petro-chemicals

3. Hindustan Flurocarbons Limited
4. Hindustan Organic Chemicals Limited

5. Karnataka Antibiotic & Pharmaceuticals Limited

Department of Fertilizers

6. Madras Fertilizers Limited
7. Rashtriya Chemicals & fertilizers Limited.
8. The Project & Development India Limited.

MINISTRY OF COMMERCE & INDUSTRY

9. Spices Trading Corporation Limited

MINISTRY OF COMMUNICATIONS

10. Telecommunication Consultant India Limited.

MINISTRY OF DEFENCE

11. Bharat Dynamics Limited
12. Garden Reach Shipbuilders and Engineers Limited
13. Mishra Dhatu Nigam Limited
14. Mazagon Dock Limited
15. Viganyan Industries Limited.

MINISTRY OF FINANCE

16. General Insurance Corporation of India.
17. Industrial Credit Company Limited.
18. National Insurance Company Limited.
19 New India Assurance Company Limited.
20 The Oriental Insurance Company Limited.

Department of Banking

21. Zenith Securities and Investments Limited

MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES

22. Andrew Yule & Co. (India) Limited
23. Bharat Bhari Udyog Nigam Limited
24. Bridge & Roof Company (India) Limited
25. Bharat Leather Corporation Limited.
26. Engineering Projects India Limited.
27. HMT Chinar Watches Limited.
28. Hindustan Photo film (Manfacturing) Company Limited.
29. HMT (International) Limited
30. Hindustan Newsprint Limited
31. Hindustan Paper Corporation Limited
32. Hooghly Printing Company Limited.

33. Hindustan Salts Limited
34. Jessop & Co. Limited
35. National Bicycle Corporation Limited
36. NEPA Limited.
37. Nagaland Pulp & Paper Company Limited.
38. Rajasthan Electronics Instruments Limited.

MINISTRY OF HOME AFFAIRS
Union Territory of Goa

39. Cross Country (DIU) Hotels Limited.
40. Dadra Nagar Haveli Daman & Div SC/ST Financial Development Corporation Limited.

MINISTRY OF INFORMATION AND BROADCASTING

41. National Film Development Corporation Limited

MINISTRY OF INFORMATION TECHNOLOGY

42. CMC Limited
43. Semi-conductors Complex Limited.

MINISTRY OF COAL & MINES
Department of Mines

44. International Aluminium Products Limited
45. Mineral Exploration Corporation Limited.
46 National Aluminium Company Limited

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

47. Indian Renewable Energy Development Agency Limited

MINISTRY OF PETROLEUM AND NATURAL GAS

48. Bongaigaon Refinary & Petrochemecals Limited.
49. Balmer Lawrie & Co. Limited
50. Hindustan Petroleum Corporation Limited.
51. IBP Company Limited.
52. Kochi Refineries Limited
53. Numaligarh Refineries Limited
54. ONGC (Videsh) Limited.

MINISTRY OF POWER

55. North Eastern Electric Power Corporation Limited.
56. Power Finance Corporation Limited
57. Tehri Hydro Development Corporation Limited

MINISTRY OF RAILWAYS

58. Rail Tel Corporation of India Limited.

DEPARTMENT OF SPACE

59. Antrix Corporation Limited

MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

60. National Minorities Finance and Development Corporation Limited.
61. National Backward Classes Finance and Development Corporation Limited
62 National Scheduled Castes and Scheduled Tribes Finance and Development Corporation Limited

MINISTRY OF STEEL

63. Metal Scrap Trading Corporation Limited
64. Manganese Ore (India) Limited
65. Maharashtra Electrosmelt Limited

MINISTRY OF SURFACE TRANSPORT

66. The Shipping Corporation of India Limited

MINISTRY OF TEXTILES

67. Central Cottage Industries Corporation of India Limited
68. Cotton Corporation of India Limited.
69. The Handicrafts and Handlooms Export Corporation of India Limited
70. National Handloom Development Corporation Limited
71. National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited
72. National Textile Corporation (Gujarat) Limited
73. National Textile Corporation (Madhya Pradesh) Limited
74. National Textile Corporation (Maharashtra North) Limited
75. National Textile Corporation (South Maharashtra) Limited
76. National Textile Corporation (WBAB&O) Limited
77. National Textile Corporation (U.P) Limited

MINISTRY OF TOURISM

78. India Tourism Development Corporation Limited.
79. Madhya Pradesh Ashok Hotel Corporation Limited
80. Pondicherry Ashok Hotel Corporation Limited
81. Utkal Ashok Hotel Corporation Limited

MINISTRY OF URBAN DEVELOPMENT

82. Delhi Metro Rail Corporation Limited.

83. National Buildings Construction Corporation Limited.

DEEMED GOVERNMENT COMPANIES PROMOTED BY NATIONALISED BANKS.

1. All Bank Finance Limited
2. BOB Asset Management Company Limited
3. BOB Housing Finance Limited
4. BOB Cards Limited
5. BOB Capital Markets Limited.
6. BOI Finance Limited.
7. BOI Asset Management Limited.
8. BOI Shareholding Limited.
9. BOB Fiscal Services Limited.
10. Canbank Factors Limited
11. Canbank Financial Services Limited
12. Centbank Financial and Custodial Services
13 Canbank Investment Management Services Limited
14 Canbank Venture Capital Fund Limited
15 Cent Bank Home Finance Limited
16. Corpbank Securities Limited
17 Corpbank Homes Limited
18 IDBI Capital Market Services Limited.
19 IDBI Principal Asset Management Company Limited.
20 Infund Management Limited.
21 PNB Housing Finance Limited.
22 PNB Securities Limited.
23 Securities Trading Corporation of India Limited.
24 SIDBI Trustee Company Limited.
25. SIDBI Venture Capital Limited.

Deemed Government Companies promoted by the Rubber Board

26. Bharathapuzha Rubbers (P) Limited
27. Ponmudi Rubbers (P) Limited

OTHER DEEMED GOVERNMENT COMPANIES

28. Bisra Stone Lime Company Limited
29. Cochin Refineries Balmer Lawrie limited
30. Discount and Finance House of India Limited
31. Derco Cooling Coils Limited.
32. GIC Assests Management Company Limited
33. Moradabad Toll Road Company Limited.
34. Power Trading Corporation of India Limited.
35. Karnataka Agri Development Finance Company Limited
36. North Eastern Finance Development Corporation Limited
37. Wagon India Limited.
38. West Bengal Consultancy Organisation Limited

Annexure III

(As referred to in para 2.4 of Chapter-2)

A. PSUs where Maximum and Minimum limit of stores and spares not fixed

MINISTRY OF CHEMICALS AND FERTILIZERS

Department of Chemicals and Petro-Chemicals

1. Rajasthan Drugs and Pharmaceuticals Limited
2. U.P. Drugs and Pharmaceuticals Limited

Department of Fertilizers

3. The Project and Development India Limited

MINISTRY OF DEFENCE

Department of Defence Production & Supplies

4. Bharat Dynamics Limited
5. Mishra Dhatu Nigam Limited

MINISTRY OF HEAVY INDUSTRY & MINERALS

6. Heavy Engineering Corporation Limited
7. Instrumentation Limited

MINISTRY OF INFORMATION TECHNOLOGY

8. Semi-conductors Complex Limited

MINISTRY OF COAL & MINES

Department of Mines

9. Bharat Gold Mines Limited
10 Mineral Exploration Corporation Limited

MINISTRY OF POWER

11. National Hydro-electric Power Corporation Limited

MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT

12. Artificial Limbs Manufacturing Corporation Limited

MINISTRY OF STEEL

13. Kudremukh Iron Ore Company Limited

B. PSUs where Economic Order Quantity for procurement stores and spares not fixed

MINISTRY OF CHEMICALS AND FERTILIZERS

Department of Chemicals and Petro-Chemicals

14. U.P. Drugs and Pharmaceuticals Limited

Department of Fertilizers

15. The Projects and Development India Limited

MINISTRY OF DEFENCE

Department of Defence Production & Supplies

16. Bharat Electronics Limited
17. Mishra Dhatu Nigam Limited

MINISTRY OF HEAVY INDUSTRY & MINERALS

18. Instrumentation Limited

MINISTRY OF INFORMATION TECHNOLOGY

19. Semi-Conductors Complex Limited

MINISTRY OF PETROLEUM AND NATURAL GAS

20. Gas Authority of India Limited

MINISTRY OF SOCAL JUSTICE & EMPOWERMENT

21. Artificial Limbs Manufacturing Corporation of India Limited

MINISTRY OF STEEL

22. Bharat Refractories Limited
23. Indian Iron & Steel Company Limited
24. Sponge Iron India Limited

25 Steel Authority of India Limited

ANNEXURE-IV

(As referred to in para 2.7 of Chapter-2)

(PSUs where Audit Committee not in existence)

MINISTRY OF AGRICULTURE

Department of Bio-technology

1. Bharat Immunologicals & Biological Limited
2. Karnataka Antibiotics & Pharmaceuticals Limited

MINISTRY OF CHEMICALS AND FERTILIZERS

Department of Chemicals & Petro-chemicals

3. Hindustan Antibiotics Limited
4. Rajasthan Drugs & Pharmaceuticals Limited
5. U.P. Drugs & Pharmaceuticals Limited

Department of Fertilizers

6. The Projects and Development India Limited

MINISTRY OF COAL & MINES

Department of Coal

7. Bharat Coking Coal Limited
8. Coal India Limited
9. Central Coalfields Limited
10. Central Mine Planning & Design Institute Limited
11. Mahanadi Coalfields Limited
12. Northern Coalfields Limited

Department of Mines

13. Bharat Gold Mines Limited

MINISTRY OF COMMERCE

14. Spices Trading Corporation Limited

MINISTRY OF COMMUNICATIONS

15. Intelligent Communication Systems India Limited

MINISTRY OF DEFENCE

Department of Defence Production and Supplies

16. Bharat Dynamic Limited
17. Hindustan Aeronautics Limited
18. Mishra Dhatu Nigam Limited

MINISTRY OF FINANCE

Department of Banking

19. BOB Capital Markets Limited

20. BOB Housing Finance Limited
21. Canbank Computer Services Limited

MINISTRY OF HEAVY INDUSTRY AND PUBLIC ENTERPRISES

22. Bharat Process and Mechanical Engineers Limited
23. Instrumentation Limited
24. Mining and Allied Machinery Corporation Limited
25. Triveni Structural Limited
26. Tungabhadra Steel Products
27. Weighbird (India) Limited

MINISTRY OF HOME AFFAIRS

28. Dadra Nagar Haveli, Daman and Diu, Scheduled Caste/Scheduled Tribes Finance Development Corporation Limited
29. Omnibus Industrial Development Corporation of Daman & Diu and Dadra & Nagar Haveli Limited

MINISTRY OF RAILWAYS

30. Mumbai Railway Vikas Corporation Limited

MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

31. Artificial Limbs Manufacturing Corporation of India Limited
32. National Backward Classes Finance & Development Corporation Limited
33. National Minorities Development & Finance Corporation Limited
34. National Safai Karamchari Finance and Development Corporation Limited
35. National Scheduled Castes & Scheduled Tribes Finance & Development Corporation Limited

Department of Space

36. Antrix Corporation Limited

MINISTRY OF SURFACE TRANSPORT

37. Cochin Shipyard Limited.
38. Indian Road Construction Company Limited

MINISTRY OF TEXTILES

39. National Textile Corporation (Maharashtra North) Limited

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

40. Hindustan Prefab Limited
41. National Buildings Construction Corporation Limited

GLOSSARY

AGM	Annual General Meeting
AGR	Annual Gross Revenue
APM	Administered Price Mechanism
AS	Accounting Standard
ASEB	Assam State Electricity Board
BIFR	Board for Industrial and Finance Reconstruction
BSEB	Bihar State Electricity Board
BSL	Bokaro Steel Plant
BSP	Bhilai Steel Plant
CCD	Continuous Casting Department
C&F	Cost and Freight
CISF	Central Industrial Security Force
CPF	Contributory Provident Fund
CPWD	Central Public Works Department
CSP	Centrally Sponsored Programme
CWC	Central Warehousing Corporation
DA	Dearness Allowance
DMT	Dimethyl Terephthalate
DOT	Department of Telecommunications
DRE	Deferred Revenue Expenditure
DSP	Durgapur Steel Plant
EPF	Employee Provident Fund
FCA	Free Carrier Alongside
FI	Financial Institution
FICC	Fertilizer Industries Co-ordination Committee
FOR	Free On Road
GDR	Global Deposit Receipt
HFCL	Hindustan Fertilizer Corporation Limited
HMBP	Heavy Machine Building Plant
ICAI	Institute of Chartered Accountants of India
ICD	Inland Container Depot
IRR	Inspection cum Receipt Report
JPC	Joint Plant Committee
KFW	Kreditanstalt Furwie Deraufabau
KSEB	Kerala State Electricity Board
LD	Liquidated Damages
LLTC	Long Leave Travel Concession
LPG	Liquid Petroleum Gas
LTC	Leave Travel Concession
MB	Mega bite
MDPP	Microbial Desulpurification Process Plant
MMT	Million Matric Tonne
MP	Madhya Pradesh
MRTS	Mobile Radio Trunked Services
NAD	National Airport Division

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NGR	Non-renewal Grant
NMZ	Non-mining Zone
OCC	Oil Co-ordination Committee
PF	Provident Fund
PLBS	Performance Linked Bonus Scheme
PSU	Public Sector Undertaking
PSWC	Punjab State Warehousing Corporation
RBI	Reserve Bank of India
R&D	Research & Development
REC	Reserve Estimates Committee
RSP	Rourkela Steel Plant
SAP	Standard Accounting Practice
SDR	Special Drawing Rights
SEB	State Electricity Board
SFP	State Funded Programme
SPEF	Sugar Price Equalization Fund
SPL	Store Price Ledger
SWC	State Warehousing Corporation
TAR	Total Accounting Rate
TDS	Tax Deducted at source
TPE	M/s Tiazpromexport
UPSBC	U.P. State Bridge Corporation Limited
VRS	Voluntary Retirement
WIP	Work in Progress