लोक/राज्य सभा पटल पर रखे जाने के लिए
To be laid on the Table of the Lok/Rajya Sabha
अधिप्रमाणित/Authenticated

नई दिल्ली
New Delhi
दिनांक
Date

उद्योग मंत्रालय में राज्य मंत्री
Ministry of State in the
Ministry of Industry

Report of the Comptroller and Auditor General of India

for the year ended March 1997

Union Government (Commercial)

Comments on Accounts

No. 2 of 1998

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PREFACE

The accounts of Government Companies set up under the provisions of the Companies Act (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. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the Central Government on the advice of CAG under the Companies Act, 1956 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 given by him. In respect of Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, and Damodar Valley Corporation, CAG is the sole auditor under the relevant statutes. In respect of Central Warehousing Corporation and Food Corporation of India, CAG has the right to conduct audit independently of the audit conducted by the Chartered Accountants appointed under the statutes governing the two Corporations.

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 Companies and Corporations are issued by CAG to the Government.

'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 Directors 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. 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.

6. Extracts from the important comments or supplementary audit observations of CAG made on the accounts of Government Companies and other public sector undertakings for the year 1996-97 are given in this Report. A resume of the reports of Statutory auditors submitted to CAG in compliance with the directions issued to them under Section 619(3)(a) of the Companies Act, 1956, covering the accounts for the year 1996-97 (to the extent received) is also given in this Report.

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 1996-97 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 were issued were as follows:-

	Government Companies	Deemed Government Companies	Corporations	Total
a) Total number of Central Government Companies/ Corporations	261	63	6	330
b) No. of Companies/ Corporations from which accounts were received (upto 30.11.97)	212	45	4	261
c) No. of Companies/ Corporations the accounts of which were selected or test checked.	190	39	4	233
d) No. of Companies/ Corporations the accounts of which were revised as a result of test check and consequently no comments were issued.	16	4	0	20
e) No. of Companies/ Corporations the accounts of which were partly revised and comments were issued.	18	0	0	18
f) No. of Companies/ Corporations on the accounts of which audit comments were issued.	95	16	1	112
g) No. of Companies/ Corporations on the accounts of which no comments were issued.	50	17	0	67
h) No. of Companies/ Corporations where audit of accounts is in progress (as on 30. 11.97)	11	2	3	16

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 and consequent revision of their accounts by some of the Companies, the impact on profits/loss shown in the accounts for 1996-97 was as follows:-

		(Rupees in crores)
	No. of Companies	**Net Effect**
i) Increase in Profit	3	(+) 180.80
ii) Decrease in Profit	15	(-) 4694.43
iii) Increase in Loss	12	(-) 4930.86
iv) Decrease in Loss	2	(+) 73.74

(Paragraph 1.1)

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, were of the following nature.

i) On Balance Sheet

Assets as on 31 March 1997 were overstated by Rs.4 crore in 1 PSU and understated by Rs.118.22 crore in 5 PSUs. Similarly liabilities were understated by Rs.5.79 crore in 3 PSUs.

(Paragraph 1.2)

ii) On Profit or Loss

Had the PSUs revised their accounts on the basis of comments made as a result of supplementary audit, the profits for 1996-97 would have come down by Rs.1012.42 crore in 34 PSUs and would have increased by Rs. 214.61 crore in 8 PSUs. Similarly, loss for 1996-97 would have been increased by Rs.215.66 crore in 23 PSUs and would have been decreased by Rs.1.80 crore in 2 PSUs.

(Paragraph 1.2)

iii) On Capital Erosion

The paid up capital as on 31 March 1997 had been fully eroded by the accumulated losses in 18 of the PSUs whose accounts were reviewed in test check.

(Paragraph 1.3)

iv) On Inventory

Inventory of raw material, stores, spares and finished goods as on 31 March 1997 was abnormally high as compared to total consumption/sales during the year in respect of 3 PSUs.

(Paragraph 1.3)

IV. Reports by Statutory Auditors

Some of the points raised by the Statutory Auditors (Chartered Accountants) 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) Lack of adequacy or effectiveness in the system of financial control and accounts, non-reconciliation of books and deficiencies in the maintenance of asset registers.

ii) Internal Audit system not commensurate with the size and nature of business of PSUs.

iii) Deficiencies in cost control system.

iv) Inventory held in excess, holding of surplus or obsolete stores and spares or non fixation of maximum and minimum levels of stock holdings or non-fixation of economic order quantity.

v) Debts outstanding for 3 years or more for recovery, increase in Sundry debtors and doubtful debts.

vi) Manpower employed in excess of norms.

vii) Non-payment of loan instalments and interest and penal interest due on Government loans by PSUs.

(Paragraphs 2.1, 2.2,2.3, 2.4, 2.5, 2.6, 2.7 and 2.8)

Chapter-1

Comments of the Comptroller and Auditor General of India on the Accounts of Public Sector Undertakings (PSUs)

Under the provisions of the Companies Act, 1956 read with special provisions in Section 619 of the Act relating to the Government Companies, 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 (including Deemed 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 require their accounts to be audited by CAG and a report to be given by him to the Government.

The number of Government Companies/Deemed Government Companies and Corporations of the Union Government whose accounts for 1996-97 were received and audited by CAG are as under:

	Government Companies	Deemed Government Companies	Corporations	Total
i) No. of PSUs (List given in Appendix I, II and III)	261	63	6	330
ii)No. of PSUs whose accounts were not due for audit	-	1	-	1
iii)No. of PSUs whose accounts for 96-97 received for audit	212	45	4	261
iv)No. of PSUs selected for audit	190	39	4	233
v) No. of PSUs whose accounts were under audit	11	2	3	16

As a result of test check/supplementary audit of accounts, 34* Government Companies and 4 Deemed Government Companies revised their accounts for 1996-97. Comments were issued on the accounts of 113* Government Companies and 16 Deemed Government Companies for 1996-97. Audit Report on the accounts of 1 Statutory Corporation was also sent to the Government/ Corporation.

1.1 *Revision of Accounts*

As a result of test check and consequent corrections made in the accounts for 1996-97, the profit for the year in the following Companies increased (+) or decreased (-) as

* Includes 18 Government Companies which partly revised their accounts on which comments were also issued.

given below:

Name of the Company	Rupees in Lakh
1. Bharat Earth Movers Limited	(-) 11.94
2. Bharat Heavy Electricals Limited	(-) 77.56
3. Bharat Heavy Plate and Vessels Limited	(-) 20.19
4. Bharat Dynamics Limited	(+) 5.31
5. Certification Engineers Consultants India Limited	(-) 2.58
6. Coal India Limited	(-)1841.00
7. Dredging Corporation of India Limited	(-) 65.51
8. Hindustan Aeronautics Limited	(-) 280.00
9. Mahanadi Coalfields Limited	(-) 233.00
10.MECON (India) Limited	(-) 181.22
11.National Centre for Trade Information	(+) 1.78
12.National Mineral Development Corporation Limited	(+) 173.71
13.Neyveli Lignite Corporation Limited	(-) 174.86
14.Northern Coalfields Limited	(-) 253.00
15. South Eastern Coalfields Limited	(-) 168.34
16 Steel Authority of India Limited	(-) 1382.00
17.Vibank Housing Finance Limited	(-) 3.07
18.Vignyan Industries Limited	(-) 0.16
Total Increase (+) /decrease (-)	**(-)4694.43** **(+) 180.80**

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

Name of the Company	Rupees in Lakh
1.Bharat Coking Coal Limited	(-)1447.00
2. Bharat Gold Mines Limited	(-) 49.45
3.Bharat Refractories Limited	(-) 339.79
4.Bisra Stonelime Company Limited	(-) 63.73
5.Central Coalfields Limited	(-) 927.00
6.Eastern Coalfields Limited	(-) 574.00
7.Heavy Engineering Corporation Limited	(-) 48.11
8.Hindustan Shipyard Limited	(+) 0.74
9.Hindustan Steelworks Construction Limited	(-) 369.87
10.India Firebricks and Insulation Company Limited	(-) 198.39
11.Indian Iron and Steel Company Limited	(-) 235.97
12.ITI Limited	(-) 526.39
13.National Textiles Corporation (WB&ABO) Limited	(+) 73.00
14.Visvesvaraya Iron and Steel Limited	(-) 151.16
Total Increase (-) /decrease (+)	**(-)4930.86** **(+) 73.74**

1.2 Comments on Balance Sheet and Profit & Loss Account

Extracts from some of the important comments issued on the Balance Sheet/Profit and Loss Account of Government Companies for 1996-97 are given below:

Department of Atomic Energy

1.2.1 Electronics Corporation of India Limited

The pre-paid expenses were overstated by Rs.84.68 lakh due to treating the expenses incurred towards Bank charges and Letter of Credit (LC) charges as pre-paid instead of charging the same in the year of its occurrence. This had resulted in understatement of expenditure and overstatement of profit by a similar amount.

The Management stated that this was in accordance with the normally accepted accounting principle i.e. on accrual basis.

As Bank charges and LC charges did not represent period costs, the method followed was not in order. Hence, the reply is not acceptable.

1.2.2 Indian Rare Earths Limited

An amount of Rs. 89.01 lakh representing expenses allocated specifically to Bhimlipatnam Project, was shown as unallocated pre-project expenses under 'Miscellaneous expenditure' which should have been correctly shown under 'Capital work-in-progress'.

The Company replied that the amount would be capitalised in a new project as and when the project would get materialise or would be written off if the project did not get materialise. The reply of the Company is not tenable since the expenses were specifically allocated to Bhimlipatnam Project.

1.2.3 Uranium Corporation Of India Limited

Loss for the year had been understated by Rs.138.47 lakh due to non-provision of depreciation in respect of Plants/Assets already installed/commissioned during the year or earlier years.

The Management stated that Plants/Assets of Jaduguda Mill Expansion Project scheduled to be fully commissioned during 1997-98 had not been partially capitalised during 1996-97 due to non-completion of the complete processing system.

The contention of the Management is not tenable as the units under objection were commissioned and put to use for commercial purposes.

MINISTRY OF CHEMICALS & FERTILIZERS
Department of Chemicals & Petrochemicals

1.2.4 Hindustan Insecticides Limited

1. Interest accrued and due on loan from Hindustan Organic Chemicals Limited (HOCL) (Rs.102.31 lakh) represented the balance principal amount of loan taken from HOCL in October/December, 1990 at the rate of 13.5 per cent per annum and should have been classified under "Unsecured Loan from Others - Short term"

The Management stated that the matter had been clarified in the Notes on Accounts explaining that HIL had repaid Rs.2.00 crore towards full and final settlement of the loan in December 1994. Subsequently HOCL raised a dispute regarding payment of interest, which had been shown as contingent liability.

The reply is not acceptable as there was no written agreement with HOCL about acceptance of Rs.2 crore in full and final settlement of the loan.

2(i). Export Incentive Receivable represented cash compensatory support relating to years 1983-84 and 1988-89 to 1990-91, recovery of which was doubtful as no payment on this account had been received after 1992-93. No provision had, therefore, been made. This had resulted in overstatement of Profit as well as Loans and Advances by Rs. 12.71 lakh.

The Management stated that the amount was due from Government and the Company expected to recover the amount in full.

The reply is not tenable as the claims related to the period 1983-84 and 1989-90 and the recovery had not been persued by the Company. The Company should have made a provision in the accounts.

(ii) Advance Income Tax included Rs.11.32 lakh relating to the period 1973-74 to 1989-90 which could not be adjusted by way of any assessment/refund/demand from the Income Tax Authorities. Since the files containing the basic details were destroyed in fire and the matter could not be sorted out with the Income Tax Department, provision for bad & doubtful, loans & advances should have been made. Non-provision had resulted in overstatement of Profit as well as Loans and Advances by Rs. 11.32 lakh.

The Management stated that efforts were being made to adjust the advance payment after reconciliation with Income Tax Department.

The fact, however, remains that since the amount related to the period 1973-74 to 1989-90 and the basic documents had been destroyed in fire, possibility of adjustments/refund was remote.

3. Expenditure on interest did not include Rs.33.30 lakh being the amount of interest accrued and due (upto 31 March 1997) on the balance principal loan amount payable to HOCL. As a result, profit for the year was overstated by Rs.33.30 lakh.

The Management stated that the matter had been clarified in Notes on Accounts according to which pending final settlement of the dispute, interest amounting to Rs.33.30 lakh had been included in the contingent liabilities.

The reply is not tenable as there was no written agreement with the HOCL about acceptance by the latter of Rs.2.00 crore in full and final settlement of the loan, as claimed by the Company.

Department of Fertilizers

1.2.5 Fertilizer Corporation of India Limited

The loss for the year had been understated by Rs.57.73 lakh due to :

1. Non-provision of liability of Rs.21.04 lakh towards sales tax on element of excise duty, which is a part of sale price, in respect of petroleum products used for non-fertilizer purposes.

2. Non-adjustment of Claims recoverable of Rs.36.69 lakh in respect of petroleum products already received during 1993-94 to 1996-97 and consumed by the Company, but shown as claims for missing wagons lodged with Railways.

The Management stated that (i) Furnace Oil/LSHS are bought from Indian Oil Corporation Limited (IOC) for the manufacture of fertilizers. The oil/ammonia used for non-fertilizer purposes were computed and differential price is paid to IOC alongwith Sales Tax, as billed by IOC. The excise duty on fuel Oil/LSHS consumed for non-fertilizer purpose was paid to the Excise Department directly as per prevailing rates on the basis of consumption only and (ii) The entire matter of missing wagons and reconciliation thereof with the Railways was under active consideration and necessary adjustments would be passed after detailed scrutiny.

The contention of the Management is not tenable as the Management had neither paid nor provided for in the accounts; the amount of Sales Tax payable on excise duty on Oil/LSHS consumed for non-fertiliser purposes.

1.2.6 Hindustan Fertilizer Corporation Limited

The loss for the year had been understated by Rs.93.45 lakh due to :-

1. Non-provision of liabilities of Rs.61.55 lakh for refund of subsidy to Fertilizer Industries Co-ordination Committee(FICC) on account of excess subsidy paid to the Company

2. Non-charging of penal interest of Rs.31.90 lakh on customs duty charged by the Customs Authorities due to delay in clearance of imported items.

The Management stated that (1) the liabilities could not be provided in the books of accounts during 1996-97 due to late receipt of information. However, necessary adjustments would be made in the accounts of 1997-98 and (2) as regard non-charges of the penal interest of Rs.31.90 lakh, the Management agreed to carry out the necessary adjustments in 1997-98.

1.2.7 Madras Fertilizers Limited

1. Inventories were overstated by Rs.218 lakh due to inclusion of finance charges on short term loan which was not in accordance with Accounting Standard 2.

The Management stated that the interest on short term borrowings formed a major item of expenditure directly linked to manufacture and exclusion of the same in inventory valuation would not reflect the correct value of the inventories. According to the Company, Accounting Standard-2 was still recommendatory in nature.

The contention is not tenable as inclusion of finance charges would only inflate the inventory. Further, every Central Public Sector Undertaking is required to adhere to the requirements of all Accounting Standards.

2. Claims recoverable from FICC included unrealistic/rejected/unnotified claims aggregating to Rs.3707 lakh relating to repairs and maintenance, depreciation, interest, pricing subsidy, de-controlled product sales and VI-A pricing subsidies.

The Management stated that FICC had called for the details and were yet to announce retention price for repairs and maintenance from 1991-92 onwards. Regarding the depreciation on capital additions, the Management stated that it had reckoned subsidy towards depreciation on the basis of actual additions and FICC had called for the details of capital additions and would be announcing the adjustment subsidy shortly.

On interest, the Management stated that FICC would review interest actually incurred on short term loan at the time of annual review. For all other items, the Management stated that all clarifications were provided to FICC and that they were confident of receiving the reimbursement.

The Management's reply is not tenable as there was no documentary evidence confirming the admission of these claims or indicating positive commitment from FICC for settlement of these claims. Hence accounting of these claims as recoverable was not in order.

1.2.8 Paradeep Phosphates Limited

The loss for the year had been understated by Rs.65.06 lakh due to non-provision of demurrage charges payable to foreign suppliers on account of import of raw material.

The Management stated that the amount of Rs. 65.06 lakh constituted demurrage on account of vessel MV Ocean for US $ 1,31,000 and MV Finikas for US $ 50,379.51. In the latter case final settlement was yet to be arrived at with the party. However, such payment could only be made after getting approval from Reserve Bank of India (RBI). In the absence of RBI's approval for first case and final settlement with the party and RBI's approval for second case, no provision was made in the accounts.

The reply of the Management is not tenable as the Company could not disown its liability to foreign suppliers just for non-availability of RBI's approval/final settlement.

1.2.9 Pyrites, Phosphates and Chemicals Limited

Leave encashment liability accrued upto 31 March 1996 and estimated at Rs. 88.44 lakh had not been provided for, though an amount of Rs.11.56 lakh was provided for on this account in the accounts for the year 1996-97. The actuarial valuation had not been made.

The Management noted the comment for compliance.

1.2.10 The Fertilisers and Chemicals Travancore Limited

1. The Company did not account the liability of Rs.55.99 lakh accrued in March 1997 and payable in respect of a work. The Company stated that certain activities which were to be completed by the contractor were not done and hence no provision was made.

This is contrary to the facts as the liability had accrued as per the agreement conditions.

2. Provision of Rs.18.52 lakh made in earlier years towards Electricity charges was written back and taken as income although the Electricity Board had not withdrawn their claim.

The Management stated that they wrote back the liability as there was no claim from the Electricity Board. This is contrary to the stand taken by the Company in respect of similar claim pertaining to 1978 in another division where the claim was not written back.

MINISTRY OF COAL

1.2.11 Bharat Coking Coal Limited

A reference is invited to para 1.2.16(1) of the Report of the Comptroller and Auditor General of India- Union Government(Commercial)-No.2 of 1997. Despite the comment, Loans and Advances were overstated by Rs.968.72 lakh due to inclusion of advances given to different parties lying unadjusted even after a lapse of 10-20 years from the date of payment of the advances.

The Management stated that these related to advances against which supplies had been received in different areas, for which liabilities had been created. The Company had been making constant efforts to reduce the level of advances and had been able to reduce the same from Rs. 152.49 crore in 1990-91 to Rs. 74.26 crore in 1996-97. The process of adjusting advances with its corresponding liabilities was time taking especially because certain old advances required more efforts, which would continue in subsequent year(s).

1.2.12 Central Coalfields Limited

1. Revenue loss of Rs.2.21 crore of CCL Staff Provident Fund for the period from 1990-91 to 1994-95 as estimated by Provident Fund (PF) Trustees, which as per Rules were reimburseable by the Company had not been provided for. This had resulted in understatement of loss by Rs.2.21 crore with consequential understatement of current liabilities by the same amount.

The Management stated that CCL PF Trust is a separate body and independent from CCL.

The reply of the Management is not tenable as trust's losses in earlier years were reimbursed by the CCL and hence, being a specific liability, the same should have been provided for.

2. Development, Prospecting and Boring Expenditure included Rs.1.69 crore being

the expenditure incurred on exploration and other works long back, which were remaining unidentified and unlinked to any specific Projects.

The Management agreed to carry out a study in this regard and make necessary adjustments subsequently.

3. Fixed assets were overstated due to inclusion of Rs.2.44 crore being the written down value of expenditure incurred during 1989-90 to 1994-95 for development of Magadh Open Cast Project (OCP). As the NTPC's Super Thermal Power Station for which the Magadh OCP was undertaken was not likely to come up, the expenditure incurred on advance action should have been written off instead of capitalisaion of the same.

The Management stated that advance action on Magadh OCP was undertaken to meet the requirement of coal of Super Thermal Power station(STPS) to be constructed by NTPC. However, it was subsequently decided not to commission the STPS during IX Plan period. Since in this case, the commissioning of STPS was not certain, the expenditure incurred on advance action for development of Magadh OCP should have been written off.

1.2.13 Eastern Coalfields Limited

A reference is invited to para 1.2.19(2)(I) of the Report of the Comptroller and Auditor General of India- Union Government(Commercial)-No.2 of 1997. Despite, this comment, the amount of Rs. 2.65 crore paid in October 1995 to the contractor as compensation for reduction in the scope of work for construction of CHP at Sonepur Bazari Project which was treated as deferred revenue expenditure and Rs.1.06 crore were charged upto 31 March 1997 being 2/5th of the amount in Profit and Loss Account. As a result, loss was understated by Rs.1.59 crore. This had also resulted in overstatement of Miscellaneous Expenditure to the extent not written off by Rs.1.59 crore .

The Management stated that during construction of CHP at Sonepur Bazari, a compensation of Rs. 2.65 crore was paid to the contractor for curtailment and modification of the work. Since the nature of the expenditure was not normal one, the amortisation of the expenditure equally in five years was considered as prudent, instead of charging in one year.

The reply of the Management is not tenable since no benefit could be derived during succeeding years by giving compensation of Rs.2.65 crore to a contractor. Hence, treating the expenditure as deferred revenue expenditure was not correct.

1.2.14 Northern Coalfields Limited

1. Profit for the year had been overstated by Rs.3.26 crore due to non-provision of 10 per cent on the closing stock of coal valued at cost, towards deterioration due to longer stacking, fire etc. as per holding company's guidelines. This had also resulted in overstatement of inventories.

The Management did not offer any comment in the matter.

2. The Company had changed their policy with regard to treatment of expenditure on purchase of engines for Heavy Earth Moving Machinery (HEMM) with effect from 1996-97. While till the previous year, the expenditure on this account was capitalised and assets depreciated, the same in 1996-97 had been directly charged to revenue. Thus, uniformity of

accounting treatment had not been maintained. The written down value of such assets as on 31 March 1997 (capitalised till last year) amounted to Rs.55.39 crore, which had not been charged to revenue in 1996-97. Had these also been charged to revenue, the profit would have been lower by Rs.55.39 crore.

The Management stated that expenditure on purchase of engines and transmissions for HEMM in excess of standby engines and transmissions had been charged to Revenue Account with effect from 1996-97. The effect of this change had been disclosed.

As the Company had treated the similar type of expenditure relating to earlier years and current year differently, the practice followed was not as per accepted Accounting Principles.

1.2.15 Western Coalfields Limited

1. Other Income did not include Rs.1.07 crore being the surface transportation charges recoverable from customers and wrongly accounted as Current liabilities and provisions.

This had resulted in understatement of Profit for the year and overstatement of Current liabilities and provisions by Rs.1.07 crore.

The Management accepted the comment.

2. Other expenditure did not include Rs.1.44 crore being the development expenditure incurred on project which had been dropped by the Company. This had resulted in overstatement of Profit for the year as well as Capital work-in-progress by Rs.1.44 crore.

The Management accepted the comment.

MINISTRY OF COMMERCE

1.2.16 India Trade Promotion Organisation

Despite a comment on the accounts for 1995-96, grant of Rs.273.01 lakh drawn in excess over expenditure by erstwhile Trade Development Authority before its merger (1 January 1992) with the Company (ITPO), was not being shown as payable to Government of India.

The Management stated that factual position in this regard had been explained in Notes forming part of the Accounts for the year 1996-97 and that the matter regarding finalisation of terms and conditions was being pursued with the Ministry of Commerce. It was further stated that liability, if any, in this regard, would be accounted for on finalisation of terms and conditions.

The reply is not tenable as ITPO was responsible for all the liabilities of erstwhile Trade Development Authority. Hence, liability should have been provided unless specifically exempted by the Government.

1.2.17 MMTC Limited

1. Investments were overstated by Rs.290.25 lakh due to non-provision of reduction in value of investment in the joint ventures resulting in overstatement of profit by this amount.

The Management stated that the decline in the value of investment was temporary as the investments were intended to be held for long term. Provision for diminution in value of investment was made on the basis of information available like break up value, etc. and suitably disclosed in the Notes to the Accounts.

The reply is not tenable as there was no indication that the decline in value of investment was temporary because the market quotations had not improved even after six months of the closing of accounts.

2(i) Valuation of stock-in-trade had been arrived at after adjusting the losses of Rs.959.57 lakh on account of net shortages noticed during physical verification. This included, extra-ordinary shortages in the stock of cotton (72 per cent), groundnuts (11 per cent) and diamonds (3.6 per cent) vis-a-vis quantities handled.

The Management stated that the suggestion of the Audit had been noted for future disclosures, if any.

ii) The closing stock was overstated by Rs.30.65 lakh on account of non-valuation of castor seeds at market value (being lower than the cost) resulting in overstatement of profit by Rs.30.65 lakh.

The Management stated that MMTC had a sale contract dated 5 February 1997 for export of 5000 MT of castor seeds at a price of US$ 340 or Rs.12172 per MT. The cost price was only Rs.11480 and the mandi price was around Rs.11500 per MT. As such, stock had been valued at cost price in terms of the Accounting Policy.

The reply is not tenable as the Company suffered a loss of Rs.184 per MT of export at sale price of $ 340 per MT in April 1997. The market price of castor seeds was declining constantly. The market price around the closing of accounts should have been adopted and the closing stock should have been valued at the rate of Rs.10865 per MT instead of cost price.

3(i). Sundry debtors were overstated by Rs.88.62 lakh due to non-provision for the interest recognised in earlier years on gold loan/packing credit/export bills shown recoverable from Jewellery Exporting Units at Jhandewalan (New Delhi), from whom dues pertaining to gold loan/packing credit/export bills had been considered doubtful by the Company resulting in overstatement of profit by Rs.88.62 lakh.

The Management stated that since the Company was holding collateral security, no provision in respect of interest accrued upto 1994-95 had been considered necessary.

The reply is not tenable as the Company had stopped accounting for the interest due from these units in the subsequent years due to uncertainty in realisation. Accordingly, the interest accrued in previous years could not be considered good.

(ii) Sundry debtors included rent (Rs.21.75 lakh) and security charges (Rs.5.45 lakh) shown recoverable by the Company for which no provision had been made though the Jewellery Exporting Units, from whom the income had been shown recoverable, had either defaulted in export of gold, payment of interest or ceased their operations.

The Management stated that it was a repeat of last year's observation. The liability for payment of rent arose only after the completion of building. The completion certificate was issued on 1 April 1988 and the liability referred to by the Audit related to the earlier period. However, the amount had been shown both recoverable and payable in the books of the Company. Since the matter was sub-judice in Delhi High Court, it was not considered desirable to make provision or adjust the liability.

The reply is not tenable; as the units had already defaulted in export of gold/ceased their operations, the amounts became doubtful of recovery.

4. Sundry debtors were overstated by Rs.26.90 lakh due to non-provision of preliminary expenses of a closed joint venture project.

The Management stated that the Board decided in May 1997 to abandon this project because of commercial considerations. The action for winding up was in the offing and necessary adjustments would be made upon its winding up.

The reply is not tenable as the project had been abandoned, and the amount was not recoverable. Hence, a provision/adjustment should have been made in the accounts.

1.2.18 National Centre For Trade Information

Out of the total equity contribution in kind of Rs.150 lakh for the Corpus fund of the Company, an amount of Rs.62.20 lakh paid by the joint venture partners had been accounted for under 'Current Liabilities' instead of accounting for the same as a distinct item under share capital pending enhancement of Authorised Capital and allotment of share there against. This resulted in overstatement of current liabilities and understatement of share capital by Rs.62.20 lakh each. Similarly, non-receipt of the balance contribution of Rs.87.80 lakh from the joint venture parties had also not been disclosed in the financial statements.

The Company had also not initiated any action for enhancement of its authorised capital under section 94 of the Companies Act, 1956 to accommodate the contribution in kind from the Joint venture partners in terms of Government of India's decision of 29 July 1994.

The Management noted the point.

1.2.19 The State Trading Corporation of India Limited

1(i). Current Assets, Loans and Advances included an amount of Rs.98.58 lakh paid to Tea Trading Corporation of India Limited (TTCI), a sick unit, for meeting the expenditure on the salary and medical bills of its employees resulting in overstatement of profit to this extent. The amount, though doubtful of recovery, had not been provided for on the ground that the loan was only about 7 months old and feasibility of revival of TTCI and consequent recovery of the Company's loan was yet to be decided.

The Management stated that the TTCI being wholly owned subsidiary of State Trading Corporation of India Limited (STC) and in view of long term involvement of STC in the said company, the provision of the amount at that stage was not felt necessary.

The reply is not tenable as TTCI is in loss and revival process was yet to be started. Moreover, STC had already provided Rs.178 lakh in its accounts towards the loans given to TTCI by it during earlier years. Thus, STC had been financing the losses of its subsidiary company through loans without making an appropriate provision against non-recoverability of the loans

(ii) Claims Recoverable (Rs.15511.17 lakh) included doubtful claims of Rs.8035.44 lakh (included interest of Rs.6033.44 lakh as interest on the dues from the Ministry of Industry and Rs.2002 lakh from Newsprint Industry) for which no provision had been made by the Company despite a comment by the Comptroller and Auditor General of India vide comments No.2.4 (b and c) on the accounts of the Company for the year 1995-96.

The Management stated that the dues from Government/PSUs being sovereign one, had all along been considered as good in the absence of any contrary decision by the Committee of Secretaries with whom matter was still pending. These were genuinely good and needed no provision.

The reply of the Management is not tenable as the Ministry of Industry had clearly stated (October 1992) that the Company was not authorised to arbitrarily charge interest retrospectively on Government dues and therefore, had rejected the proposal of the Company for charging interest on the dues owed by the Ministry. Also in view of the fact that interest for the year 1993-94 to 1996-97 had not been recognised by the Company considering the uncertainity in the ultimate collection thereof from the Ministry, recovery of the interest of Rs.6033.44 lakhs included in the Claims recoverable for the period upto 1992-93 should have been treated as doubtful. As regards balance amount of Rs.2002 lakh shown recoverable from the Newsprint Industry, no recovery could be made by the Company during the last 4 years and the chances of recovery stood remote as the Company was no more a canalising agency for the import of newsprint.

2. The closing stock of inventories lying in Customs Bonded Warehouse at Bangalore had been valued at cost price whereas against the limited tender invited for the sale of this stock, the price quoted was less than the cost price by Rs.45.79 lakh. Valuation of this stock at cost price instead of valuing it at lower of the cost price and market price resulted in overstatement of closing stock and profit by Rs.45.79 lakh.

The Management stated that the valuation would be adjusted during 1997-98.

MINISTRY OF COMMUNICATIONS
Department of Telecommunications

1.2.20 Videsh Sanchar Nigam Limited

1. Fixed Assets (Computers & Buildings) as on 31 March 1997 were understated due to inclusion of computers valuing Rs.253.75 lakh and building costing Rs.3.94 lakh capitalised at various centres in October 1996 under different account heads in Plant & Machinery and Work-in-progress. Consequently, this had resulted in overstatement of Plant & Machinery and Work-in-progress by Rs.202.18 lakh and Rs.55.51 lakh respectively. Profit was also overstated by Rs.15.26 lakh due to short provision of depreciation.

2. Sundry debtors as on 31 March 1997 included Rs.569.03 lakh being the value of rejected and unbilled cases of INMARSAT service (foreign) income recoverable through Accounting Authorities lying outstanding for more than two years. Under INMARSAT accounting procedure, invoices had to be sent to the right party within six months of service

use month. The said amount, which was more than two years old, represented bills preferred by VSNL but rejected by the accounting authorities as the ships were no longer in their accounting jurisdiction and amount related to such parties whose whereabouts were not known. Since claims had been clearly rejected and were outstanding for more than two years, realisation of the same was highly doubtful, for which provision should have been made. As a result, there was overstatement of Sundry debtors as well as Profit by Rs.569.03 lakh.

3. Rent on land lines did not include Rs.996.16 lakh, being the charges payable to Department of Telecommunications for utilising the 140 MBPS link between Mumbai and New Delhi from 12 January 1996 to 30 January 1996 and 15 June 1996 to 12 September 1996 in accordance with the tariff approved by the Telecom Commission and bill received for the same before closure of accounts. Consequently, there was understatement of network cost and overstatement of profit by Rs.996.16 lakh.

4. Provision for doubtful debts did not include Rs.234.75 lakh comprising:

(a) Rs 204.13 lakh for the years 1994-95 and 1995-96 in respect of outstanding dues recoverable from non-Government domestic parties. The Company should have made provision at the rate of 50 per cent of outstanding as per their own accounting policy and

(b) Rs.30.62 lakh being the amount shown recoverable from French Telecom Administration towards leased channel rental for the period 1983-1989 at which the French Telecom Administration had disowned as the Company had not been able to furnish any proof to them on this account.

This had resulted in understatement of provision for doubtful debts and overstatement of profit by Rs.234.75 lakh.

MINISTRY OF DEFENCE

Department of Defence Production and Supplies

1.2.21 Bharat Earth Movers Limited

1. Fixed assets included Rs.239.60 lakh being the expenditure on major reconditioning and overhauling of existing Plant and Machinery/Transport vehicles. The depreciation on such physical/value additions had been provided (Rs.5.80 lakh) at rates applicable to new assets as the original assets had completed their depreciable life. This was contrary to the Accounting Policy No.1(iv) of the Company according to which the depreciation on value additions/physical additions on assets capitalised required to be provided to co-terminate with the life of the original asset. This had resulted in short provision of depreciation and overstatement of profit for the year by Rs.233.80 lakh.

The Management stated that the accounting was in conformity with the Accounting Policy which was in consonance with the Expert Advisory Committee's opinion of ICAI.

The reply of the Management is not acceptable, as the expenditure on overhauling/repairs represented addition to an asset. As no new asset (independent of the original) had been created, the value addition was required to be written off to co-terminate with the life of the original asset as per Company's Accounting Policy.

2(i). Note No II 2(a) of Notes on Accounts stated that in respect of loss making products, the work-in-progress(WIP) had to be valued at below cost after adjusting for expected loss on pro-rata basis. A test check of valuation of work-in-progress in respect of 13 work orders revealed that adjustments as reflected in the Notes had not been carried out with reference to the actual price admitted by customers. The over valuation worked out to Rs. 138.11 lakh resulting in overstatement of WIP with a corresponding overstatement of profit by Rs.138.11 lakh.

The Management stated that the minimum sale prices expected to be realised on a very conservative estimate had been considered. This position had been disclosed adequately in Note to the Accounts.

The reply of the Management is not acceptable, as the accounting treatment was in violation of Notes to the Accounts. The WIP was required to be valued on the basis of the actual price admitted by the customers as against likely realisable prices as contended by the Company.

(ii) Work-in-progress included an amount of Rs. 83.01 lakh representing the value of work-in-progress for manufacture of a product. Out of 18 Nos. ordered by a customer, the Company could sell only 8 Nos. between 1992-93 and 1994-95 after which production was suspended. During the course of finalisation of accounts for 1995-96, the Company stated that there was likelihood of sales/utilisation of work-in-progress by cannibalisation. There was no progress. As there was no further off-take by the customer and the use of WIP was also not identified, WIP retained in the books was obsolete.

The Management stated that the Company did not anticipate any loss on WIP of subject products. In the event of order from the customer for these products not materialising, the existing inventory could be used on other projects, since the main assemblies/aggregates were common for other applications.

The reply is not tenable, as the product in question was taken up for manufacture against a specific order of a customer, the work order had been abandoned, and the alternative use of WIP had not been identified.

3(i) Sundry debtors included an amount of Rs. 303.82 lakh being the sale value of 82 Nos. and 68 Nos. of two models of equipment supplied during 1995-96. The Company accounted for sales at a price other than the price indicated in the amendment to the purchase order in January 1997. This had resulted in overstatement of Sundry debtors with a corresponding overstatement of profit by Rs.303.82 lakh.

The Management stated that the proposal for revising the contract prices was under consideration with the customer and the Company was pursuing final fixation of prices with the customer.

The reply is not acceptable as the expected revised prices had not yet been fixed.

(ii) Sundry debtors included an amount of Rs. 107.77 lakh being the amount due from a customer against supply of equipment made upto 1991-92. The customer withheld the payments due to non-performance of 2 equipment (value Rs.81.56 lakh). The customer desired exchange of these equipment on which the Company had not decided. Therefore, the provision of Rs.54 lakh made during the year was considered to be inadequate.

The Management stated that 50 per cent provision already made was considered adequate. Balance would be made good through resale of these equipment.

The reply is not tenable as the equipment sold upto the year 1991-92 had remained with the customer, and the Company was yet to decide on the desired exchange.

4. The Sales income of Rs.1169.79 crore included sales of 191 items of a product valued at Rs.3892.46 lakh. The Company, while accounting for sales income, adopted a sale price other than the price indicated in the amendment to the Purchase Order in January 1997. This had resulted in overstatement of sales with a corresponding overstatement of profit by Rs.386.30 lakh.

The Management stated that the proposal for revising the contract prices was under consideration with the customer and the Company was pursuing final fixation of prices with the customer.

The reply is not acceptable as the expected revised prices had not yet been fixed.

1.2.22 Bharat Electronics Limited

1(i) The Sundry debtors included an amount of Rs.1135.68 lakh receivable from a customer in respect of supply of an equipment accounted for as sales at Rs.791 lakh each as against the contractual price of Rs.700 lakh each during the three years ended March 1996. The amendment for the enhanced price had not been issued by the customer so far.

The Management stated that Rs.700 lakh price was a provisional price and not a fixed price. The Company's representation for enhancing price on finalisation was being pursued and the Company was confident about the receipt of the same.

The Company had set up sale of Fly Catcher Radars during the last three years i.e. in 1993-94 to 1995-96 at Rs.791 lakh each as against provisional price of Rs.700 lakh each. Since the issue was pending for a long time and price amendment order was not forthcoming, debts to the extent of Rs.1135.68 lakh should have been provided for.

(ii) The Sundry debtors also included an amount of Rs.124.71 lakh representing the balance receivable on the supply of two Nos. of a system to a customer during 1994-95 and 1995-96 at a provisional price of Rs.245.38 lakh per system. As the sale price was firmed up during the year and the Company realised only Rs.185.52 lakh per system, the outstanding balance should have been written off.

The Management stated that the price to be paid by the customer was yet to be firmed up by the Price Negotiating Committee (PNC) before whom the matter was pending. Hence, it was felt that provision for the balance was not necessary.

The reply of the Management is not acceptable as the PNC sub-committee recommended a price of Rs.185.52 lakh and the Company had even claimed the price of Rs.185.52 lakh after adjusting the advance of Rs.180.90 lakh per set without any protest.

2. No provision was made for the liquidated damages amounting to Rs.771.56 lakh deducted by the customers from the amounts payable to the Company even though as per the Accounting Policy, provision was required to be made even towards likely disallowances by customers, including liquidated damages.

The Management stated that action was already in advanced stage to obtain refund of liquidated damages deducted by the customers and hence it was felt that no provision was required to be made. Further provision of Rs.2639.25 lakh made during the year for doubtful debts, advances, customers' claims and disallowances was felt adequate to meet contingencies arising out of any non-realisation of dues from customers.

The reply of the Management is not acceptable as the provision of Rs.2639.25 lakh made by the Company was against identified debts and as such separate provision for already deducted liquidated damages to the extent of Rs.771.56 lakh should have been made to reflect the correct working results of the Company.

1.2.23 Hindustan Aeronautics Limited

1.Work-in-progress of Rs.789.66 lakh relating to further cost booked, even subsequent to 1 April 1995, on repair and overhaul of engines/rotables delivered prior to 1 April 1995, was charged to Profit and Loss Account as cost of sales, the realisability of which was doubtful.

The Management stated that the work-in-progress of Rs.789.66 lakh form part of the cost of sales amounted to Rs.1576.80 lakh released during the year against the differential sales set up amounted to Rs.1542.38 lakh due to implementation of revised pricing policy, for the repair and overhaul work done during the year 1995-96. The sales so set up were realisable from the customers. Differential sale of Rs.1542.38 lakh set up in 1996-97 related to finalisation of Fixed Price Quotation(FPQ) for the year 1995-96 deliveries. Work-in-progress of Rs.789.66 lakh referred to in the comment related to further charges booked on work orders for which sale had taken place prior to 1 April 1995. No sale was set up in 1996-97 in respect of these work orders though this was charged to cost of sales in 1996-97.

Thus, reply of the Company that Rs.789.66 lakh forms part of sales set up amounted to Rs.1542.38 lakh is incorrect. As no sale was set up in respect of this work-in-progress of Rs.789.66 lakh during the year 1996-97 realisation of the amount did not arise.

2. Manufactured parts valued at Rs.858.52 lakh, found short on physical verification, were charged to cost of sales during the year, without identifying the jobs relating to repair and overhauling of engines and without routing through stores in violation of the prescribed procedure, for want of documentary evidence. The procedure followed was not susceptible of verification in audit.

The Management stated that for executing the jobs for manufacturing projects as well as repair and overhaul activities, the components were manufactured under common work order and were used for both the types of jobs. Parts which were manufactured and used for the jobs during the year, were not sometimes routed through stores due to exigency of meeting the turn round time for expeditious completion of the task for the year. However, proper records were being maintained so as to trace the usage of a part in a particular engine.

The Management's reply that "proper records are being maintained so as to trace the usage of a part in particular engine" is not correct as the cost booked on specific work orders for all the components diverted from Shop floor for use on various engines could not be linked.

1.2.24 Mishra Dhatu Nigam Limited

1. As per the terms of contract for conversion of raw material into Ferro Titanium, in case of rejection, the sub-contractor was not entitled for conversion charges (Rs.14.50 per Kg) and the cost of input raw material (supplied by the Company) at Rs.85 per kg was also to be recovered. Contrary to these terms, the Company provided for a sum of Rs.2.90 lakh towards conversion charges and also did not claim Rs.23.36 lakh recoverable towards cost of raw material. This had resulted in overstatement of Claims receivable by Rs.23.36 lakh and understatement of profit by Rs.20.46 lakh.

The Management stated that as the material after processing was not meeting the specifications given, it was found not suitable for the export order. However, it find acceptance among the customers in India, the same had been included in WIP valuing it on conservative basis. Pending settlement of the matter with the sub-contractor , the clause in the contract for recovery was not invoked and provision for conversion charges had been made.

The reply is not tenable since the Company did not hold any recent purchase orders from the indigenous customers for the rejected material having high lead content.

2. The work-in-progress was overstated by Rs.13.78 lakh by overvaluation of material processed under ten heats covering two grades by adopting raw material cost instead of estimated realisable value which was lower than the cost of raw material.

The Management stated in the WIP valuation for the purpose of assigning the market value, the minimum of raw material cost was consistently followed. This practice would be reviewed during 1997-98.

Department of Electronics

1.2.25 Semi-Conductor Complex Limited

1. Computer Aided Design (CAD) Software purchased for Rs. 94.43 lakh on Free on Board (FOB) basis though received at New Delhi airport on 7 March 1997 had not been accounted for. This resulted in understatement of Capital work-in-progress as well as Current liabilities and provisions by Rs. 94.43 lakh.

While accepting the audit observation, the Management also stated that the Letter of Credit (LOC) was encashed only after 31 March 1997 and consequently the amount had been shown as contingent liability.

The reply is not tenable as in the FOB contract, the property passes on the buyer on delivery of goods on board of the ship.

MINISTRY OF FINANCE

1.2.26 Bharatiya Reserve Bank Note Mudran Limited

Other Liabilities did not include:

1. Rs.35.71 lakh being the entry tax on raw material payable as per Entry Tax Act,

pertaining to Mysore Unit, resulted in understatement of Other Liabilities by Rs.35.71 lakh, consumption of raw material by Rs.22.47 lakh, Pre-operative expenses capitalised by Rs.3.60 lakh, Closing stock of raw material by Rs.9.64 lakh and overstatement of Profit by Rs.22.47 lakh.

The Management stated that the Company had not received any demand notice.

2. Rs.100.28 lakh being the entry tax on Plant and Machinery capitalised, resulting in understatement of Other Liabilities and Fixed Assets by the same amount.

The Management stated that as the demand had not been confirmed upto the date of finalisation of accounts and since the Company had represented to the Government for exempting from the payment of entry tax, the same had been disclosed as contingent liability.

Since the entry tax is a statutory levy and the Company had not been exempted from payment of the same, above liabilities should have been provided for.

1.2.27 BOI Finance Limited

The investment overvalued by Rs. 5.62 crore as permanent diminution in value of investments was not provided for in the accounts.

The reply of the Company that the diminution in value of investment would be provided in a phased manner from 1997-98 onwards subject to availability of profit is not tenable as permanent diminution in the value of investment had to be provided irrespective of availability of profit.

1.2.28 United India Insurance Company Limited

1. Loans included Rs.679.22 lakh being the interest accrued but not due (Rs.420.35 lakh) and interest receivable for the year 1997-98 (Rs.258.87 lakh) on certificate of deposits, bills rediscounting and on commercial papers, made during the year. This resulted in overstatement of the Loans (Rs.679.22 lakh) and Sundry creditors (Rs.258.87 lakh).

The Company stated that these instruments were accounted at their face value which represented their cost and was according to the standard practice of accounting such instruments.

The reply is not tenable. Instead of valuing at cost, the long term investments in Bill re-discounting scheme, certificate of deposit and commercial paper had been valued at maturity value. Further, the Company treated the portion of interest receivable at a future date as interest received in advance and created a corresponding liability in the accounts. As no interest was received in advance, both the liabilities and the assets were overstated.

2 (i) Profit had also been overstated by Rs.766.20 lakh as investments in guaranteed bonds amounted to Rs.28,659.52 lakh were valued at cost instead of at lower value of Yield To Maturity (YTM), contrary to the norms of RBI as also Company's significant accounting policy.

The Company had stated that norms of RBI were not applicable in this regard.

The reply is not tenable as the Company had been notified as public financial institution by Central Government and the norms of RBI were applicable.

ii) Profit had been overstated due to non-provision of Rs.37.02 lakh due to diminution in value of investments in units in Unit Trust of India, contrary to the norms of RBI.

The Company replied that as mentioned in the Accounting Policy depreciation in value of investments was made on global basis but not in respect of individual investments or any category of investments and that such accounting had the approval of Controller of Insurance.

The reply is not tenable as RBI norms had been prescribed with a definite purpose to achieve standards. While the mandatory Accounting Standard and Schedule VI of the Companies Act, 1956 require provision for diminution in respect of every individual investment, RBI norms prescribe provision for each category of investment and therefore disregarding the same in favour of an unacceptable global basis would affect the true and fair view of the financial position. In the light of the foregoing, Accounting policy of the Company was not in accordance with the norms of RBI.

3. Investments in ordinary shares/stock of companies incorporated outside India, included Rs.10.95 lakh being investment (at cost) in equity shares of two foreign firms prior to nationalisation in 1973, of which one was under voluntary liquidation and financial position of other was unsatisfactory. Despite this, value of these shares were not written off.

The Management stated that the position would be reviewed during 1997-98.

MINISTRY OF FOOD PROCESSING INDUSTRIES

1.2.29 Modern Food Industries (India) Limited

The Finance Act, 1997 stipulated that in addition to the Income Tax chargeable in respect of the total income of the domestic company for any assessment year, any amount declared, distributed or paid by such Company by way of dividends (whether interim or otherwise) on or after 1 June 1997, whether out of current or accumulated profits shall be charged to additional income tax at the rate of 10 per cent. The Company had made a provision for dividend amounting to Rs.221.68 lakh in the accounts for the year 1996-97 but had not made provision for 10 per cent Income Tax which worked out to Rs.22.17 lakh.

The Management noted the comment for compliance.

MINISTRY OF INDUSTRY

Department of Heavy Industry

1.2.30 Burn Standard Company Limited

The loss for the year 1996-97 was understated by Rs.196.92 lakh due to non-provision of interest of Rs.177.94 lakh payable to P.F.Trustee and wrong capitalisation of interest of Rs.18.98 lakh on customs duty.

1.2.31 Engineering Projects (India) Limited

Notes to Accounts were found to be inconsistent with Accounting Policy. Accounting Policy 3(b) was also not in conformity with Accounting Standard-11. Further, net loss of Rs.367.15 lakh on account of exchange variation should have been charged to Profit and Loss Account as per the provision of Accounting Standard-11 in place of its adjustment from carried over balance of Exchange Variation Reserve.

The Management stated that Accounting Standard 11 was not being followed due to reasons disclosed in Notes to Accounts.

The reply is not tenable as observance of accounting standard was mandatory.

1.2.32 Heavy Engineering Corporation Limited

1. The cumulative loss of Rs.936.20 crore would be further increased by Rs.42.15 crore on account of the following:

(i) Non-provision for electricity dues of Rs. 41.47 crore accepted by the Company and incorporated in the Rehabilitation scheme sanctioned by Board for Industrial and Financial Reconstruction (BIFR) and approved by Government of India.

The Management stated that the matter would be sorted out with Bihar State Electricity Board (BSEB) for which the Company would make all out efforts during 1997-98.

(ii) Non-provision for old debts of Rs.0.68 crore doubtful of realisation from two customers.

The Management stated that the existing provisions made were considered adequate.

The reply is not tenable because there was no provision existed against these particular debts.

2. Inadequate steps for recovery/write-off of dues in respect of vacated quarters of Rs. 33.16 lakh lying unrealised since long.

The Management stated that efforts were being made for realisation of outstanding dues.

1.2.33 HMT Limited

1. The Interest accrued and due included Rs.344.17 lakh being the interest payable to a financial institution on the loan availed for conversion project. This was overstated by Rs.63.53 lakh due to incorrect application of provision of loan agreement with reference to interest and liquidated damages.

Consequently, the loss for the year 1996-97 and for the previous year had been overstated to the extent of Rs.25.36 lakh and Rs.38.17 lakh respectively.

The Management noted the comment.

2(i). The Finished stock included Rs.115.25 lakh being the value of three machines which had not moved for over 4 years. Valuing them at cost in the absence of prospective buyers was contrary to Accounting Policy and hence required to be provided for value reduction.

The Management stated that although the machines had not moved for over four years, they were not offered for less than cost and in the absence of realisable value, they had to be valued at cost.

The reply of the Management is not acceptable as in the absence of prospective buyers for over four years, valuing them at cost without value reduction was not realistic.

(ii) The Finished stock also included Rs.399.91 lakh being the value of 120997 nos. of different models of a particular brand of watch valued at an average net realisable value (NRV) as the cost price was more. As during the years 1995-96 and 1996-97 the total sale of these watches was only 307 nos. and 9020 nos. respectively, the net realisable value at which they were valued was not realistic.

The Management stated that the matter would be reviewed in 1997-98.

3(i) The Work-in-progress included Rs.94.63 lakh being the cost incurred on two machines taken for manufacture, one each in 1993-94 and 1994-95, in respect of which no orders existed and was required to be provided for redundancy.

The Management stated that on account of the present recession in the Lamp Industry, the lamp chains under manufacture were not completed. With the anticipated export order, no provision for redundancy was required. Matter would be reviewed in 1997-98.

The reply of the Management is not acceptable as there was no progress of work during the last two years and the anticipated export order had not been received.

(ii) The Sundry debtors included Rs.277.93 lakh representing (a) old cases, (b) cases doubtful of recovery on account of short supplies, rejections, disallowances on account of excise duty/sales tax, interest, freight and short collections by show rooms etc., outstanding for more than three years and doubtful of recovery.

The Management stated that out of this, a sum of Rs.177.82 lakh had been provided as 'doubtful' including Rs.87.99 lakh relating to liquidated damages and interest on advance.

The reply of the Management is not acceptable as the figure of Rs.277.93 lakh was arrived at after deducting all the provisions made towards doubtful debts/liquidated damages.

4. The Material and components in transit included 3 consignments of the value of Rs.55.35 lakh pending clearance since 1992. Out of these, one consignment pertained to certain components which were available indigenously at cheaper rates and other two consignments pertained to import of components required for manufacture of particular model of watches, the production of which had been stopped from 1992-93 on the ground of insufficient in-house capacity and huge cost of assembling these watches in-house and hence required to be provided for.

The Management noted the comment.

5. The Provision for doubtful advances did not include (i) Rs.19.20 lakh being the claim lodged against Warehousing Corporation and Customs Authorities for the loss of imported component parts, which had already been rejected by Warehousing Corporation and (ii) Rs.15.87 lakh representing claims suspense (foreign) set up for the years 1990 to 1992 on account of rejections/shortages occurring while in customs custody which could not be

claimed from the suppliers due to expiry of warranty period. The non-provision for these resulted in understatement of provisions and loss for the year by Rs.35.07 lakh.

The Management noted the comments.

6. The Other Liabilities did not include Rs.487.99 lakh being the Management's contribution towards Contributory Provident Fund on arrears of salaries and wages payable to the Regional Provident Fund Authorities resulting in understatement of salaries and wages and loss by Rs.487.99 lakh.

The Management stated that the provision for the recoverable adhoc advance payment against wage/salary arrears, if any, had been made as a matter of prudence for equivalent amount. Since it was only an 'advance', Company's contribution to Provident Fund was not considered necessary.

The reply of the Management is not acceptable as the period of the wage agreement expired on 31 December 1996 and recoverability of the adhoc advance paid to the employees was doubtful as the management itself had made a provision in the accounts. Another wage agreement was due from 1 January 1997.

7. Other liabilities did not include Rs.967.58 lakh towards income tax deductible at source and payable to the Income Tax Department on the arrears paid. The same was required to be provided for alongwith the penalty for not complying with the provisions of the Income Tax Act.

The Management stated that the payment made to the employees was only by way of recoverable advance and as such, Income Tax had not been deducted for the same.

The reply of the Management is not acceptable as the period of the wage agreement expired on 31 December 1996 and recoverability of the adhoc advance paid to the employees was doubtful as the Management itself had made a provision in the accounts. Another wage agreement was due from 1 January 1997.

8. The Provisions did not include Rs.5498.65 lakh representing balance liability on account of the arrears of salaries and wages payable to Officers and Employees consequent upon the wage revision with effect from 1 January 1992 to 31 March/30 September 1995. This had been shown as contingent liability of the Company. As per Management, the arrears were payable upon improvement in the financial performance of the Company.

The Management stated that the accounting treatment of the previous two years had been followed in the current year also.

The reply of the Management is not acceptable as the period of the wage agreement expired on 31 December 1996 and recoverability of the adhoc advance paid to the employees was doubtful as the Management itself had made a provision in the accounts. Another wage agreement was due from 1 January 1997.

9. The Other Income included Rs.2500 lakh towards grant which was yet to be approved and sanctioned by Government of India.

The Management stated that the letter received from the Department of Heavy Industries, Ministry of Industry, Government of India, confirming the grant, would be followed up for release of funds during 1997-98.

10. The Interest on cash/packing credit from banks did not include Rs.425.77 lakh

being the arrears of interest debited by bank resulting in understatement of interest and loss by Rs.425.77 lakh.

The Management stated that the unilateral interest debit by UCO bank, retrospectively for the period 1982 to 1997 was contested as the same was arbitrary and un-just based on the law of estoppel and limitation and therefore not payable.

The reply of the Management is not acceptable as there were no papers indicating the intention of the bankers to revise or withdraw the debit.

1.2.34 HMT (International) Limited

1. The Provision for doubtful debts did not include Rs.219.55 lakh being the instalments not covered by Export Credit Guarantee Corporation in respect of an Export contract, for the period from 1 April 1995 to 31 March 1997 while the interest for the same period was considered as doubtful under claims recoverable and provided for. Non-provision of the same had resulted in overstatement of Sundry debtors and Profit by Rs.219.55 lakh.

The Management stated that provision for interest recognised as revenue had been fully made and instalments due towards principal considered doubtful had also been duly provided. Further, legal action was being contemplated for recovery and debt was covered by sovereign guarantee.

The reply of the Management was silent about the different accounting treatment followed in respect of interest and instalments.

2. Advances recoverable in cash or in kind or for value to be received included Rs.290.17 lakh being bank guarantee encashed by a foreign customer against non-performance of the contract by the Company. As the recovery of the amount was doubtful, it was required to be provided for.

The Management stated that the Company had fully complied with its obligation under the contract as far as supplies were concerned and was unable to discharge its obligations under 'services' part on account of force majeure conditions. The Management assured that the matter would be reviewed in 1997-98.

1.2.35 Hindustan Paper Corporation Limited

The profit for the year 1996-97 had been overstated by Rs.73.73 lakh due to the following.

	(Rs. in lakh)
a) Incorrect capitalisation of revenue expenditure	18.39
b) Non-provision of long outstanding hiring charges	16.69
c) Over-valuation of Inventories	22.08
d) Non-provision of depreciation due to non-capitalisation of fixed Asset	16.57
	73.73

1.2.36 Instrumentation Limited, Kota

1. Though funds borrowed (both secured and unsecured) of Rs.6822.42 lakh

(Principal: Rs.5337.61 lakh and Interest accrued and due: Rs.1484.41 lakh) by the Company as on 31 March 1993 were approved by the shareholders in their Annual General Meeting held on 27 September 1993 subject to approval of the President of India, the approval of the President had not been received by the Company by September 1997 whereas the principal sum of the borrowings had increased to Rs.6524.10 lakh as on 31 March 1997. This was also commented by C&AG on the accounts of the Company for the year 1995-96.

The Management stated that this was being actively pursued.

2. Current liabilities and provisions did not include provision for leave encashment payable on retirement in terms of Accounting Standard. This had resulted in understatement of provision and loss by Rs.380.29 lakh in respect of staff posted at Kota. Such amount had not been ascertained by the Management in respect of Palghat, Jaipur and Marketing Units.

The Management stated that the matter had been clarified vide Notes forming part of the accounts and also referred to in the Statutory Auditors' Report.

The reply is not tenable as provision should have been made in the accounts as required by Accounting Standard.

1.2.37 Mining & Allied Machinery Corporation Limited

1. The Company claimed Rs. 38.73 lakh from Coal India Limited (CIL) on account of Sales Tax payable on supply of Overseas Development Assistance Spares. CIL did not accept the claim on the ground that the Company had undertaken the transactions as handling agent. CIL further intimated that for similar work other Public Sector Undertaking (Jessop & Company) had not claimed any sales tax. The Company without providing any liability adjusted Rs. 15.22 lakh against advance already received from CIL and balance Rs. 23.51 lakh still stand included in Sundry debtors on which 50 per cent provision had been made. This had resulted in overstatement of Sundry debtors by Rs.11.76 lakh (50 per cent of Rs. 23.51 lakh), understatement of advance from customer by Rs. 15.22 lakh and consequential understatement of loss by Rs. 26.98 lakh.

The Management agreed to carry out the necessary adjustments with advance from customer in the accounts for the year 1997-98.

2. Deferred accrued income included claims of Rs. 80.17 lakh for Rajrappa Coal Washery Project of Central Coalfields Limited.(CCL) and Rs. 35.37 lakh for Uttar Pradesh State Electricity Board (UPSEB), Anpara which were considered as disputed claim even by the Company. Since CCL Management had terminated the contract in July 1990 and UPSEB had not made any payment since 1989 as they had not accepted the liability, there was no possibility of recovery of Rs. 115.54 lakh. Non-provision against these bad debts resulted in understatement of loss by Rs. 115.54 lakh. The Management agreed to make further provision to cover these disputed claims in the accounts for the year 1997-98.

3. Sundry creditors had been understated by Rs. 73.59 lakh due to non-provision of accrued liability in respect of shortfall in annual guaranteed energy consumption and fuel surcharge payable to M/s. Durgapur Projects Limited as per agreement. This had also resulted in understatement of loss for the year by Rs. 73.59 lakh.

The Management stated that this would be provided for in the accounts for the year 1997-98.

1.2.38 Triveni Structurals Limited

1. Sundry debtors were overstated by Rs.113.02 lakh on account of cheques deposited in bank during April 1996, December 1996, February 1997 and March 1997 but not accounted for in the Cash Book.

2. Cash and Bank balance was overstated by Rs.31.69 lakh due to double accountal in the Cash book of cheques deposited in bank in January 1996.

The Management stated that the matter pertained to their closed Vizag site where cheques were directly deposited by the customer against payments of arbitration award and the entries could not be carried out in 1996-97 because bank statements were not available till the closing of the accounts and the Company had since carried out the reconciliation in 1997-98.

3(i) In terms of Ministry of Finance O.M.dated 24 April 1992 read with O.M. dated 9 September 1992, the Company was liable to pay guarantee fee at the rate of 1 per cent per annum in respect of non-fund based borrowings/credits. Further, the Company was also liable to pay guarantee fee at double the rate for the period of default where the guarantee fee is not paid on due date. The Company neither paid nor provided guarantee fee amounting to Rs.74 lakh for the period 1990-91 to 1993-94 on counter-guarantees given by the Government. As the Company had not paid guarantee fee of Rs.74 lakh on due date, it became liable to pay guarantee fee at double the rate which worked out to Rs. 148 lakh. This resulted in understatement of loss pertaining to prior years and accumulated loss by Rs.148 lakh.

(ii) In their package for rehabilitation of the Company, BIFR recommended waiver of interest of Rs.1583 lakh accrued up to 31 March 1994 whereas the Company had written back Rs.1619.48 lakh as interest on Government loan. Thus, there was excess write off of Rs.36.48 lakh as interest.

The Management stated that the request for waiver of counter guarantee fee and Government interest had been made and matter was under active consideration of the Government and that it was hopeful of the waiver of the guarantee fee as well as the interest.

The reply is not tenable since the guarantee fee had not been waived by Government, the Company should at least have provided for it. As regards interest, neither this relief was contemplated in the BIFR package nor did the Government consider it in the final sanction issued in March 1997. Hence the excess write off of Rs. 36.48 lakh by the Company was not in order.

4. The Accounting Policy treating the liability for Gratuity as Deferred Revenue Expenditure to be written off during a period of five years was in contravention of mandatory provisions of Accounting Standard. This had resulted in employees remuneration and benefits being understated by Rs.268.11 lakh and miscellaneous expenditure to the extent not written off overstated to the same extent. Consequently, loss for the year was also understated by Rs.268.11 lakh.

The Management agreed to change the Accounting Policy.

1.2.39 Tyre Corporation of India Limited

The loss for the year 1996-97 was understated by Rs.167.35 lakh due to non-provision of liability for guarantee fee (Rs.164.39 lakh) and for delayed payment of surcharge on electricity bills (Rs.2.96 lakh).

1.2.40 Weighbird (India) Limited

The Company had provided simple interest at the rate of 16.5 per cent amounted to Rs.29.70 lakh from 1988-89 to 1996-97 on principal cash credit of Rs.20 lakh instead of providing compound interest amounted to Rs.65.71 lakh on quarterly basis as per terms of the loan. This had resulted in understatement of loss by Rs.36.01 lakh as well as provision for interest.

The Management stated that the interest liability was provided at simple rates from 1988-89 onwards, as the bank statement for liability of unclaimed interest as per terms of loan had not been received from the Bank till date.

The reply is not tenable in view of the fact that as per terms of loan, compound interest was payable on quarterly basis.

MINISTRY OF MINES

1.2.41 Hindustan Copper Limited

Loss for the year was understated by Rs.153.50 lakh due to non-provision of estimated liability towards interest payable on overdue amount to the small scale and ancillary industrial undertakings under the provision of the "Interest on delayed Payments to Small Scale & Ancillary Industrial Undertakings Act, 1993".

1.2.42 Hindustan Zinc Limited

Stock of zinc concentrate identified during previous year (1995-96) for export but not exported till the close of the year (1996-97) had been valued at net realisable value prevailing as on 31 March 1996 instead of as on 31 March 1997 as required in terms of significant Accounting Poicy. The inventory and profit before tax would have been higher by Rs.27.08 crore on the basis of net realisable value ascertained in accordance with London Metal Exchange (LME) prices prevailing on 31 March 1997.

The contention of the Management that valuation of the concentrate at LME price prevailing on 31 March 1997 tantamounted to taking unrealisable profit into accounts is not tenable as the valuation done by the Company was not in accordance with its approved Accounting Policy.

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

1.2.43 Indian Renewable Energy Development Agency Limited

Other Liabilities of Rs.750.94 lakh had been arrived at after incorrect adjustment of Rs.57.03 lakh being the amount recoverable from Global Environment Trust Fund Grant which should have been included in Current Assets. This resulted in understatement of Current liabilities and provisions - Other liabilities as well as Current Assets, Loans and Advances-Current Assets by Rs.57.03 lakh.

The Management accepted the comment.

MINISTRY OF PETROLEUM AND NATURAL GAS

1.2.44 Bharat Petroleum Corporation Limited

1. Capital work-in-progress had been overstated by Rs. 4.00 crore representing the amount considered payable since 1990-91 for purchase of a plot of land adjacent to the Company's Mumbai Refinery. There was neither a legal agreement for its purchase nor the Company started land acquisition proceedings.

The Management noted the comment.

2. Sundry debtors included an aggregate amount of Rs.34.38 crore due from M/s. Reliance Industries Limited (RIL) accumulated since 1992 on account of price revision and processing charges in respect of special cut naphtha and differential rate for the supply of furnace oil. The claim was under arbitration. This fact had not been disclosed.

The Management noted the comment.

1.2.45 Biecco Lawrie Limited

Loss for the year was understated by Rs.242.00 lakh due to non-provision of full liability of gratuity, in contravention of Accounting Standard.

1.2.46 Cochin Refineries Limited

1. The Company had not made any provision for diminution in its investment of Rs.875 lakh in shares of Cochin Refineries Balmer Lawrie Limited (CRBL Limited) though the market value was Rs.137.50 lakh only.

The Company stated that investment in CRBL Limited was of a strategic and long term nature and that diminution in the value of shares was temporary in nature. This is not correct as the intrinsic value per share had declined from Rs.2.98 to Rs.2.33 and to Rs.1.39 as at the end of the years 1994-95, 1995-96 and 1996-97 respectively. Further, cash losses of CRBL Limited had gone up from Rs.0.54 crore in 1994-95 to Rs.7.23 crore in 1996-97. Moreover, the paid-up capital of CRBL Limited had been completely eroded. Hence non-accountal for the diminution in the value of the investments was improper and contrary to the requirements of Accounting Standard.

2. Current liabilities and provisions did not include Rs.127.09 lakh being the MODVAT credit utilised, despite receipt of show cause notices from the Central Excise Department objecting to the credits on various grounds. As the regularisation of the utilisation of the MODVAT credit was challenged and was contingent upon the outcome of the appeal, provision for the same should have been made. Failure to do so had resulted in understatement of provision and consequent overstatement of profit by Rs.127.09 lakh.

The Company stated that mere receipt of show cause notices from Central Excise did not warrant any contingent liabilities and that it utilised the MODVAT credit correctly, after complying with all the prescribed excise formalities and procedures.

The reply is not tenable as Under Self Removal Procedure (SRP), the entire onus for correct assessment, valuation, accountal etc for Central Excise duty including adherence to MODVAT procedure rest on the manufacturer and therefore liability in respect of Central Excise duty arises immediately on manufacture and that when the payment of duty was challenged, the Company had to make appropriate provision in the accounts.

3. Profit had been understated by Rs.14596 lakh as the Company had not accounted the income of Rs.14596 lakh being compensation allowed on 5 May 1997, by Oil Co-ordination Committee towards increased refining cost and margins for the period 1993-94 to 1996-97 in their accounts for 1996-97.

The Company stated that the said income and consequently the margin would accrue only during 1997-98. The reply is not tenable as by not accounting the income, the Company had made a departure from the consistently followed accounting practice. Further, the omission was contrary to the Accounting Standard on events occurring after the Balance Sheet date.

1.2.47 Engineers India Limited

1. In violation of the matching concept and the Company's accounting policy, the Company had not accounted for income of Rs.679.02 lakh billable by it in respect of cost plus jobs on account of revision of pay scales with effect from 1 January 1997 during the year 1996-97 even though proportionate expenditure of Rs.515.04 lakh on these jobs had been provided in the accounts. This resulted in the understatement of income and profit by Rs.679.02 lakh.

The Management stated that as per Accounting policy of the Company followed consistently and as per the contracts governing these jobs, the Company could raise the bills only after the expenditure had been actually incurred and not on the basis of provision made. Therefore, it did not recognise the income during 1996-97.

The reply is not tenable as the expenditure of Rs.515.04 lakh allocated to the jobs executed under cost plus contracts had been accounted for and, therefore, the corresponding income receivable from these jobs should have been taken into account as per matching concept to arrive at a true profit. A similar irregularity had been pointed out on the accounts of the Company for the year ended 31 March 1996.

2. Income and profit for the year had been overstated by Rs.1548.85 lakh by corresponding understatement of prior period adjustments each due to accountal of income that accrued during 1995-96.

The Management stated that the Accounting Standard 5 defined prior period items as "The prior period items are material charges or credits which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods."

The reply is not tenable since such income had not been accounted for properly in the previous year due to adoption of wrong accounting policy. Viewed in the light of audit comment on the accounts of the previous year(1995-96), the accounting treatment given by the Company during the current year constituted rectification of an error and, thus, the income should have been shown as prior period income instead of current year's income as per provisions of Accounting Standard-5.

3. Provision for losses had been understated and profit overstated by Rs.267.39 lakh due to non-provision for foreseeable losses.

The Management stated that in terms of the Company's Accounting Policy on lumpsum contracts followed consistently, the income from services rendered was accounted for as proportion of actual direct costs of the work to the latest estimated total direct costs (cost progress) or in proportion to work estimated to have been executed (physical progress), whichever was lower and thus, the Company did not overstate the profit and had accounted for all unforeseen losses on lumpsum contracts.

The reply of the Management is not tenable since foreseeable losses in the execution of contracts should have been provided for in the accounts as per Accounting Standard-7. Accounting Policy of the Company was not in consonance with the provisions of Accounting Standard-7 which is mandatory.

4. The Notes to the Accounts and Accounting Policy in respect of adjustment of obligations towards guarantees, warranties and penalties etc. was not in conformity with item No.3 (ix) of Part II of Schedule VI to the Companies Act, 1956 read with Accounting Standard 7 and Accounting Standard 9. This resulted in the postponing of income of Rs.2809.47 lakh and understatement of profit to this extent. This was also commented upon on the accounts of the Company for the year ended 31 March 1996.

The Management stated that the treatment regarding Company's obligations toward guarantees, warranties and penalties was in conformity with its declared Accounting Policy followed consistently and no change was made during the year 1996-97 and that it was in accordance with the opinion of the Institute of Chartered Accountants of India(ICAI).

The reply of the Management is not tenable and the Accounting Policy adopted by the Company was not correct in view of the following:

(i) Item 3(ix) of Part II of Schedule VI to the Companies Act, 1956 states that the amount set aside to provision made for meeting specified liabilitities, contingencies etc. should be depicted in the Profit and Loss Account. The Company did not make any provision for the warranties/penalties etc. and thus did not follow proper accounting treatment as per requirements of the Companies Act. Instead of making a provision for the warranties/penalities etc. attached to the value of services rendered, the Company chose to postpone the recognition of income/revenue itself.

(ii) The Company deferred the recognition of revenue in excess of the contingencies arising out of warranties etc. Accounting Standard 9 permits deferment of income only to the extent of such uncertainity. Since, either no uncertainity existed for the collection of income/revenue or the guarantees/warranties given by the Company had expired, postponement of larger sums of income than warranted was not in order.

(iii) The Institute of Chartered Accountants of India(ICAI) had also opined that that the Company should keep in view its past experience in regard to postponement of income because of uncertainity, if any, attached to the ultimate collection of revenue relating to the services rendered by it. The Company disregarded its past expeience in regard to expendiiture incurrred by it towards warranties/penalties attached to the services rendedred and had not amended its accounting policy of postponing higher amount of revenue in tune with the expert opinion. A similar irregularity was pointed out on the accounts of the Company for the year 1995-96.

5. Accounting Policy was not consistent with Accounting Standard 11. This resulted in understatement of income by Rs.622.77 lakh, provision of income tax by Rs.267.79 lakh with a consequent understatement of profit by Rs.354.98 lakh.

The Management stated that the Accounting Standard (AS)-1 and 11 were at variance with each other, so far as unrealised profits are concerned and that a reference was being made to the Expert Advisory Committee of the Institute of Chartered Accountants of India for their opinion.

The reply of the Management is not tenable as the Principle of prudence stated in Accounting Standard-1 is a general provision to be observed in preparation of financial statements. Since a specific Accounting Standard 11 has been issued by the Institute of Chartered Accountants of India(ICAI) to regulate effects of changes in foreign exchange rates and the Institute has made it mandatory with effect from 1 April 1995, the Company should have followed the Accounting Standard-11. Further, as per Accounting Standard-1, disclosure of an inappropriate accounting policy will not remedy a wrong or inappropriate treatment of the item in the accounts.

1.2.48 Gas Authority Of India Limited

1. The Company was not maintaining a separate Bank Account for depositing Gas Pool Money which amounted to Rs.1126.37 crore on 31 March 1997 (Previous year Rs.959.72 crore) as required by the Ministry of Petroleum & Natural Gas. The Gas Pool Money did not belong to the Company and, therefore, all interest income accruing on it would also appropriately belong to the Government. During 1996-97, the Company earned an average yield of 14.28 per cent on surplus funds invested by it in inter-corporate deposits. Computed at this rate, the interest income on Gas Pool Money worked out to Rs.135.89 crore for the year which was not shown as payable to Government. Thus the liability of the Company had been understated and profit overstated to that extent.

The Management stated that in accordance with the Ministry's instructions, a separate account for Gas Pool Money had been maintained in the Company's books of accounts and the amount accrued thereto and the disbursements made therefrom had been periodically intimated to the Ministry. It was also stated that the Government had also approved accruals to the Gas Pool Money as part of internal generation for funding of the projects under execution, while approving the Annual Plan of the Company.

The reply is not tenable as the very fact that a separate account was to be kept and the balance in the account was to be intimated to the Ministry from time to time, indicated that the Gas Pool Money did not belong to the Company but to the Government and all interest earned on this amount would also appropriately belong to the Government. The Ministry had also intimated in December 1991 that the amount was to be eventually transferred to an account at the disposal of the Ministry. Further, the Management's reply that the Ministry had cleared treatment of the funds in this account as part of internal generation was not relevant as the money had to be used according to the directions of the Ministry in terms of which the Company had paid Rs.429.17 crore from the Gas Pool Account to Oil India Limited, ONGC and GAIL during the year 1996-97.

2. Capital work-in-progress, Line pipes and Capital items in stock/transit had been understated by Rs.503.22 lakh due to :

(i) Short provision of customs duty of Rs.416 lakh provided on 90 per cent and not on 100 per cent of the value;

(ii) Short provision for exchange rate variation by Rs.49.45 lakh due to a calculation mistake; and

(iii) Short provision of Indian Agent's commission by Rs.37.77 lakh on Plant and Equipment which had been received prior to 31 March 1997.

The Management noted the comment.

1.2.49 Indian Additives Limited

MODVAT credit receivable account was erroneously increased by Rs.76.46 lakh for the goods in Customs Bond even though countervailing duty was not paid on these goods. Similarly, the Company did not decrease this account by Rs.7.71 lakh even though MODVAT credit for the amount was expunged from the Central Excise records. As a result, Loans and advances were overstated by Rs.68.75 lakh.

The Company agreed to adopt the correct procedure in future.

1.2.50 Oil and Natural Gas Corporation Limited

1. Producing Properties (Net) included Rs.2199.68 crore representing the value of Neelam field. The depletion in respect of this field had been calculated on the basis of recoverable reserves of 66.5 million metric tonne (MMT) which did not take into consideration the proposal, made in August 1996, to revise the estimated reserves. This was brought to the notice of the Board in March 1997. No further action had been taken to reflect this development in accounts.

The Management stated that ONGC was proposing to get the Neelam reserves reviewed by the International Reservoir Consultants so as to get the firm picture of reserves and ultimate recovery potential.

However, the fact remains that figure of recoverable reserves as submitted to the Board in March 1997 was 43.761 MMT which should have been taken into account for working out the depletion.

2. Value of Producing Properties included Rs.64.22 crore being the gross value of properties created in respect of certain areas wherefrom production was either 'nil' or very 'low' (below 2000 MT/year).

The Management was of the opinion that ONGC had no option but to create Producing Property, when the regular production commenced from the area irrespective of the quantum of production. However, such producing properties were continuously reviewed and accounting adjustment as necessary would be carried out based on final results of such review.

The contention of the Management is not tenable as prior to 1995-96 Producing Property was not created in respect of those areas where recoverable reserves were less than 1 MMT. However, since 1995-96 the Producing Property had been created in respect of all the areas where regular production commences. This sweeping policy had resulted in creation of Producing Property even for certain areas with very small or intermittent production irrespective of the fact whether there existed established viable production in economic quantities or not. Creation of premature Producing Properties in such cases not only showed inflated value of real assets but also showed distorted picture of working results.

3. Expenditure during the year was understated by Rs.43.12 crore on account of following:

		(Rs. in crore)
(a)	Production, transportation, selling and distribution expenses etc	Rs. 9.58
(b)	Recouped costs	Rs. 4.39
(c)	Interest and exchange fluctuations	Rs .1.33
(d)	Provisions and write offs (Net)	Rs.13.56
(e)	Impact of incorrect booking of amount paid against arrears of salary advances	Rs. 9.65
(f)	Arithmetical inaccuracy in computing the receivables on account of services rendered by the Corporation.	Rs. 4.61
		Rs43.12

4. Adjustment relating to Prior Period (Net) was understated by Rs.2.02 crore on account of non-expensing of the cost/additional cost of wells declared dry during the year 1995-96.

1.2.50 Oil India Limited

1.The Notes to the Accounts did not disclose the unamortised balance of past cost being carried forward and the full value of the consideration to be received by the Company under the production sharing contract with the joint venture contractor for parting with 60 per cent share of oil expected to be produced from Kharsang field.

While accepting the audit observation, the Management also stated that the value of consideration was not disclosed as it was an estimated figure subject to review at the end of each year. The Management further stated that estimated amount of full consideration (Rs.42 crore) swas more than the past cost of Rs. 24.24 lakh. However, the fact remains that non-disclosure of unamortised balance of past cost and full value of consideration did not help reflect a true and fair view of state of affairs of the Company.

2. Advances recoverable in cash or in kind included a sum of Rs.133.27 lakh shown as recoverable from Customs Department in respect of items first imported and then re-exported which was awaiting recovery for more than 9 years. The appeal of the Customs Department was not admitted for want of clearance from the Committee of Secretaries. The Management stated that the Customs Department filed an appeal with CEGAT and CEGAT in their order of 2 June 1997 dismissed that appeal and the Company had accordingly taken steps to realise the amount of Rs.133.27 lakh. However, the fact remains that the recovery of the claim was pending for more than 9 years as on 31 March 1997.

MINISTRY OF POWER

1.2.52 National Hydroelectric Power Corporation Limited

1. Other income included Rs.42 lakh due to write back of liability of interest on 'A' series bonds even when the unclaimed bond money remained outstanding under current liabilities and provisions. This had resulted in the overstatement of profit and understatement of current liabilities and provisions by Rs.42 lakh.

The Management's contention that interest was written back as it was not being claimed for the last four years, is not tenable as unclaimed bond money, on which the interest was due, continued to remain the Company's liability and the write-back was also not covered by declared accounting policy.

2. Despite the comment of the Comptroller and Auditor General of India on the accounts for the year 1995-96, the Company did not provide depreciation amounting to Rs.220 lakh on common facilities i.e. the building housing the generating plant and equipment of three units of Salal-II, which should have been capitalised when it was first put to use (July 1993) according to the Electricity (Supply) Annual Accounts Rules 1985.

The Management's contention that the building was completed only on 31 July 1995 and was capitalised accordingly, is not tenable as the building was a common facility and should have been capitalised with effect from July 1993 in accordance with the Electricity (Supply) Annual Accounts Rules, 1985.

3. Despite the comment of the Comptroller and Auditor General of India on the accounts for the years 1994-95 and 1995-96, the Company had capitalised the remuneration of Rs.3481.72 lakh paid to the surplus staff deployed on projects already completed and under operation and allocated to the projects under construction instead of treating it as revenue expenditure. Accordingly, profit as well as capital work-in-progress - incidental expenditure during construction were overstated by Rs.3481.72 lakh.

The Management stated that they had been consistently following the Accounting Policy regarding allocation of corporate office expenses including surplus labour.

The reply is not tenable as the expenses related to surplus staff working on the projects which had since been completed and commissioned, and as such should have been charged to Profit and Loss Account.

1.2.53 National Thermal Power Corporation Limited

1. Gross Block was overstated by Rs.3276.50 lakh owing to non-reduction of depreciation from the gross value of original assets/equipment used during the construction period at the time of capitalisation on commencement of commercial operation of the respective plants.

The Management stated that there was no provision in the Electricity (Supply) Annual Accounts Rules 1985, providing that on the date of commissioning, the depreciation provided on construction assets should have been reduced from the historical cost of these assets.

The reply is not acceptable because whatever be the accounting treatment, the combined cost of two sets of assets could not become more than their original cost merely because of inter -se allocation of depreciation between them.

2. No provision had been made for payment of guarantee fee of Rs.16554.63 lakh to the Government of India (at normal rates) on guarantees given by the latter on internal and external borrowings of the Company as required in Ministry of Finance OM dated 24 April 1992 and 4 June 1993. This had resulted in overstatement of profit for the year by Rs.3941.48 lakh (previous years Rs.10376.43 lakh) and understatement of capital work-in-progress for and up to previous year by Rs.2236.72 lakh. Consequently, the Current liabilities and provisions had also been understated by Rs.16554.63 lakh. Further, the Company had also since become liable to pay guarantee fees at double the normal rates.

The contention of the Management that the matter was under consideration of the Government is not tenable as in the absence of a specific waiver, the liability should have been duly provided for in the accounts.

3. Despite the comment of the Comptroller and Auditor General of India on the accounts for the year ended 31 March 1996, the Company, pending final decision in the matter, had not provided for interest of Rs.18.36 crore payable on bonds (cumulative interest-Rs.77.71 crore) and interest income of Rs.12.96 crore (cumulative interest-Rs.54.85 crore) on deposits had also not been accounted for.

The contention of the Management that provision for interest on bonds as well as on deposits had not been made in the accounts as they had been cancelled with due approval, is not tenable because the cancellation had not been accepted by the Bank and the final decision of the Committee on Disputes of Government of India to whom the matter was referred was still awaited.

4. The financial impact of the awards of umpire for generating stations in Northern, Southern and Eastern regions and transmission lines in Northern and Eastern regions resulting in increase in profit for the year by Rs.292.67 crore and of provisional sale for Korba STPS and Southern region transmission lines having an impact of decrease in profit by Rs.268.92 crore, accounted for in the current year accounts, had not been disclosed.

Further, despite issue of enabling notification under Section 43 A (2) of the Electricity (Supply) Act, 1948, on 7 July 1997 i.e. before the accounts for the year were adopted by the Board, the effect of award of umpire for Vindhyachal STPP leading to increase in profit by Rs.335.12 crore had not been accounted for.

The contention of the Management that Government of India notification of 7 July 1997 related to the year 1997-98 and would be accounted for as income for the year during which it was finalised, is not tenable since the accounts for the year 1996-97 were not approved by the Board by 7 July 1997, and the same being material, should have been accounted for.

1.2.54 Power Grid Corporation of India Limited

1. Due to non-payment of deposits of Rs.112.06 crore placed with Andhra Bank Financial Services Limited(ABFSL)/Canbank Financial Services Limited (CANFINA) on due dates the Company forfeited bonds of Rs.124.20 crore by crediting to capital reserve (Rs.112.06 crore) and to front end fee (Rs.12.14 crore). The subject matter of dispute between the Company and ABFSL/CANFINA, Canara Bank was referred to Committee on Disputes of Government of India. Pending decision on the reference, provision for interest payable of Rs.19.27 crore on bonds (cumulative interest:Rs.97.53 crore) and interest income of Rs.14.24 crore (cumulative interest: Rs.72.04 crore) on deposits had not been accounted for. In spite of the comments of the Comptroller and Auditor General of India for the year ended 31 March 1995 and 31 March 1996 that showing external liability as capital reserve was distortion of accounts, the Company had still exhibited a sum of Rs.112.06 crore as capital reserve.

The contention of the Management that accounting of forfeited value of bonds under 'Capital Reserve' was appropriate is not acceptable as the Company had not realised any capital profit from redemption/disposal of bonds.

2. An amount of Rs.11206 lakh on account of restoration of deposits with CANFINA and ABFSL in connection with the forfeiture of bonds had been shown under 'Deposit with customs, port trust and other authorities' instead of under 'Other current assets' in terms of requirement of Part I of Schedule VI of the Companies Act, 1956.

The Management accepted the comment.

3. Profit for the year 1996-97 and that for previous year were overstated by Rs.376 lakh and Rs.400 lakh respectively due to creation of Self Insurance Reserve as an appropriation instead of charging it to Profit and Loss account. Also, Rs.24 lakh being the value of damaged circuit breakers and shunt reactors had been charged to current year's Profit and Loss Account instead of to the Self Insurance Reserve.

The contention of the Management that the Self Insurance Reserve was being created by way of appropriation as per Accounting Policy is not acceptable as the creation of reserve by way of appropriation instead of by means of a charge to Profit and Loss Account was not in accordance with the accepted accounting practices.

4. Profit for the year 1996-97 and that for previous years were overstated by Rs.1041.36 lakh and Rs.3323.58 lakh respectively and current liabilities and provisions were understated by Rs.4364.94 lakh due to non-payment/non-provision of guarantee fee to Government of India on external borrowings even at the normal rate of 1.2 per cent per annum as required in Ministry of Finance OM dated 4 June 1993. Further, the Company had also since become liable to pay guarantee fee at double the normal rate.

The Management stated that the matter had already been taken up with Government of India for non-payment of the guarantee fee. The reply is not tenable as in the absence of a specific waiver, the liability had to be provided for in the accounts.

5. Profit for the year was overstated by Rs.24.65 lakh due to adjustment of interest on World Bank loan accrued after commissioning of two of the Emergency Restoration Systems (ERS) under capital work-in-progress instead of being charged to the Profit and Loss Account.

The Management stated that ERS had been capitalised only on 31 March 1997 and no interest had been charged to Profit and Loss Account. The reply is not tenable as the Company used one set of ERS in September 1996 and another in November 1996. Hence the interest element after the date of utilisation of these sets was to be charged to the Profit and Loss Account.

1.2.55 Power Finance Corporation Limited

1. Operating income did not include Rs.37 lakh being the interest/rent etc. accrued in respect of assets leased to Andhra Pradesh State Electricity Board (APSEB).

This had also resulted in understatement of current assets, loans and advances-accrued income on lease financing by Rs.37 lakh.

The Management stated that the demand had been raised on APSEB.

2. The Accounting Policy stating that all prior period adjustments including those ascertained and determined during the year were accounted for as `prior period adjustment', was contrary to Accounting Standard. Accordingly, the accountal of salaries, wages, bonus etc. for the period 1 January 1992 to 31 March 1996 amounted to Rs.44 lakh paid to the employees in pursuance of pay revision order of 9 August 1996 as prior period adjustment had resulted in overstatement of prior period adjustment by Rs.44 lakh and understatement of profit for the year before prior period adjustments by the same amount. The Management accepted the comment.

1.2.56 Tehri Hydro Development Corporation Limited

1. The fact that transfer of assets valuing Rs.841.32 lakh to Power Grid Corporation of India Limited on signing of MOU had resulted in share capital not being represented by corresponding assets. The Company had not completed the process for reduction of share capital as per Section 100 of the Companies Act, 1956.

The Management stated that direction of President of India for reduction of the paid-up share capital consequent upon transfer of transmission system to Power Grid Corporation of India Limited had been conveyed to the Corporation in September 1997. Necessary formalities in terms of Section 100 of the Companies Act, 1956 would be completed during the year 1997-98.

2. Incidental expenditure during construction included Rs.1503.03 lakh being the Incidental Expenditure incurred by the Rehabilitation units of the Company at Dehradun, Rishikesh and Tehri. As the rehabilitation units were fully engaged for rehabilitation of oustees of the project, the expenditure incurred should have been allocated to Rehabilitation and shown separately with a view to disclosing the total Incidental Expenditure on rehabilitation work by means of a separate sub-head "Incidental Expenditure During Construction (pending allocation) - Rehabilitation".

The Management while accepting the audit comment stated that the cumulative amount of Incidental Expenditure incurred by Rehabilitation units of the Corporation upto 31 March 1997, had been mentioned in the Directors Report forming part of the Annual Accounts of the Corporation for the year 1996-97.

MINISTRY OF RAILWAYS

1.2.57 Container Corporation Of India Limited

Leave salary included Rs.19 lakh towards encashment of half pay leave which was not encashable. This resulted in overstatement of provisions-Staff benefits and Profit after depreciation by Rs.19 lakh.

The Management stated that it was decided to provide for the accrued liability for leave due to employees as on 31 March 1997.

The reply is not tenable as the provision was required to be made only for a portion of leave encashable on retirement and not for Half Pay leave being not encashable on retirement.

1.2.58 IRCON International Limited

1. Work expenses included Rs.62 lakh being the liquidated damages deducted by a client in May 1997 which as such should have been accounted for in 1997-98 instead of in 1996-97 in terms of item 9 of Significant Accounting Policy forming part of accounts. This had resulted in overstatement of work expenses and understatement of profit before tax and prior period adjustments by Rs.62 lakh.

The Management stated that as the damages related to the period ended March 1997, they were accounted for in the financial year 1996-97.

The contention of the Management is not tenable as the accountal was in contravention of the accounting policy of the Company.

2. Salaries, wages and bonus included Rs.50 lakh being the liability for revision of pay for the year 1995-96 provided in pursuance of Government orders dated 19 July 1995 but not accounted for in the previous year. During the current year (1996-97) the expenditure should have been accounted for through prior period expenses, in terms of the provisions of Accounting Standard.

This had resulted in understatement of profit before tax and prior period adjustment and of prior period expenses by Rs.50 lakh.

The Management accepted the comment.

3. Provision for bad and doubtful debts and advances did not include Rs.62 lakh being the provision for 10 per cent charges levied on material supplied by one client (UPSEB) free of cost which were doubtful of recovery as the client had declined to pay the amount as far back as 1988. In any case, credit should not have been taken for more than Rs.31 lakh, the Company itself having offered to reduce the charges to 5 per cent.

This had resulted in overstatement of Sundry debtors and understatement of Provisions for bad and doubtful debts and advances by Rs.31 lakh as well as overstatement of Profit before tax and prior period adjustment by Rs.31 lakh.

The Management stated that final view would be taken during the year 1997-98.

MINISTRY OF STEEL

1.2.59 Ferro Scrap Nigam Limited

The profit of the Company had been overstated by Rs.74.42 lakh on account of the following:

i) Overstatement of service charges by Rs.50.41 lakh due to accountal of income at higher rate in respect of steel scrap and and slag processed by the Company during 1996-97.

ii) Undercharge of expenditure of Rs.24.01 lakh in respect of oxygen consumed and surcharge on electricity consumed.

1.2.60 Hindustan Steelworks Construction Limited

Liability towards leave encashment had not been assessed on acturial valuation. Estimated amount of such liability amounting to Rs. 10.00 crore (approx.) had not been provided for. This had violated the Accounting Standard and as such the loss for the year 1996-97 was understated to that extent.

The Management stated that based on judicial pronouncement, no provision had been made in the accounts.

The reply of the Management is not tenable in view of the fact that Accounting Standard had become mandatory with effect from 1 April 1995. Further, judicial pronouncement had no relation with the Company.

1.2.61 Indian Iron and Steel Company Limited

The loss of Rs.222.33 crore for the year 1996-97 had to be viewed in the light of the fact of short-provision of Rs.8.53 crore due to deferment of liability in respect of retirement benefits (leave encashment) in contravention of the Accounting Standard.

The Management stated that the entitlement for leave encashment was a retirement benefit for past services related to services to be rendered by employees in future, the cost thereof ought to be allocated over the period during which services were to be rendered.

The contention of the Company is not tenable in view of the facts that Accounting Standard having become mandatory with effect from 1 April 1995, the liability for the remaining unadjusted balance of Rs.8.53 crore should have also been provided.

1.2.62 Kudremukh Iron Ore Company Limited

1. The Roads and Bridges included Rs.1323.57 lakh being the value of original mine service road measuring 9.2 Kms. out of which 8.7 Kms. did not exist as it had been destroyed due to mining activity carried out later. This had resulted in under provision of depreciation and overstatement of profit by Rs.831.82 lakh.

The Management stated that the present length of mine service road was also 9.2 kms which was the same as originally capitalised and hence the question of under provision of depreciation and overstatement of profit did not arise.

The reply of the Management is not acceptable as it is not factually correct. It was incidental that the present road length worked out to 9.2 km. The fact remains that 8.7 kms length of the original road was not in existence. The Company during the years had not capitalised 8.7 kms road which was laid subsequently during the course of mining activities and charged off to revenue. Hence retaining the value of a road which was not in existence is not correct.

2. Dams, Embankments etc included Rs.11422.20 lakh being the value of Lakya dam. As the useful life of the dam had been estimated in February 1997 as 10 to 12 years, based on its capacity to contain the tailings, it should have been depreciated over the above period of 12 years instead of at the existing rate at the rate of 1.63 per cent per annum which unrealistically extends the life of the dam to a longer period. Once the dam was filled with tailings, it become an obsolete asset for the Company. Thus, there was under provision of depreciation to the extent of Rs.696 lakh and overstatement of profit to that extent.

The Management stated that as agreed with the Audit during the discussions on the accounts for the financial year 1995-96, a Technical Committee examined in detail and reviewed the existing depreciation policy in respect of Lakya dam including its life. The Committee did not suggest any change in the rate of depreciation charged in respect of Lakya dam. This is to be considered on the duration needed to store the tailings and not merely on the life of the mines. Accordingly, the same rate of depreciation as followed in earlier years had been continued and charged in the Accounts. Thus there was neither under provision of depreciation nor overstatement of profit.

The reply of the Management is not acceptable as the fact remains that the economic usefulness of the dam as far as the Company is concerned would be over by 12 years and, therefore, the entire asset had to be written-off from the asset register during that period. Whether the dam would have to remain perpetually and maintained for storage of tailings is irrelevant. Hence depreciation at the rate of 1.63 per cent was not sufficient.

3. Power and Fuel did not include Rs.354.75 lakh demanded by Karnataka Electricity Board (KEB) being the differential rate of electricity tax payable to Government of Karnataka. Non-provision of a statutory levy had resulted in overstatement of profit to that extent.

The Management stated that several issues relating to claims made on the Company by the Karnataka Electricity Board are to be settled after detailed discussions as per the existing agreement with KEB. All the issues including the dispute regarding electricity tax were required to be discussed and settled. Pending settlement of these issues, enhanced portion of the Electricity tax had been shown under Contingent liability.

The issues to be discussed and settled with KEB were relating to tariff rates only. Tax is a statutory levy and unless the Act exempt the Company, the Company was liable to pay the tax. Hence the reply is not acceptable.

1.2.63 Maharashtra Elektrosmelt Limited

1. Non-provision of 100 per cent of the value of non-moving stores & spares amounting to Rs. 262.59 lakh as per the accounting policy consistently followed by the Company, resulted in short provision of Rs. 113.05 lakh and consequent understatment of loss and overstatement of inventories.

The Company's reply that the stores and spares might be required for proper up keep and maintenance of plant and that they had adopted the accounting policy/practice followed by SAIL, is not tenable since the Company had deviated from its earlier Accounting Policy consistently followed.

2. The Government of Maharashtra had refunded to MEL an amount of Rs. 22.76 lakh towards electricity duty for the years 1981-82 to 1983-84 but released it to Maharashtra State Electricity Board which adjusted this amount towards dues from MEL for the period 1993-94 and 1994-95. MEL, however, treated this amount as security deposit under Loans and Advances.

The reply of the Company that MSEB was required to adjust the additional security deposit payable against the refund of electricity duty is not tenable as the MSEB had already adjusted this amount in their books towards the dues from MEL.

3 (i) Sales included Rs 252.93 lakh being the difference between stencil tare weight and actual tare weight for supplies made to SAIL plants during the period January to September 1996. As the actual tare weight was not certified by Railways as required by acceptance of tender conditions and as these conditions did not provide for payment based on actual tare weight, booking of the same to sale was not correct. Therefore, as per the Accounting Standard 9, the revenue recognition should have been postponed to the year in which it was realised.

The Company stated that the matter had been taken up with SAIL.

3(ii) Sales included an amount of Rs. 98.60 lakh being the bills raised on Bokaro Steel Plant (BSP) for supplies made during 1994-95 and 1995-96 (upto December, 1995). As the realisation of the amount was uncertain till the finalisation of accounts, the Company should have accounted the same during the year in which it was realised by following the provisions of AS-9 - "Revenue Recognition".

The reply of the Company that Bokaro Steel Plant had raised Goods Acceptance Note in support of accounting is not tenable as BSP was not agreeing for releasing payment based on actual tare weight till the date of finalisation of accounts.

1.2.64 Manganese Ore (India) Limited

The Company had proposed a dividend of Rs.3.07 crore on equity shares but the income-tax amounting to Rs.0.31 crore to be paid thereon by it had not been appropriated. This had resulted in understatement of income tax on proposed dividend and overstatement of balance of Profit and Loss account carried forward to Balance Sheet by Rs.0.31 crore.

The Management accepted the comment.

1.2.65 MECON (India) Limited

(i) The Current assets included unlinked balance of Rs. 486.67 lakh representing value of material (Rs.46.05 lakh) and material advance (Rs.440.62 lakh) shown as recoverable from sub-contractors who had already completed the fabrication jobs and contracts had been closed. No provision against the above unlinked balance had been made in the accounts.

The Management stated that material advance reconciliation was under progress.

(ii) The Current assets included Rs. 74.73 lakh being the amount of tax deducted at source (TDS) prior to 1993-94 by clients against which supporting tax deduction certificates were not available. No provision had been made on this account.

The Management's reply that efforts were being made to collect the tax deducted at source certificates from the clients is not acceptable as the TDS certificates were not available with the Company since 1993-94.

1.2.66 Steel Authority of India Limited

1(i) An amount of Rs.114.42 crore towards interest on loans given to a subsidiary company (Indian Iron and Steel Company Limited – IISCO which was referred to BIFR in 1994) had been taken as income. Such interest income was waived in the past, upto the year 1995-96.

The Management stated that the Company had not waived the interest due from the subsidiary as the Company was incurring cost on funds provided to IISCO.

The Management's reply is not acceptable as the financial position of IISCO did not permit any payment of interest. Further, the practice of the Company was inconsistent against their own past practice.

(ii) Due to deferment of accrued liability towards leave encashment upto the period ended 31 March, 1995, there was a short provision of Rs.126.16 crore.

The Management stated that entitlement for leave encashment is a retirement benefit for past service related to services to be rendered by the employees in future, the cost thereof ought to be allocated over the period during which services were to be rendered.

The Management's reply is not tenable as Accounting Standard which was made mandatory with effect from 1 April 1995 did not permit deferment of liability towards retirement benefits and this was also against the accrual concept of Companies Act,1956.

2. There was an under-charge of depreciation and other expenses to the extent of Rs.340.79 crore due to delayed capitalisation of some of the units under modernisation programme at Durgapur and Salem Steel Plants.

The Management stated that the units under modernisation programme at Durgapur and Salem Steel Plants had been capitalised in line with recognised accounting policy and practice consistently followed and hence there was no under-charge of depreciation.

The Management's contention is not acceptable as the Company had not adopted the parameters in term of DPE circular dated 3 October 1991 which envisage to reckon the date of commercial production as six months from the date of trial run or completion of guarantee. These plants were operated and substantial quantities in production obtained and sold. Revenue earned but matching expenditure on depreciation to earn that income was not charged to the Accounts.

3. There was an overvaluation of Rs.24.03 crore on account of the following (i) Accumulated iron ore fines at Bolani (brought in the books for the first time) due to adoption of higher rate and lower percentage of slime loss (Rs.18.42 crore).

The Management stated that valuation of iron ore fines had been done correctly on a conservative basis by adopting weighted average cost for the last three years.

The Management's reply is not acceptable in view of fact that such accumulated stock should have been valued at weighted average rate calculated from the year of generation. The Company had taken the benefit of current average valuation for the past accumulated stock.

(ii) Due to non-reduction of moisture contents in nut coke and other fractions of coke at Rourkela Steel Plant, the stock was overvalued by Rs.5.61 crore. This was in deviation of past practice.

The Management stated that stock taking on wet basis was in line with the uniform practice followed at other steel plants.

The reply is not tenable as the Company should have valued the stock on dry basis as was being done in the past.

4. Sundry debtors included Rs.28.59 crore being the amount of cheques dishonoured from 16 customers towards supply of material (Rs.28.33 crore) and accrued interest (Rs.0.26 crore). No provision had been made against these doubtful debts.

The Management stated that provision for doubtful debts were made only when debts were considered irrecoverable and this accounting treatment was being followed consistently.

The reply is not tenable as the realisation of the amount was doubtful because of bouncing of cheques.

5. Miscellaneous expenditure (to the extent not written off or adjusted) was overstated by Rs.0.85 crore by deferring the expenditure incurred on technological assistance relating to manufacturing process of Hot Rolled Steel Mill(HRSM) at Salem Steel Plant.

The Management stated that the expenditure on technical assistance for mill was treated as Deferred Revenue Expenditure (DRE) and this was in line with accounting practice being followed consistently.

The Management's reply is not tenable as the expenditure relating to know-how in relation to manufacturing process was to be charged to Profit and Loss Account instead of treating the same as DRE.

1.2.67 Visvesvaraya Iron and Steel Limited

The liability towards power charges payable to Karanataka Electricity Board, being wheeling and transmission charges for supply of power from Kadra Hydel Electric Project, was short provided by Rs.96 lakh. This had resulted in understatement of power and fuel charges and loss for the year by Rs.96 lakh.

The Management stated that under an agreement between Karnataka Power Corporation Limited, Karnataka Electricity Board and VISL, concessional power tariff was leviable on power supplies to VISL with wheeling and transmission charges at 10 per cent of the applicable tariff rate. The liability towards wheeling and transmission charges has been provided for accordingly.

The reply is not acceptable as the Company calculated 10 per cent of the concessional tariff applicable to VISL as wheeling and transmission charges. But as per the agreement VISL was required to pay 10 per cent on the tariff rate applicable to general category of the consumers to which VISL belong.

MINISTRY OF SURFACE TRANSPORT

1.2.68 Hindustan Shipyard Limited

The Sundry creditors did not include Rs.19.22 lakh being the difference between the actual freight (Rs.49.48 lakh) and freight (Rs.30.26 lakh) loaded to inventory at pre-determined rate on MS plates purchased and received during the year. This had resulted in understatement of Inventories and Sundry creditors by Rs.19.22 lakh.

The Management stated that the system of providing freight in pre-determined rate and adjustment of under/over absorption at the year end was as per the consistent practice being followed by the Company.

The reply is not acceptable since the Company was aware of the entire actual liability towards freight before the Balance Sheet date i.e. 31 March 1997, the provision for entire freight should have been made.

MINISTRY OF TEXTILES

1.2.69 The Handicrafts and Handlooms Exports Corporation Limited

1. Revenue grants received by the Company during the year had been accounted for under 'Current Liabilities' and 'Current Assets' instead of recognising the income related thereto through Profit and Loss Account to the extent of matching expenditure. The Company had also not disclosed its accounting policy with regard to accounting of the grants as per requirement of Accounting Standard 12.

Unspent balance of Rs.75.06 lakh including unspent balance out of grants received during the year (Rs.35.71 lakh), as well as of the previous years (Rs.39.35 lakh) had not been refunded/adjusted in the subsequent grants.

The Management stated that the relevant provisions of the Accounting Standard-12 would be complied with in the subsequent year's Accounts.

As regards unspent balance of Government grants of Rs.39.35 lakh pertaining to earlier years, it was stated that Rs.1.41 lakh had been refunded to the concerned department and needful was being done to settle the balance amount of Rs.37.94 lakh during 1997-98.

2. Income (Rs.9924.98 lakh) was overstated by Rs.5905.95 lakh due to inclusion of sale of Gold and Silver Jewellery affected by the Company's associates in exhibitions and fairs held abroad. Similarly, purchases had also been overstated by Rs.5427.46 lakh. The Accounting treatment given by the Company in this regard was in violation of Accounting Standard-9 and guidelines of the Government as the Company received only service charges/commission amounting to Rs.478.49 lakh on these sales.

The Management agreed to review its accounting treatment.

1.2.70 National Textile Corporation (APKK&M) Limited

The Finance charges did not include Rs.76.93 lakh being the interest payable on dues to private cotton suppliers. However, the Company had provided interest on the dues payable to Government/Co-operative suppliers. As the Company's accounts were maintained on accrual basis, non-provision of interest had resulted in understatement of finance charges and loss for the year by Rs.76.93 lakh.

The Management stated that the above had been disclosed forming part of the accounts which was self explanatory.

As the differential treatment for private suppliers compared to institutional supplies was against the accrual method of accounting adopted by the Company, mere disclosure in the Notes to accounts is not acceptable.

1.2.71 National Textile Corporation (TN&P) Limited

Loss has been understated by Rs.29.07 lakh due to supply of defective yarn to a customer in 1996-97.

The Company stated that claim made by customer was not acceptable and suitable provision could be made only on finalising the exact amount of compensation.

The reply is not tenable as the Committee constituted to study the quality complaints had opined that there had been deterioration in the quality of yarn despatched. Consequently provision in this regard was warranted.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

Department of Urban Development

1.2.72 Housing and Urban Development Corporation Limited

1. Capital work-in-progress included a sum of Rs.3.08 crore in respect of interior works completed in November 1995 resulting in understatement of Fixed Assets - Building and overstatement of Capital work-in-progress by Rs.3.08 crore besides understatement of depreciation by Rs.0.30 crore (current year: Rs.0.15 crore and prior period: Rs.0.15 crore) as well as Profit after tax by the same amount. Comment in this regard was also issued on the accounts of the Company for the year 1995-96.

The Management accepted the comment.

2. A reference is invited to item 3.1 of the Auditors' Report stating, inter-alia, that non-compliance of prudential norms resulted in overstatement of Profit and Current assets, Loans and advances to the extent of Rs.439.35 crore. On further examination it had been observed that this qualification was not attracted in terms of National Housing Bank (NHB) guidelines for an amount of Rs.97.69 crore as (a) an amount of Rs.10.85 crore had been received by the Company in June 1997, before certification of accounts by the Auditors, (b) Memorandum of Understanding (MOU) for conversion of bank guarantees into Government guarantees (Rs.18.80 crore) had been signed in March 1997 and (c) interest income (Rs.68.04 crore) accounted for (current year: Rs.36.69 crore and prior period: Rs.31.35 crore) related to loans backed by Government guarantees.

The Management accepted the comment.

1.2.73 National Building Construction Corporation Limited

1. Unsecured loans (Rs.20276.17 lakh) included an amount of Rs.10663.67 lakh as principal and Rs.9612.50 lakh as interest accrued and due which had become repayable on 31 March 1997 had not been paid.

The Company had also not provided for penal interest leviable due to default in repayment of Government loan and interest thereon amounted to Rs. 3430.19 lakh but had shown it only a contingent liability. This was also commented upon during 1994-95 and 1995-96. This resulted in understatement of loss to the extent of Rs.3430.19 lakh.

The Management stated that the amount of the loans pertained to Libyan and Iraqi projects which could not be repaid due to non-realisation of outstanding dues from Libyan and Iraqi clients consequent to continuing United Nations Embargo and that the matter for realisation of outstanding dues amounted to Rs.94.56 crore from Libya was under follow up with the clients.

As regards provision for penal interest against Government loans, the Management stated that it was being shown as contingent liability.

The reply is not tenable in view of the fact that the accounts were prepared on accrual basis and overdue penal interest on loans should have been provided for.

2. Accounting Policy was not in accordance with Accounting Standard to the extent that it did not provide for foreseeable losses on ongoing projects. As such foreseeable losses aggregating Rs. 1429.38 lakh had not been provided for resulting in understatement of provisions and loss by Rs. 1429.38 lakh each.

The Management stated that assessment/provision of foreseeable losses during the currency of the contract, if any, would not reflect the realistic financial position of the project and that this policy was being followed consistently over the years.

The reply is not tenable as foreseeable losses had to be provided for in accordance with Accounting Standard.

MINISTRY OF WELFARE

1.2.74 National Backward Classes Finance And Development Corporation Limited

Inter Corporate Deposit (ICD) with the Cement Corporation of India Limited (loanee) made in February 1993 was renewed from time to time in contravention of Department of Public Enterprises guidelines of 14 December 1994 as subsequently modified on 1 November 1995. As the renewal of the balance amount was necessitated due to inability of the loanee to repay on due dates, a suitable provision for doubtful portion of the amount (principal : Rs.320 lakh and interest accrued and due : Rs.192.08 lakh) should have been made instead of treating the whole amount as good. This had resulted in overstatement of Loans and advances as well as corresponding overstatement of excess of Income over Expenditure (amount unascertained).

The Management stated that the loanee had been referred to BIFR and had submitted a proposal to Government/BIFR for sale of one of its units and after receipt of approval it will liquidate the Company's dues on priority. As such the dues from the loanee were considered good.

The contention of the Management is not tenable considering the inability of the loanee to repay the dues earlier and the very fact that it had been referred to BIFR.

1.2.75 National Minorities Development And Finance Corporation

In the current year (1996-97), the Company adopted a policy of allowing with retrospective effect a moratorium period on loans advanced to State channelising agencies for repayment of instalments of principal. Instead of giving effect to the change, insofar as it related to the year ended 31 March 1996, in the income and expenditure account of the current year, the Company reflected it in prior period expenses and income.

This resulted in understatement of normal interest on loan by Rs.31.36 lakh, rebate by Rs.1.62 lakh and compound interest on delayed repayment of loans by Rs.1.94 lakh and consequent overstatement of adjustments relating to prior period by Rs.27.80 lakh.

The Management accepted the comment.

REVIEW OF ACCOUNTS

NAME OF THE MINISTRY/COMPANY	BRIEF COMMENTS
DEPARTMENT OF ATOMIC ENERGY	
1.3.1 **Nuclear Power Corporation of India Limited**	The percentage of Sundry debtors to sales as on 31 March 1997 stood at 125.16 per cent as against 91.24 per cent for the year 1995-96.
1.3.2 **Uranium Corporation of India Limited**	i)The Company suffered loss in 1996-97 and the earning per share had a sharp decline from Rs.26.28 in 1994-95 to Rs.2.2 in 1995-96 and to (-) Rs.23.13 in 1996-97. ii)The stock of stores and spares had a disproportionate increase from Rs.9.31 crore on 31 March 1995 to Rs.16.45 crore on 31 March 1996 and to Rs.22.53 crore as on 31 March 1997.
MINISTRY OF CHEMICAL & FERTILIZERS	
1.3.3 **Fertilizer Corporation of India Limited**	The accumulated loss (Rs.3493.67 crore) upto 31 March 1997 had completely eroded the paid-up capital and borrowed funds and was 531.21 per capital of the paid-up capital as against 446.65 per cent as on 31 March 1996.
1.3.4 **Hindustan Fertilizer Corporation Limited**	The accumulated loss of the Company upto 31 March 1997 (Rs.3630.69 crore) had completely eroded the paid-up capital and borrowed funds and was 512.01 per cent of paid-up capital as against 439.37 per cent as on 31 March 1996.
1.3.5 **Paradeep Phosphates Limited**	The networth of the Company had a sharp decline from Re.0.73 in 1995-96 to Re.0.54 of paid-up capital in 1996-97.
MINISTRY OF COAL	
1.3.6 **Bharat Coking Coal Limited**	The accumulated loss of Rs.1513.58 crore of the Company upto 31 March 1997 had completely eroded the paid-up capital and had eaten up a sizeable portion of borrowings.

1.3.7	**Eastern Coalfields Limited**	The accumulated loss of the Company upto 31 March 1997 (Rs.1186.72 crore) had completely eroded the paid-up capital. The Company incurred a loss of Rs.338.23 crore in 1996-97 as against profit of Rs.155.13 crore in 1995-96.

MINISTRY OF COMMUNICATIONS

1.3.8	**ITI Limited**	The loss of the Company was substantially reduced on account of waiver of liquidated damages relating to previous years by DOT/MTNL.

MINISTRY OF DEFENCE

1.3.9	**Bharat Dynamics Limited**	The profit before tax for the year amounting to Rs.38.13 crore included an amount of Rs.31.35 crore in respect of interest income on short term deposits/loan/sundry advances/other deposits.
1.3.10.	**Goa Shipyard Limited**	Stock of material was equivalent to about 13 months consumption for production requirement of 1996-97 compared to 9 months in 1995-96.
1.3.11	**Mazagon Dock Limited**	The percentage of long term debt to equity was 173 per cent compared to 196 per cent in 1995-96.

MINISTRY OF INDUSTRY

1.3.12	**Bharat Bhari Udyog Nigam Limited**	The Company invested Rs.109.53 crore in five subsidiary companies who had eroded their entire paid-up capital and their accumulated loss were Rs.969.48 crore as on 31 March 1996.
1.3.13	**Braithwaite & Company Limited**	The net worth of the Company was negative (Rs.23.43 crore) as on 31 March 1997 and therefore eroded the entire paid-up capital of the Company.
1.3.14	**Burn Standard Company Limited**	The net worth of the Company as on 31 March 1997 was negative at Rs.418.95 crore and thereby eroded the entire paid-up capital of the Company.
1.3.15	**Engineering Projects (India) Limited**	Accumulated loss had fully eroded the paid-up capital, reserves and borrowed funds of the Company as on 31 March 1997.

1.3.16	**HMT Limited**	Net worth declined continuously as the Free Reserves were progressively eroded by the losses suffered by the Company from the year 1992-93 onwards. During 1995-96, the entire Reserves were wiped out including specific reserves like Debenture Redemption Reserve and Bond Redemption Reserve.
1.3.17	**Heavy Engineering Corporation Limited**	i)The Current liabilities were more than the Current assets resulting in negative working capital of Rs. 58.65 crore. ii)The accumulated loss of Rs. 936.20 crore had not only eroded the paid-up capital of Rs. 417.87 crore but also wiped out its borrowed funds leading to negative net worth of Rs. 518.7 crore as on 31 March 1997. iii)Debts outstanding for 3 years or more against the Government Companies/Undertakings/Private parties as on 31 March 1997 was Rs.54.99 crore. iv)The Sundry debtors as on 31 March 1997 was 76.07 per cent of the total sales as compared to 64.01 per cent as on 31 March 1996. This indicated deterioration in realisation of debts.
1.3.18	**Instrumentation Limited**	Accumulated loss had fully eroded the paid-up capital and reserves as on 31 March 1997.
1.3.19	**Jessop & Company Limited**	Negative net worth (Rs.299.72 crore) as on 31 March 1997 indicated erosion of entire paid-up capital of the Company.
1.3.20	**Mining and Allied Machinery Corporation Limited**	The accumulated loss of the Company as on 31 March 1997 (Rs.574.29 crore) had completely eroded the paid-up capital and borrowings of the Company. The per centage of accumulated loss to paid-up capital was as high as 1465.58 per cent as against 1172.64 per cent in previous year.
1.3.21	**Richardson & Cruddas (1972) Limited**	The accumulated loss of Rs.5756.53 lakh as on 31 March 1997 was 105 per cent of the paid-up capital of the Company.

MINISTRY OF MINES

1.3.22	**Bharat Gold Mines Limited**	i)The Company had been meeting its working capital requirements out of borrowed funds from Government of India, Inter-corporate loans and cash credit from banks. ii)The loss had gone up despite marginal increase in sales. iii)The production of gold during 19996-97 was 692 kgs compared to a target of 803 kgs.
1.3.23	**Hindustan Copper Limited**	94 per cent of stock of raw material (Rs.120.73 crore) were in transit as on 31 March 1997.
1.3.24	**Hindustan Zinc Limited**	Earning per share decreased to Re.0.72 in 1996-97 from Re 1 in 1995-96.
1.3.25	**Mineral Exploration Corporation Limited**	Accumulated loss as on 31 March 1997 was Rs.53.75 crore which constituted 89.66 per cent of the paid-up capital

MINISTRY OF POWER

1.3.26	**North Eastern Electric Power Corporation Limited**	Sundry debtors of Rs.177.38 crore as on 31 March 1997 were 133.49 per cent of the sales during the year.

MINISTRY OF PETROLEUM AND NATURAL GAS

1.3.27	**Cochin Refineries Limited**	No bonus shares had ever been issued by the Company though the Reserves and Surplus were 8.67 times of the paid-up capital.

MINISTRY OF RAILWAYS

1.3.28	**Indian Railway Finance Corporation Limited**	Earning per share declined to Rs.440.20 in 1996-97 from Rs.886.90 in 1995-96.
1.3.29	**IRCON (International) Limited**	Earning per share declined to Rs.48.39 in 1996-97 as against Rs.228.10 in 1995-96.

MINISTRY OF STEEL

1.3.30	**Bharat Refractories Limited**	Investment included Rs.5.11 crore invested in its subsidiary company Indian Firebricks and Insulation Company Limited which had accumulated loss Rs. 21.30 crore as well as negative net worth as on 31 March 1997.
1.3.31	**Hindustan Steelworks Construction Limited**	i)The accumulated loss of Rs.877.04 crore as on 31 March 1997, represented 43.85 times of the paid-up capital and thereby eroded the entire paid-up capital. ii)The Sundry debtors as on 31 March 1997 were 90.02 per cent of the total contract receipts. iii)No physical verification of the stock valuing Rs.2.68 crore lying in Libya was conducted since 1988-89.
1.3.32	**Indian Iron and Steel Company Limited**	i)Investment included Rs. 3 crore invested in its fully owned subsidiary company, IISCO Ujjain Pipes & Foundry Company Limited which had accumulated loss of Rs. 15.14 crore as on 31 March 1996 and a negative net worth. The IISCO Ujjain Pipes and Foundry Company Limited had been referred to BIFR in March 1994. ii)The accumulated loss of Rs. 1161.05 crore as on 31 March 1997 represented 299.49 per cent of the paid-up capital. iii)The Sundry debtors as on 31 March 1997 was 41 per cent of the total sales as against 34 per cent as on 31 March 1996 which indicated deterioration in realisation of debts.
1.3.33	**Kudremukh Iron Ore Company Limited**	i)The profit before tax included non-operational income of Rs.22.17 crore (26 per cent) derived mainly from interest earned (Rs.9.29 crore) from Inter-corporate loans and others, sale of special import licences (Rs.6.17 crore) and sale of scrap (Rs.2.91 crore). ii)The cost of sales relative to net sales realisation increased from 77.88 per cent in 1995-96 to 82.75 per cent during 1996-97 contributing to reduction in profit during the year.

1.3.34	**Maharashtra Elektrosmelt Limited**	Loss incurred were Rs.160.16 lakh as against profit of Rs.190.99 lakh for the year 1995-96. Consequently, earning per share was Nil for the year 1996-97 as against 2.97 per cent for the year 1995-96.
1.3.35	**National Mineral Development Corporation Limited**	The profit of Rs.169.78 crore included an amount of Rs.35.45 crore being non-operational income of interest on deposits.
1.3.36	**Steel Authority of India Limited.**	i)Debts outstanding for three years or more from Government Departments/ Undertakings/Private parties amounted to Rs.67.93 crore as on 31 March 1997 ii)The percentage of cost of sales of net sales/realisation increased from 89.18 in 1995-96 to 94.88 in 1996-97
1.3.37	**Visvesvaraya Iron and Steel Limited**	i)Sundry debtors constituted 75.23 per cent of the quick assets and so the Company was likely to face liquidity problems if the debtors were not collected regularly. ii)The increase in the inventory at the end of 1996-97 was largely due to the stock of saleable alloy and special steel produced against customer order but not lifted by the customer due to recessionary trend in the market.

MINISTRY OF SURFACE TRANSPORT

1.3.38	**Dredging Corporation of India Limited**	The profit for the year amounting to Rs.61.08 crore included an amount of Rs.22.66 crore being the non-operational income.

MINISTRY OF TEXTILES

1.3.39	**National Textile Corporation (MN) Limited**	i)The accumulated loss of Rs.560.28 lakh as on 31 March 1997 was 1016 per cent of the paid-up capital of the Company. The accumulated loss were also more than the paid-up capital plus reserves and surplus. The high debt and consequent interest burden had a major impact on the profitability of the Company.

ii)Sales during 1996-97 decreased by Rs 135.56 lakh when compared to 1995-96 and loss for the year increased by Rs.1297.98 lakh in comparison to 1995-96.

1.3.40	**National Textile Corporation (SM) Limited**	The accummulated losses of Rs.52659.57 lakh as on 31 March 1997 was 1072 per cent of the paid-up capital.
1.3.41	**National Textile Corporation (MP) Limited**	Accummulated losses as on 31 March 1997 was Rs.526.40 crore which constituted 1568.07 per cent of the paid-up capital of the Company.
1.3.42	**NTC(APKK&M) Limited**	(i) Inspite of slight increase in price of cloth when compared to previous year, loss increased by Rs.2.53 crore (a) due to curtailed operation by the /company due to shortage of working capital (b) increase in idle wages and other fixed expenses due to closure/partial operations of the Mills (c) increase in input cost of raw material, power and fuel, employees remuneration and benefits on borrowing costs and (d) operations were also affected due to VRS introduced in October 1996. (ii) Company production value declined by Rs. 54.15 crore i.e around 24 per cent compared to previous year. Due to shortage of working capital, Company reduced its production activities in majority of its mills. Sales was also less by Rs.47.2 crore around 21 per cent compared to previous year with both sale of cloth as well as yarn declining.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

1.3.43	**Housing and Urban Deveolpment Corporation Limited**	Earning per share declined to Rs.175.83 in 1996-97 as against Rs.239.97 in 1995-96.
1.3.44	**National Buildings Construction Corporation Limited**	Accumulated loss had fully eroded the paid-up capital and free reserves and had eaten into the borrowed funds too to the extent of Rs. 116.71 crore as on 31 March 1997.

Chapter - 2

Comments in the Reports on Government Companies by Statutory Auditors in Pursuance of the Directions Issued by the Comptroller and Auditor General of India

The Statutory Auditors (Chartered Accountants) report upon the possibility of improvements in certain respect of the accounts of Government Companies 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.

Out of the 261 Central Government Companies and 63 Deemed Government Companies as at the end of 31 March 1997, a resume of illustrative major comments for the year 1996-97 on possible improvements in the accounts of some of the Companies is given below:-

NAME OF THE MINISTRY/COMPANY	AREA FOR IMPROVEMENT

2.1 System of Financial Control and Accounts

DEPARTMENT OF ATOMIC ENERGY

2.1.1 Uranium Corporation of India Limited	(i) Receipt, issue and transfer vouchers having no pre-printed serial numbers were open to misuse. ii) At some units, a large number of issue and transfer vouchers were not valued and accounted for.

MINISTRY OF CHEMICALS AND FERTILIZERS

2.1.2 Fertilizers and Chemicals Travancore Limited	The assets register at regional sales office, Tamil Nadu area had not been maintained in the proper form. The assets had also not been physically verified.
2.1.3 Madras Fertilizers Limited	Dealer ledgers should have been prepared at least quarterly rather than at actual intervals.

MINISTRY OF CIVIL AVIATION AND TOURISM

2.1.4 Pondicherry Ashok Hotel Corporation Limited	Creditors control accounts were not reconciled with subsidiary accounts.

MINISTRY OF COAL

2.1.5 Bharat Coking Coal Limited	Difference between subsidiary ledger and control accounts were not reconciled at all in some cases.
2.1.6 Central Coalfields Limited	(i) Accounting of TA/LTC advance, demurrage, escalation claim, liquidated damage, insurance, railway claim etc. was not made on accrual basis.
	(ii)Reconciliation of balances with subsidiaries of holding company was never done.
2.1.7 Central Mine Planning and Design Institute	(i) There were overwritings, erasings, cuttings in the Cash book without proper authentication. The system of recording the expenses had room for double payments.
	(ii) Fundamental accounting assumptions regarding `Accrual' as indicated in Accounting Standard had not been followed in the case of Insurance/Railway claims, pensi and life cover schemes. Non-provision of retirement benefits like pension, life cover scheme, Company's contribution towards retirement pension fund was not in accordance with requirement of Accounting Standard which is mandatory with effect from 1 April 1995.
2.1.8 Coal India Limited	There was no system of obtaining confirmation of balances in respect of debtors, claims receivables and advances.
2.1.9 Northern Coalfields Limited	Subsidiary ledgers in some cases were not reconciled with the control ledgers.

MINISTRY OF COMMERCE

2.1.10 India Trade Promotion Organisation	(i) Though Board of Directors had delegated powers to Chairman-cum-Managing Director and other various officers, there were still ambiguities in respect of exercise of some powers.
	(ii) In cases of approval given for incurring some expenditure subject to ex-post facto approval of Board, the cases were not put to the Board at the next meeting.
	(iii) There was considerable delay in chasing non-credits in bank accounts and unreconciled amounts in foreign bank accounts.

2.1.11 National Centre for Trade Information	(i) The system of extracting a trial balance was not being followed periodically. The trial balance was extracted at the year end. (ii) The Company reconciled its accounts with the bank at the year end only and was not done regularly. (iii) The Company prepared budget of capital and revenue expenditure and sales for the financial year in advance though shortfalls in performance were not analysed.
2.1.12 The State Trading Corporation of India Limited	(i) The Accounting policy of the Company relating ot the valuation of inventories was contrary to Accounting Standard. (ii) Comparative yield on most of the deposits with Public Sector Undertakings and banks was lower than the interest paid on the loans borrowed by the Company.

MINISTRY OF COMMUNICATIONS

2.1.13 ITI Limited	There were certain old cheques lying in bank reconciliation statement as not having been credited/debited by the bank which were to be pursued and settled.

MINISTRY OF DEFENCE PRODUCTION & SUPPLIES

2.1.14 Bharat Electronics Limited	(i) The disclosure of effects on foreign exchange variation had not been complied with. (ii) There was a need to improve the system of disposal of non-moving inventory so as to expedite the disposal.
2.1.15 Bharat Earth Movers Limited	There was ample scope for efficient management of the credits obtained by the Company, so that the cost of credit was brought down to levels obtaining in other Public Sector Undertakings. This would go a long way in improving the profitability of the Company.
2.1.16 Mishra Dhatu Nigam Limited	(i) The Company had been following its own Accounting policy regarding booking of sales which was not in conformity with the Accounting Standard.

(ii) The sales had been prematurely booked to the extent of Rs.23.23 crore.

MINISTRY OF FINANCE

2.1.17 Canbank Venture Capital Fund Limited	There was no system of reconciliation between control and subsidiary accounts.
2.1.18 National Insurance Company Limited	There was no system at the divisional offices and at its branches for reconciliation between claims disbursed as per disbursment books and claims settled.

MINISTRY OF FOOD PROCESSING INDUSTRIES

2.1.19 National Seeds Corporation Limited	(i) The products in which the Corporation dealt had a limited life span. However, there was no method to ensure that the issues were made on First in First out (FIFO) basis. This resulted in heavy condemnation of seeds. (ii) No efforts had been made during the last several years to realise the dividend declared by the State Seeds Corporations on the shares held by the Corporation as investments. (iii) Revision in sale price was given effect to after receipt of the corresponding circular, instead of with effect from the date of applicability of the circular, causing loss to the Corporation. (iv) No reconciliation was done for transfer out and transfer of stock at the time of preparation of stock and sale statement. So, it could not be ensured that proper accounting had been done for all stock moved and all shortages accounted for.

MINISTRY OF INDUSTRY (Department of Heavy Industry)

2.1.20 Bharat Brakes and Valves Limited	The control accounts and subsidiary accounts were not reconciled.
2.1.21 Bharat Heavy Electricals Limited	Profit on inter-unit transfer of material had not been reduced from the inventory valuation at the close of the year in respect of Central foundry forge plant, Haridwar.

2.1.22 Bharat Heavy Plate and Vessels Limited	(i) An amount of Rs.258.66 lakh incurred by various site offices (both closed and in progress) was kept under suspense account pending approval by competent authority. Cash book was written on loose sheets of papers and the same was sent to the head office for verification/adjustment together with vouchers. (ii) No control register had been maintained to indicate the treatment accorded to surplus material at the closed sites. (iii) The bank account of the erection sites lying in the name of individual officers were not being reconciled though required as per the `External Services Site Management Manual'.
2.1.23 Engineering Projects (India) Limited	The trial balances in some of the projects was being prepared at the end of the year during the course of audit, instead of preparing the same periodically.
2.1.24 Hindustan Paper Corporation Limited	Priced stores ledger and bin-card balances yet to be fully reconciled.
2.1.25 HMT Limited	Written delegation of powers required to be consolidated and made comprehensive.
2.1.26 Mandya National Paper Mills Limited	The Accounting policy was not in conformity with Accounting Standards in respect of non-provision of bonus aggregating to Rs.55.88 lakh on account of recurring loss/accumulated loss as the same had been disclosed in the Notes to accounts.
2.1.27 National Bicycle Corporation of India Limited	In the case of Ghaziabad Unit, reconciliation of bank account was done at the end of the year only. In respect of bank accounts, bank statement and balance confirmation were not available.
2.1.28 National Small Industries Corporation Limited	(i) There was no system of having trial balances drawn periodically. (ii) No reconciliation was made at regular intervals but done on yearly basis. (iii) Regular treatment of certain expenses/incomes on cash basis, was not in accordance with the Companies Act, 1956. (iv) As per Company's policy, debtors/receivables were

shown secured on the basis of original value of security instead of present market/realisable value of such securities.

(v) The overall budgets/estimates were made without any proper allocation to various centres/units. Neither any comparative study had been undertaken nor any analysis for variation made. Capital budget for building for 1996-97 was originally fixed at Rs.50 lakh only which had been raised to Rs.150 lakh for the same year in the revised estimates for which no reasons had been assigned.

2.1.29 Tannery and Footwear Corporation of India Limited

(i) Bank accounts were not reconciled at the end of each month.

(ii) The Company had not followed Accounting Standards in respect of Revised depreciation accounting, Accounting for fixed assets and for Retirement Benefits of Employees.

2.1.30 Triveni Structurals Limited

(i) Reconciliation of Bank accounts at site offices was in arrears.

(ii) Several old entries were appearing in the bank reconciliation statements which required immediate adjustments.

MINISTRY OF MINES

2.1.31 Bharat Aluminium Company Limited

(i) The Company did not prepare year-end reconciliation, co-relating the sales quantity and value, with the discounts allowed to individual parties including reconciliation of freight with quantity moved through transporter.

(ii) At Korba, there was no proper system for maintaining receipt of "C" forms for concessional rates of Sales tax. During the year, a liability for Rs.46.07 lakh was raised for non-receipt of declaration forms for the assessment year 1993-94.

(iii) The Company had not adjusted in the books of acccounts the differences noticed on physical verification of fixed assets.

(iv) At Korba unit large number of discrepancies were noticed in the issue of stores to contractors and their accounts were not reconciled. In a large number of cases,

	purchase of priced stores ledger items had not been accounted for correctly.
2.1.32 Bharat Gold Mines Limited	Certain expenditure and income were booked on cash basis which were not in accordance with the requirement of Accounting Standard.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.1.33 Biecco Lawrie Limited	The system of accounting for return inwards was not adequate.
2.1.34 ONGC Limited	(i) There was considerable delay in the processing of documents relating to procurement and disposal of stores and incorporating the same in the register. The priced stores ledger balances were not reconciled with the control account balances in the general ledger.
	(ii) Rs.691.33 lakh was payable by the Company on 31 March 1997 to the State Bank of India (SBI) towards cash credit and at the same time there was cash and bank balance of Rs.1594.62 lakh including Rs.1000 lakh deposited with SBI at the rate of 8.5 per cent per annum.

MINISTRY OF POWER

2.1.35 Power Grid Corporation of India Limited	(i) Accounting policy "Renovation and Modernisation"-according to which revenue expenditure over Rs.10 lakh was capitalised as fixed assets was not in accordance with the Accounting Standard.
	(ii) Accounting of leave encashment of retiring employees on cash basis was not in accordance with the Accounting Standard.
2.1.36 Tehri Hydro Development Corporation Limited	(i) Complete relevant records in respect of rehabilitation cell were not being maintained. Survey Register/Memorandum records of land and building maintained were incomplete.
	(ii)Priced stores ledger with store records were not updated and not reconciled regularly.

	(iii) Power of approval for award of works to local contractor found to be highly irregular and open to misuse by calling of limited tenders by showing urgency of work.

MINISTRY OF RAILWAYS

2.1.37 Container Corporation of India Limited	(i) Reconciliation of Inter-office account needed to be carried on periodical basis instead of at the close of financial year. (ii) There were number of unrelated debits/credits by banks in the accounts of the Company which required location in a time bound programme.
2.1.38 Indian Railway Finance Corporation Limited	The financial powers of different level officers of the Company had not been defined.

MINISTRY OF SCIENCE AND TECHNOLOGY

2.1.39 National Research Development Corporation of India Limited	(i) The accounts department of the Corporation was not having readily available information with regard to amount receivable on account of royalty. (ii) Accounting policies of the Company regarding accounting of premia, disclosure fee, interest on delayed payment of royalty, subscription for management and legal charges respectively on cash basis, were not in accordance with the Accounting Standards.

MINISTRY OF STEEL

2.1.40 MECON (India) Limited	(i) Balance under claims recoverable was not analysed/linked and lying outstanding since long. (ii) Advance payment of income tax included tax deducted at source, advance tax, accepted demand payments and disputed payment required reconciliation and adjustments.
2.1.41 Sponge Iron India Limited	The Company had capitalised an amount of Rs.264.50 lakh to submerged arc furnace account during the year which should have been charged off to Profit and Loss Account for the year 1996-97.

MINISTRY OF SURFACE TRANSPORT

2.1.42 Hindustan Shipyard Limited	The Company was not following the Accounting Standard dealing with accounting for construction contracts in totality. As a result of such deviation from the accounting standard the future loss that were not accounted for amounted to Rs.5.897 lakh.
2.1.43 Hooghly Dock and Port Engineers Limited	Valuation and provision of liability on account of leave encashment benefit to employees had neither been made nor charged in the accounts.

MINISTRY OF TEXTILES

2.1.44 National Textile Corporation (WBABO) Limited	(i) Fixed assets records were either not maintained or where maintained not updated. Physical verification was not done at some of the locations. In some cases records were not maintained for capital work-in-progress which were also not physically verified. (ii) The Corporation had not reconciled inter-unit balances for a very long time. There was no system of obtaining inter-unit confirmation of balances and following up the differences.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.1.45 Housing and Urban Development Corporation Limited	The Company was not having any detailed accounting manual to bring uniformity in accounting at head office and regional offices.

2.2 Assets and Investments

MINISTRY OF AGRICULTURE AND CO-OPERATION

2.2.1 National Seeds Corporation Limited	The Company had no proper system of monitoring the timely recovery of outstanding in respect of recovery of advances to growers, railway and road transport claims, credit sales made to Government and private parties etc. and in several cases the recovery had been pending for the last 9 to 10 years. Regarding deposits, original receipts were not available for deposit with various Government depots and hence could not be recovered

MINISTRY OF CHEMICALS AND FERTILIZERS

2.2.2 Hindustan Insecticides Limited	System of monitoring the timely recovery of outstanding dues needed to be strengthened.
2.2.3 Project and Development India Limited	Though outstanding were regularly reviewed, reconciliation/confirmation of balances had not been done. An amount of Rs.243.28 lakh was outstanding for more than three years as Sundry debtors.

MINISTRY OF CIVIL AVIATION

2.2.4 Air India Charters Limited	Cash and imprest balances were not physically verified on a regular basis.

MINISTRY OF COAL

2.2.5 Central Coalfields Limited	(i) The verification and reconciliation of fixed assets in most of the areas were not done. (ii) In Arganda area, huge cash balances were being maintained regularly without depositing the same into bank, situated in the adjacent premises.

MINISTRY OF COMMUNICATIONS

2.2.6 ITI Limited	(i) The fixed assets registers were maintained at two places i.e. particulars of location and description were maintained at respective production /civil department, whereas cost of acquisition, depreciation thereon and disposal of assets were maintained by Accounts department. The Company should have streamlined these aspects to meet the statutory requirements. (ii) The Company did not have a system of furnishing certificates of inspection and commissioning of individual machine. The inward goods advice in respect of capital items were taken as the dates on which the items were put to use for the purpose of providing depreciation.
2.2.7 Intelligent Communication System India Limited	There was no effective system of recovery of outstanding dues.

MINISTRY OF FINANCE

2.2.8 Bharatiya Reserve Bank Note Mudran Limited	Huge balances were lying in the banks at Mysore, Salboni and Corporate office. Except 50 days in year the balance had remained more than Rupee one crore in current account in Salboni.
2.2.9 National Insurance Company Limited	In certain cases a mis-match premium underwritten as per Premium register as the premium collected as per the collection books was noticed. The reconciliation statement on account of certain dishonoured cheques and refund of premium were not entered in the Premium register.
2.2.10 P.N.B. Capital Services Limited	The investment in shares of other bodies corporate was in excess of the limit laid down in Section 372 of the Companies Act, 1956.

MINISTRY OF FOOD PROCESSING INDUSTRIES

2.2.11 Modern Food Industries (India) Limited	Property and asset registers were not posted upto date in Delhi Bread Unit-II.

MINISTRY OF INDUSTRY

2.2.12 Bharat Heavy Electricals Limited	The Company invested in banks and financial institutions and had given loans to Public Sector Undertakings at lower rates of interest not in conformity with the guidelines issued by the Department of Public Enterprises in the matter of investment of surplus funds.
2.2.13 Braithwaite Burn and Jessop Construction Company Limited	The Company had no system of monitoring the timely recovery of outstanding dues.
2.2.14 Engineering Projects (India) Limited	The cash and imprest balances were not physically verified during the year on regular basis by an authorised officer.
2.2.15 HMT Limited	(i) The system should be strengthened to expedite the recovery of outstanding dues in Precision machinery division, Bangalore. (ii) In respect of imprest cash, confirmation was not obtained in Machine Tool Division, Bangalore.

(iii) In Miniature Battery Project, Guwahati demand draft amounted Rs.1.70 lakh sent by customer was lost in transit during April 1996. The follow up for recovery had not been made and the amount remained outstanding as on 31 March 1997.

2.2.16 Heavy Engineering Corporation Limited	No confirmation of balances of sundry debtors, loans and advances, deposits, material on loan had been obtained by the Company.
2.2.17 HMT (International) Limited	(i) The system of collecting the debts should be strenghthened.
	(ii) The percentage of debtors to sales had been increasing in the past three years ending 31 March 1997.
	(iii) The percentage of sundry debtors considered doubtful had declined in 1995-96 to 7.31 from 8.10 in 1994-95 and increased to 16.53 in 1996-97.
2.2.18 Triveni Structurals Limited	The verification of cash and imprest balances of site offices was not carried out on regular basis.

MINISTRY OF INFORMATION AND BROADCASTING

2.2.19 Broadcast Engineering Consultants India Limited	The Company had not laid down any investment policy.
2.2.20 National Film Development Corporation Limited	The Company did not maintain assets register properly.

MINISTRY OF MINES

2.2.21 Bharat Aluminium Company Limited	The balance against a large number of suppliers were outstanding for several years for which no efforts had been made for recovery. Further, advances were given for supply of material/works to be executed. In most of the cases, material was received and works were executed but no adjustments made.
2.2.22 Bharat Gold Mines Limited	The Company did not have a system of monitoring the timely recovery of outstanding dues.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.2.23 Indian Oil Corporation Limited	The aggregate shortfall between the market value and redemption value of Public Sector Bonds as on 31 March 1997 was Rs.163.79 crore which had been reflected in the accounts. However, no provision had been made towards the same.
2.2.24 Oil India Limited	Assets verified during the year were not reconciled.

MINISTRY OF SCIENCE AND TECHNOLOGY

2.2.25 National Research Development Corporation of India Limited	(i) An effective follow up system for monitoring the timely recovery of oustanding dues was required. (ii) No sincere efforts were made for recovery of long outstanding Development loan against Hyderabad Carbon and Chemical Limited.

MINISTRY OF STEEL

2.2.26 Kudremukh Iron Ore Company Limited	(i) In respect of investments in BOINANZAS of BOI Mutual Fund the NAV as on 31 March 1997 was less by Rs.1.34 crore over cost. (ii) The following inter-corporate loans / deposits made in earlier years were pending recovery. (iii) Inter-corporate deposits with Andhra Bank Financial Services Limited amounted to Rs.53.40 crore which were due for repayment in October 1992 was pending and outstanding as on 31 March 1997. The interest accrued and due on these deposits was Rs.297.37 lakh. (iv) Inter-corporate loan amounted Rs.18 crore was due and outstanding as on 31 March 1997 from M/s. Hindustan Photo Films Manufacturing Company Limited. The interest accrued and due on these deposits after due date was Rs.223.18 lakh. (v) In respect of inter-corporate loans advanced to M/s. Rashtriya Ispat Nigam Limited, the repayment of interest was delayed.
2.2.27 MECON (India) Limited	The outstanding dues under different heads like liquidated damages deducted by clients, claims recoverable from sub-contractors, sundry debtors required close monitoring.

2.2.28 Steel Authority of India Limited	(i) The Board had not delegated any specific power to any authority to fix the date of installation and commissioning of the Plants and Machineries. In case of the capitalisaion of certain plants related to Durgapur Steel Plant and Salem Steel Plant, the date of capitalisation was decided on the basis of technical opinions. (ii) Investment in subsidiary companies were carried in the financial statements at costs. However, no provision was made for diminution in the value of investment made in IISCO-a subsidiary company. (iii)The cash and imprest balances were required to be physically verified by senior level officers at regular intervals.

MINISTRY OF TEXTILES

2.2.29 Central Cottage Industries Corporation of India Limited	No specific powers had been delegated by the Board to Deputy Manager (Cash) and Internal Auditors to check cash and imprest balance at regular intervals.
2.2.30 National Textile Corporation (SM) Limited	In the case of one mill, the fixed asset register was not in agreement with the books of accounts.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.2.31 Housing and Urban Development Corporation Limited	(i) In the fixed assets register information relating to location identification marks, progressive balance of assets were not available on record. (ii) Cash and imprest balances had not been verified periodically by an authorised officer.

2.3 Liabilities and Loans

MINISTRY OF CHEMICALS AND FERTILIZERS

2.3.1 Fertilizer Corporation of India Limited	The Company had defaulted in repayment of loans and payment of interest/penal interest.

2.3.2 Hindustan Fertilizer Corporation Limited	The Company defaulted persistently in the repayment of loans and payment of interest (Corporation office, Haldia unit, Namrup unit).

MINISTRY OF COMMUNICATIONS

2.3.3 ITI Limited	The Company had defaulted in the repayment of Government loans to the extent of Rs.455 lakh and interest to the extent of Rs.307 lakh.

MINISTRY OF INDUSTRY

2.3.4 Bharat Bhari Udyog Nigam Limited	The Company defaulted in repayment of loan of Rs.57.84 crore and interest and penal interest of Rs.60.12 crore and Rs.52.43 crore respectively.
2.3.5 Bharat Heavy Electricals Limited	Guarantee fee and penal guarantee fee of Rs.80.79 crore were payable to Government of India.
2.3.6 Braithwaite Burn and Jessop Construction Company Limited	The percentage of loan defaulted to the total loan was 100 as at 31 March 1997. Percentage of interest and penal interest defaulted to the loan was 205 and 99 respectively as on 31 March 1997.
2.3.7 Cement Corporation of India Limited	Public deposits of Rs.19.92 crore were overdue at the close of the year.
2.3.8 Hindustan Salts Limited	Total amount of loans including interest of Rs.787.16 lakh where defaults were made at the end of accounting year.
2.3.9 HMT Limited	The Company had defaulted in repayment of institutional loans amounted to Rs.5049 lakh as on 31 March 1997. Interest accrued and due as on 31 March 1997 was Rs.4015 lakh. In respect of 15 per cent Debentures, the Company had sought for rescheduling, consequent to its inability to redeem Rs.3333.33 lakh which was due for redemption on 20 April 1995/20 April 1996 and the interest accrued and due thereon was Rs.1793 lakh.
2.3.10 HMT (International) Limited.	Due to non-realisation of debt from M/s. Engineering Industries Commission (EIC), Ethiopia, the Company could not arrange repayment of loan availed from Exim Bank of India. The percentage of loan defaulted out of total loan funds were 83.39 in 1994-95, 65.24 in 1995-96 and 69.80 in 1996-97.

2.3.11 Mining and Allied Machinery Corporation Limited

The Company persistently defaulted in repayment of loans and payment of interest.

MINISTRY OF INFORMATION AND BROADCASTING

2.3.12 National Film Development Corporation Limited

(i) The Company did not have any system of identifying and monitoring non-performing loans and advances.

(ii) The loans given for construction of theatres and production of film were not recovered as per stipulation.

MINISTRY OF TEXTILE

2.3.13 National Textile Corporation (WBABO) Limited

The Company defaulted regularly in repayment of loans and payment of interests.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.3.14 Hindustan Prefab Limited

The Company had defaulted in payment of Government loans including interest of Rs.3162.67 lakh as on 31 March 1997.

2.4 Inventory and Contracting

MINISTRY OF CHEMICALS AND FERTILIZERS

2.4.1 Fertilizers and Chemicals Travancore Limited

Maximum/minimum limits had not been fixed in Cochin division for safety items, building material, tools and imported items (excluding bearing).

2.4.2

2.4.2 Hindustan Fertilizer Corporation Limited

(i) Systems of making advances to suppliers/contractors and monitoring of adjustment thereof needed strengthening (Durgapur and Barauni unit).

(ii) Considering huge non-moving stores, the level of economic order quantity required review (Barauni unit, Namrup unit and Durgapur unit)

2.4.3 Hindustan Insecticides Limited

(i) Minimum and maximum limits on stores, spares etc. were not maintained.

(ii) Economic order quantity for procurement of material had not been fixed.

2.4.4 Projects and Development India Limited	(i) Minimum limits on stores, spares etc. were not strictly maintained. (ii) Economic order quantity for procurement of material had not been prescribed.

MINISTRY OF COAL

2.4.5 Bharat Coking Coal Limited	(i) Maximum and minimum limits of stores and spares were not fixed generally. (ii) Item-wise economic order quantity was not determined.
2.4.6 Central Coalfields Limited	(i) Maximum and minimum limits of stores and spares had not been fixed for any class of items. (ii) Economic Order Quantity for procurement of stores had not been fixed by the Company.
2.4.7 Central Mine Planning and Design Institute	(i) The Company had not prescribed maximum and minimum limits of stores and spares. (ii) Economic order quantity for procurement of stores had not been prescribed.
2.4.8 Coal India limited	The Company had not fixed maximum and minimum limits of stores and spares.
2.4.9 Northern Coalfileds Limited	(i) Maximum and minimum levels had not been fixed for any items of stores and spares. (ii) Economic order quantity for procurement of stores etc. had not been determined.

MINISTRY OF COMMUNICATIONS

2.4.10 ITI Limited	The monitoring and adjustments of the advances to the suppliers/contractors required to be streamlined as these were cases of advances not adjusted against supplies.

MINISTRY OF INDUSTRY

2.4.11 Bharat Heavy Plates and Vessels Limited	Inventory valuing Rs.117.88 lakh had not moved for 5 years and above as on 31 March 1997.

2.4.12 Bharat Process and Mechanical Engineers Limited	Economic order quantity was not maintained.
2.4.13 Cement Corporation of India Limited	(i) The minimum and maximum levels of stock had not been fixed. (ii) Economic order quantity was not maintained.
2.4.14 Heavy Engineering Corporation Limited	Neither the records relating to the maximum and minimum limits of stores and spares was maintained, nor the economic ordering level for procurement of stores prescribed.
2.4.15 HMT Limited	(i) No maximum and minimum limits of stores and spares were prescribed except in few units. (ii) The system of monitoring and adjusting advances should be strengthened as out of Rs.160.06 lakh outstanding as on 31 March 1997, Rs.116.80 lakh pertained to opening balance and age-wise analysis had not been carried. (M.T. division, Bangalore). (iii) The system of monitoring and adjustment of advance to suppliers/contractors needed improvement (M.T. division, Pinjore).
2.4.16 Tannery and Footwear Corporation of India Limited	(i) Minimum and maximum limits on stores, spares etc. were not strictly maintained. (ii) Advances paid to suppliers and contractors were not closely monitored. (iii)Economic order quantity for procurement of material had not been prescribed.
2.4.17 Triveni Structurals Limited	The laid down system of procurement, awarding of contracts and disposal procedure was not followed strictly due to severe cash constraints.

MINISTRY OF MINES

2.4.18 Bharat Aluminium Company Limited	(i) Minimum and maximum limits on stores, spares etc. were not maintained. (ii) At the BCPP Unit, the items in stores ledger which were unusable and those which required to be scrapped had not been identified.

(iii) The average cost of purchased bauxite was Rs.571.03 per M.T. whereas the cost of producing Bauxite at Amarkantak and Phutakapahar mines was Rs.1052.94 and Rs.601.63 per M.T. respectively. Therefore, the Company could try to reduce the cost of extraction of Bauxite.

2.4.19 Bharat Gold Mines Limited

(i) The Company had not prescribed any maximum and minimum limits for stores and spares.

(ii) The Company had not prescribed any economic order quantity for stores.

(iii) The system of monitoring and adjusting advance payment to suppliers/ contractors were not adequate.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.4.20 Hindustan Petroleum Corporation Limited

Stores and spares (excluding insurance spares) amounting to Rs.23.92 crore as on 31 March 1997 had not been moved for more than 2 years out of which Rs. 6.18 crore represented obsolete/surplus stores not moved for more than 5 years.

2.4.21 Lubrizol India Limited

Advance payment of Rs.86 lakh made in earlier years to the 'Standing Committee on Public Enterprises' for acquiring office premises at New Delhi remained unadjusted.

MINISTRY OF POWER

2.4.22 Tehri Hydro Development Corporation Limited

While making advances against deposit works the administrative approval, budget heads provision in DPR/Budget were not specified. Neither agreement with deposit work Agencies had been signed nor any terms and conditions fixed.

MINISTRY OF STEEL

2.4.23 Indian Iron and Steel Company Limited

(i) The Company did not have adequate system for regularly identifying unserviceable/damaged stores and spares.

(ii) Neither the records relating to the maximum and minimum limits of stores and spares had been maintained nor the economic ordering level for procurement of stores prescribed.

2.4.24 Kudremukh Iron Ore Company Limited	The Company had not fixed maximum and minimum limits of stores.
2.4.25 Steel Authority of India Limited	(i) The Company did not have adequate system for regularly identifying unserviceable/damaged stores and spares. (ii) Obsolete/surplus stores and spares amounted to Rs.35 crore and non-moving stores and spares for more than 5 years amounting to Rs.209.20 crore were lying as on 31 March 1997.
2.4.26 Visvesvaraya Iron and Steel Limited	(i) Maximum and minimum limits of stocking of stores and spares had not been fixed. This needed to be implemented atleast in respect of high value/ larger quantity items in order to have a control on inventory holding cost. (ii)Economic order quantity for procurement of stores had not been fixed by the Company.

MINISTRY OF SURFACE TRANSPORT

2.4.27 Hooghly Dock and Port Engineers Limited	(i) Maximum and minimum limits of stores and spares had not been fixed. (ii) There was no system of fixing economic order quantity for procurement of stores.

MINISTRY OF TEXTILES

2.4.28 National Textile Corporation (WBABO) Limited	The Corporation did not have a system for fixation of maximum and minimum level of stock of stores and fixation of economic order quantity.

2.5 Costing

DEPARTMENT OF ATOMIC ENERGY

2.5.1 Uranium Corporation of India Limited	The Company did not maintain cost accounts.

MINISTRY OF CHEMICALS AND FERTILIZERS

2.5.2	**Fertilizer Corporation of India Limited**	The Company did not have any system of ascertaining idle time for labour and wasteful overheads and to analyse the reasons for variances between actuals and standard (Talcher and Sindri)
2.5.3	**Hindustan Fertilizer Corporation Limited**	There was no system of recording idle labour/machine hours (Durgapur unit, Barauni unit and Namrup unit).
2.5.4	**Paradeep Phosphates Limited**	(i) Standard costing system had not been introduced. (ii) The existing costing system needed modification in respect of treatment of wastage, shortages and consumption of inputs.
2.5.5	**Project and Development India Limited**	The Company did not have a system to identify the idle time of labour and wasteful overheads and analyse reasons for variation between the standard and actuals.

MINISTRY OF COAL

2.5.6	**Bharat Coking Coal Limited**	Reconciliation of cost accounts with financial accounts was not done.
2.5.7	**Central Coalfields Limited**	The Company had no system of identifying the idle time of labour and wasteful overheads. The Company had not adopted standard costing system.
2.5.8	**Central Mine Planning and Design Institute**	The Company had no system of identification of idle labour hours.
2.5.9	**Mahanadi Coalfields Limited**	The Company had not introduced standard costing system.

MINISTRY OF COMMERCE

2.5.10	**The State Trading Corporation of India Limited**	There was no effective system of identification of idle labour.

MINISTRY OF COMMUNICATIONS

2.5.11 HTL Limited	(i) The Company did not have a system of preparing cost accounts and reconcile the same with financial accounts.
	(ii) Company had not fixed any norms for loss/wastage for raw material for manufacture of major products.
2.5.12 ITI Limited	The Company was not preparing cost accounts and reconciling with financial accounts. Actual costs were not compared with standard costs.

MINISTRY OF DEFENCE PRODUCTION & SUPPLIES

2.5.13 Bharat Earth Movers Limited	Though the Company had a system of collection of data on idle labour hours, no effective exercise was made to identify and analyse the idle labour hours.
2.5.14 Bharat Electronics Limited	(i) The system of identifying and allocating overheads to various cost centres required to be further improved so as to bring down the extent of such overheads which remained to be absorbed in costing (BG Complex).
	(ii) There was no integrated cost accounting system from which the manufacturing account could be drawn up and cost of sales could be easily worked out to reconcile with financial results. (Hyderabad and Madras units)

MINISTRY OF FOOD PROCESSING INDUSTRIES

2.5.15 Modern Food Industries (India) Limited	No record for idle labour and machine hours were maintained.

MINISTRY OF INDUSTRY

2.5.16 Bharat Heavy Electricals Limited	(i) In respect of Industrial Valve Plant (IVP), Goindwal, cost sheets were not reconciled with financial accounts.
	(ii) No proper system was being followed at CFFP, Hardwar and IVP, Goindwal for identification of idle labour hours and machine hours.
2.5.17 Bharat Process and Mechanical Engineers Limited	The Company had no effective system for identification and accounting of idle labour/machine hour.

2.5.18 Burn Standard Company Limited

(i) No cost accounts were prepared in refractory units.

(ii) No norms for manpower wastage and loss of raw material were fixed.

2.5.19 Bharat Brakes and Valves Limited

No cost accounts were prepared.

2.5.20 Hooghly Printing Company Limited

(i) The Company did not identify idle time of labour and wasteful overheads.

(ii) No norms of manpower were fixed by the Company.

2.5.21 HMT Limited

(i) Full-fledged costing system and cost accounts were yet to be introduced. (Central reconditioning division).

(ii) No separate cost accounts were maintained. [CNC and R and D (Metal Cutting) Division].

(iii) Idle machine hours were not identified (Lamp Division).

2.5.22 Mining and Allied Machinery Corporation Limited

(i) The Company did not prepare cost accounts.

(ii) The idle labour and idle machine hours were not determined.

2.5.23 National Bicycle Corporation Limited

There was no system of recording of idle time of workers and machine hours.

MINISTRY OF MINES

2.5.24 Bharat Aluminium Company Limited

(i) The Company did not have a system to identify the idle time of labour.

(ii) The standard cost was not fixed in relation to items produced in BBU.

(iii) At the BBU recording of attendance was not proper. Payments of salaries, wages and overtime was in excess of the normal requirement.

2.5.25 Bharat Gold Mines Limited

The report that the Company had a system of preparing cost accounts and reconciling with financial accounts was not correct. In fact, Company had not installed a full fledged cost accounting system. The cost ledger was not maintained. Hence, no reconciliation was made with financial accounts by the Company.

MINISTRY OF STEEL

2.5.26 Indian Iron and Steel Company Limited	The cost records were neither kept systematically nor reported timely to the Management.
2.5.27 Kudremukh Iron Ore Company Limited	The Company did not have any system to identify idle time of labour and wasteful overheads.
2.5.28 MECON (India) Limited	The Company had no effective system to identify the idle labour hour.

MINISTRY OF TEXTILES

2.5.29 National Textile Corporation (SM) Limited	There was no system of recording of idle time of workers and machine hour.

2.6 Internal Audit

DEPARTMENT OF ATOMIC ENERGY

2.6.1 Uranium Corporation of India Limited	Internal Audit was inadequately manned with no person from technical side.

MINISTRY OF CHEMICALS AND FERTILIZERS

2.6.2 Fertilizer Corpn. of India Limited	Internal Audit needed to be further strengthened.
2.6.3 Hindustan Fertilizer Corporation Limited	Internal Audit needed to be strengthened and scope and frequency increased.
2.6.4 Karnataka Antibiotic and Pharmaceuticals Limited	The scope of Internal Audit originally prescribed by the Company had been subsequently retrenched substantially, which could be considered adequate taking into account the size and nature of the business of the Company. Even the

revised scope of Internal Audit had not been covered adequately.

MINISTRY OF COAL

2.6.5 Central Coalfields Limited	Internal Audit system was not commensurate with the size of the Company and nature of its business as the coverage and follow up action was inadequate.
2.6.6 Northern Coalfields Limited	Internal Audit system needed to be further improved and its scope should have been further enlarged.

MINISTRY OF COMMERCE

2.6.7 National Centre for Trade Informations	The Company did not have an Internal Audit or internal financial control set up.
2.6.8 The State Trading Corporation of India Limited	Internal Audit system was not commensurate with size and nature of its business, particularly for follow-up of Internal audit reports.

MINISTRY OF COMMUNICATIONS

2.6.9 HTL Limited	Internal Audit needed to be headed by a Chartered/Cost Accountant in order to be more effective. The areas of coverage of the Internal Audit had to be extended to cover costing, financial accounts and computer software programme which were used in the various departments.
2.6.10 ITI Limited	Internal Audit system needed to be strengthened in certain areas and enlarged in scope and coverage to be commensurate with the size and nature of business of the Company.

DEPARTMENT OF ELECTRONICS

2.6.11 Electornic Trade and Technology Development Corporation Limited	Internal Audit system of Calcutta region needed to be improved having regard to the size and nature of business.

MINISTRY OF FINANCE

2.6.12 Bharatiya Reserve Bank Note Mudran Limited	Internal Audit did not cover the secretarial record of the Company. The frequency of reporting to the Management required to be increased.
2.6.13 Canbank Computers Service Limited	The Company had no Internal Audit system.
2.6.14 Canbank Financial Services Limited	The Internal Control procedure in respect of securities transactions under Portfolio Management Scheme/Corporate Investment Advisory Schemes (CIAS) needed to be strengthened.
2.6.15 National Insurance Company Limited	No Internal Audit was done from 1992-93.

MINISTRY OF INDUSTRY

2.6.16 Bharat Brakes and Valves Limited	There was no Internal Audit system in the Company.
2.6.17 Bharat Heavy Electricals Limited	Internal Audit system of the Company in certain units [(a) Heavy Electricals Equipment Plant, Hardwar, (b) Component Fabrication Plant, Rudrapur, (c) Insulator Plant, Jagdishpur, (d) Jhansi Unit] was not commensurate with the size and nature of the business of the Company.
2.6.18 Bharat Process and Mechanical Engineers Limited	Internal Audit system was not effective.
2.6.19 Braithwaite Burn and Jessop Construction Company Limited	There was no Internal Audit system in the Company.
2.6.20 Braithwaite and Company Limited	Internal Audit system was not commensurate with the size and nature of business of the Company.
2.6.21 Bridge and Roof Company (India) Limited	Internal Audit system was not commensurate with the size of the Company and its nature of business.

2.6.22 Cement Corporation of India Limited	The comments on the Internal Audit system required to be elaborate and timely.
2.6.23 Engineering Projects (India) Limited	The Committee of Board of Directors on Internal Audit had not been constituted.
2.6.24 HMT Limited	Internal Audit observations should have been given periodically and system of follow up needed to be strengthened.
2.6.25 HMT (International) Limited	The scope of Internal Audit needed to be enlarged.
2.6.26 Mandya National Paper Mills Limited	The scope and areas of works needed to be enlarged and strengthened.
2.6.27 Mining and Allied Machinery Corporation Limited	The Company did not have any Internal Audit system commensurate with the size and nature of its business.
2.6.28 National Small Industries Corporation Limited	(i) The Company was lacking in having a sound programme of Internal Audit to look at the urgent needs of the Company. (ii) There was no policy for retention and disposal of stock and store as a result in a number of cases old stock, stores, machines, etc. were lying in stock, unused and unwanted.

MINISTRY OF MINES

2.6.29 Bharat Aluminium Corporation Limited	Internal Audit needed to be strengthened and made more comprehensive and commensurate with the size of the Company and the nature of its business.
2.6.30 Bharat Gold Mines Limited	Internal Audit system could be considered to be adequate commensurate with the size and nature of its business. The Internal Audit had not covered any major areas during the year apart from perpetual inventory. The reason for insufficient coverage was due to inadequate staffing.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.6.31 Indian Additives Limited	Internal Audit covered the financial audit for the whole year but in respect of other departments the same was done only partly.

MINISTRY OF POWER

2.6.32 Power Grid Corporation of India Limited	Internal Audit needed to be strengthened to make it commensurate with the size and nature of the Company's business with special emphasis on compliance mechanism of Internal Audit observations.
2.6.33 Tehri Hydro Development Corporation Limited	Internal Audit reports by firms of Chartered Accountants were not put up to the Board of Directors.

MINISTRY OF RAILWAYS

2.6.34 Indian Railway Finance Corporation Limited	Internal Audit system was not commensurate with the size and nature of its business.

MINISTRY OF STEEL

2.6.35 MECON (India) Limited	The Company had a small set up for Internal Audit which covered only few branches/departments of head office. The coverage, scope of work, compliance mechanism was thus, indequate and call for further improvement.
2.6.36 Steel Authority of India Limited	Internal Audit system needed to be further strengthened and its scope enlarged.
2.6.37 Visvesvaraya Iron and Steel Limited	The scope of Internal Audit required to be further strengthened.

MINISTRY OF SURFACE TRANSPORT

2.6.38 Hooghly Dock and Port Engineers Limited	Coverage of Internal Audit was limited and was not commensurate with the size of the Company and the nature of its business.

MINISTRY OF TEXTILES

2.6.39 North Eastern Handicrafts and Handlooms Development Corporation Limited	No Internal Audit was conducted.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.6.40 Housing and Urban Development Corporation Limited	(i) Internal Control procedures were lacking in connection with empanelment of suppliers, purchase orders, record of receipt of goods, physical inspection and payment for purchases. (ii) The Company had not updated its accounting and procedural manual and Internal Audit manual. (iii) Compliance mechanism on Internal Audit observations were inadequate.

2.7 Audit Committee

MINISTRY OF CHEMICALS AND FERTILIZERS

2.7.1 Hindustan Insecticides Limited	The Company did not have an Audit Committee of the Board of Directors.
2.7.2 Karnataka Antibiotic and Pharmaceuticals Limited	The Company did not have an Audit Committee of the Board of Directors.
2.7.3 Projects and Development India Limited	The Company did not have an Audit Committee of the Board of Directors.

MINISTRY OF COMMERCE

2.7.4 The State Trading Corporation of India Limited	The Company did not have an Audit Committee of the Board of Directors

MINISTRY OF COMMUNICATIONS

2.7.5	**Intelligent Communication System India Limited**	The Company did not have an Audit Committee of the Board of Directors.
2.7.6	**ITI Limited**	The Company did not have an Audit Committee of the Board of Directors.

MINISTRY OF FOOD PROCESSING INDUSTRIES

2.7.7	**Modern Food Industries (India) Limited**	The Company had not formed any Audit Committee of the Board of Directors.

MINISTRY OF HEALTH AND FAMILY WELFARE

2.7.8	**Hospital Services Consultancy Corporation (India) Limited**	The Company did not have an Audit Committee of the Board of Directors.

MINISTRY OF INDUSTRY

2.7.9	**Bharat Heavy Plates and Vessels Limited**	The Company had no Audit Committee of the Board of Directors.
2.7.10	**Cement Corporation of India Limited**	The Company had no Audit Committee of the Board of Directors.
2.7.11	**HMT Limited**	The Company did not have a separate Audit Committee of the Board of Directors.
2.7.12	**HMT (International) Limited**	The Company did not have a separate Audit Committee of the Board of Directors.
2.7.13	**Tungabhadra Steel Products Limited**	The Company did not have an Audit Committee of the Board of Directors.

MINISTRY OF MINES

2.7.14	**Bharat Aluminium Company Limited**	The Company did not have an Audit Committee of Board of Directors.

2.7.15 Bharat Gold Mines Limited	The Company did not have an Audit Committee of Board of Directors.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.7.16 Engineers India Limited	The Company was not having any Audit Committee.

MINISTRY OF POWER

2.7.17 Power Grid Corporation of India Limited	The Company did not have an Audit Committee of the Board of Directors.

MINISTRY OF RAILWAYS

2.7.18 Container Corporation of India Limited	There was no Audit Committee.
2.7.19 Indian Railway Finance Corporation	No Audit Committee was in existence.

MINISTRY OF SCIENCE AND TECHNOLOGY

2.7.20 National Research Development Corporation of India Limited	The Company had no Audit Committee of the Board of Directors.

MINISTRY OF STEEL

2.7.21 Visvesvaraya Iron and Steel Limited	The Company did not have an Audit Committee of the Board of Directors.

MINISTRY OF TEXTILES

2.7.22 National Handloom Development Corporation Limited	The Company did not have an Audit Committee of the Board of Directors.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.7.23 Housing and Urban Development Corporation Limited	The Company did not have an Audit Committee of the Board of Directors.

2.8 General

MINISTRY OF CHEMICALS AND FERTILIZERS

2.8.1 Karnataka Antibiotics and Pharmaceuticals Limited	Rejections if any, were shown as part of process loss and no separate norms/ standards were fixed for rejections.

MINISTRY OF CHEMICALS AND PETROCHEMICALS

2.8.2 Pyrites, Phosphates and Chemicals Limited	(i) The Company needed to be more strict in rejecting the sub-standard bags. (ii) The matter of waiver of penalty and liquidated damage deductible/claimable from the contractors and suppliers, allowing various discounts and rebates on sales needed to be reviewed. (iii) In the credit obtained form State Bank of India, Industrial Finance Branch, Patna, there was an interest charge of Rs. 1.84 crore which the Company had not acknowledged as debts, required settlement.

MINISTRY OF COAL

2.8.3 Central Coalfields Limited	No norms of manpower were fixed at the time of preparation of project report.
2.8.4 Mahanadi Coalfields Limited	No energy audit had been conducted by any specialised agency.

MINISTRY OF COMMUNICATIONS

2.8.5 HTL Limited	(i) Manpower was in excess of norms by 441 nos.
	(ii) During the year, the Company paid Rs.250.08 lakh towards liquidated damages.
2.8.6 ITI Limited	No documentation was maintained for percentage of rejections to production/sales.

MINISTRY OF DEFENCE PRODUCTION & SUPPLIES

2.8.7 Bharat Electronics Limited	(i) No norms had been fixed for loss / wastage in storage/ transit cases.
	(ii) The system for identifying and monitoring disposal of non-moving obsolete/surplus raw material and stores and spares and finished goods though fairly satisfactory, required to be improved.

MINISTRY OF FINANCE

2.8.8 BOB Housing Finance Limited	The Company had not introduced the system of insurance of property for all risks by the loanees till the repayment of the entire amount of loans.

MINISTRY OF INDUSTRY

2.8.9 Bharat Brakes and Valves Limited	The manpower in respect of supervisory staff was in excess of norms.
2.8.10 Bharat Heavy Plates and Vessels Limited	Inventory valuing Rs.117.88 lakh had not moved for 5 years and above as on 31 March 1997.
2.8.11 Burn Standard Company Limited	No energy audit was conducted by any specialised agency in the Company.
2.8.12 Heavy Engineering Corporation Limited	(i) The quantum of profit on inter-plant transfers in the closing stock had neither been eliminated nor ascertained.
	(ii) The system of reviewing the old balances under Sundry debtors, Loans and advances and Sundry creditors needed to be further geared up and reviewed.

2.8.13 Hindustan Salts Limited	There were 24 old heaps bearing stock of 29949 MT (after provision) which required further action for early disposal to avoid deterioration in quality of salt and loss in its weight.
2.8.14 Mandya National Paper Mills Limited	The Company did not have an adequate system for regularly identifying and continuously monitoring the disposal of non-moving stores and spares.

MINISTRY OF MINES

2.8.15 Bharat Gold Mines Limited	No norms had been fixed for loss and wastages.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.8.16 Lubrizol India Limited	The transit loss in respect of a transaction relating to the year 1991-92 which was settled in 1996-97. The Company failed to recover substantial portion of loss either from Shipping company or Insurance company or consignors.
2.8.17 ONGC Limited	Profit and Loss Account was prepared region-wise but adjustments realting to write-off dry wells, depletion, valuation of crude oil etc were done in the head office. Therefore, the Profit and Loss Account prepared at the regional level did not disclose a correct picture of the result of the regions.

MINISTRY OF POWER

2.8.18 Power Grid Corporation of India Limited	Procedure laid down for commecial commissioning of transmission lines were not followed in respect of 400 KV Mariani-Misa and 132 KV Dimapur-Imphal lines which were ready for commercial operation but not declared as commissioned awaiting NEREB's decision in the matter.

MINISTRY OF SCIENCE AND TECHNOLOGY

2.8.19 National Research Development Corporation of India Limited	There was no proper manpower planning in the organisation. Surplus or deficiency in staff, if any, had not been identified by the Company. Voluntary Retirement Scheme had also not been introduced.

MINISTRY OF STEEL

2.8.20 Indian Iron and Steel Company Limited	(i) No records were maintained by the Company for scrap generation at shop floor. (ii) No energy audit was carried out by any other agnecy.
2.8.21 Kudremukh Iron Ore Company Limited	The Company's surplus stores were in increasing trend. The Company should have taken appropriate steps to dispose of the surplus stores.
2.8.22 MECON (India) Limited	(i) Balance under claims recoverable was not analysed and/or linked and lying outstanding since long. (ii) No segment-wise account and profit and loss statement were prepared to identify the loss making segments.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

2.8.23 Housing and Urban Development Corporation Limited	(i) The criteria adopted by the Company for identifying non-performing assets did not conform to the prescribed norms. (ii) Monitoring mechanism regarding loan schedule implementation, site inspection, reviewing of financial technical appraisal of the schemes were not adequate. (iii) While accepting public deposits upto 27 September 1997 guidelines issued under Housing Finance Companies (NHB) directions, 1989, read with non-Banking Financial Companies and Miscellaneous non-Banking Companies (Advertisement) Rules 1977 had not been followed by the Company in respect of - (a) rate of interest payable in case of pre-mature withdrawal, and (b) terms and conditions for renewal of deposits.

Public Sector Undertakings Audited by CAG

There were 330 Public Sector Undertakings (PSUs) under the audit jurisdiction of the Comptroller and Auditor General of India (CAG) as on 31 March 1997. Out of these undertakings, accounts of only 204 PSUs were made available for audit by 30 September 1997; the date stipulated in the Companies Act, 1956 for holding the Annual General Meeting alongwith the audited accounts. However, 57 PSUs submitted their accounts for audit subsequently during the extended period by invoking special powers vested with the Department of the Company Affairs. As on 30 November 1997, audit of accounts of all the 261 PSUs was carried out as per the provisions of the Companies Act as well as the Acts governing the Statutory Corporations.

This report contains the extracts from the important comments of CAG on the accounts of the PSUs and a resume of the comments in Reports on PSUs submitted by the Statutory Auditors (Chartered Accountants) in pursuance of the directions issued to them.

(A.K.CHAKRABARTI)
Deputy Comptroller and Auditor General
cum Chairman Audit Board

New Delhi
The 31 मार्च MAR 1998

Countersigned

V.K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi
The 31 MAR 1998

APPENDIX I

List of Central Government Companies

MINISTRY OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND CO-OPERATION

1. National Seeds Corporation Limited.
2. State Farms Corporation of India Limited.

DEPARTMENT OF ATOMIC ENERGY

3. Electronics Corporation of India Limited.
4. Indian Rare Earths Limited.
5. Nuclear Power Corporation of India Limited.
6. Uranium Corporation of India Limited.

DEPARTMENT OF BIO-TECHNOLOGY

7. Bharat Immunologicals & Biologicals Corporation Limited.

MINISTRY OF CHEMICALS AND FERTILIZERS
DEPARTMENT OF CHEMICALS AND PETROCHEMICALS

8. Bengal Chemicals and Pharmaceuticals Limited.
9. Bengal Immunity Limited.
10. Bihar Drugs & Organic Chemicals Limited.
11. Hindustan Antibiotics Limited.
12. Hindustan Fluorocarbons Limited.
13. Hindustan Insecticides Limited.
14. Hindustan Organic Chemicals Limited.
15. IDPL Tamil Nadu(Private) Limited.
16. Indian Drugs and Pharmaceuticals Limited.
17. Indian Petrochemicals Corporation Limited.
18. Karnataka Antibiotics and Pharmaceuticals Limited.
19. Maharashtra Antibiotics and Pharmaceuticals Limited.
20. Manipur State Drugs and Pharmaceuticals Limited.
21. Orissa Drugs and Chemicals Limited.
22. Rajasthan Drugs and Pharmaceuticals Limited.
23. Smith Stanistreet Pharmaceuticals Limited.
24. The Southern Pesticides Corporation Limited.
25. U.P.Drugs and Pharmaceuticals Company Limited.

DEPARTMENT OF FERTILIZERS

26. Fertilizer Corporation of India Limited.
27. Hindustan Fertilizer Corporation Limited.

28. Madras Fertilizers Limited.
29. National Fertilizers Limited.
30. Paradeep Phosphates Limited.
31. Projects and Development India Limited.
32. Pyrites, Phosphates and Chemicals Limited.
33. Rashtriya Chemicals and Fertilizers Limited.
34. The Fertilizers and Chemicals Travancore Limited.

MINISTRY OF CIVIL AVIATION AND TOURISM
DEPARTMENT OF CIVIL AVIATION

35. Air India Charters Limited.
36. Air India Limited.
37. Airlines Allied Services Limited.
38. Indian Airlines Limited.
39. Pawan Hans Limited.
40. Vayudoot Limited.

DEPARTMENT OF TOURISM

41. Assam Ashok Hotel Corporation Limited.
42. Donyi Polo Ashok Hotel Corporation Limited.
43. Hotel Corporation of India Limited.
44. India Tourism Development Corporation Limited.
45. Indo-Hokke Hotels Limited.
46. Madhya Pradesh Ashok Hotel Corporation Limited.
47. Pondicherry Ashok Hotel Corporation Limited.
48. Ranchi Ashok Bihar Hotel Corporation Limited.
49. Utkal Ashok Hotel Corporation Limited.

MINISTRY OF CIVIL SUPPLIES, CONSUMERS'AFFAIRS AND PUBLIC DISTRIBUTION

50. Hindustan Vegetable Oils Corporation Limited.

MINISTRY OF COAL

51. Bharat Coking Coal Limited.
52. Central Coalfields Limited.
53. Central Mine Planning and Design Institute Limited.
54. Coal India Limited.
55. Eastern Coalfields Limited.
56. Mahanadi Coalfields Limited.
57. Neyveli Lignite Corporation Limited.

58. Northern Coalfields Limited.
59. South Eastern Coalfields Limited.
60. Western Coalfields Limited.

MINISTRY OF COMMERCE

61. Export Credit Guarantee Corporation of India Limited.
62. India Trade Promotion Organisation.
63. MMTC Limited.
64. National Centre for Trade Information.
65. Spices Trading Corporation Limited.
66. Tea Trading Corporation of India Limited.
67. The Projects and Equipments Corporation of India Ltd.
68. The State Trading Corporation of India Limited.

MINISTRY OF COMMUNICATIONS
DEPARTMENT OF TELECOMMUNICATIONS

69. HTL Limited.
70. ITI Limited.
71. Intelligent Communication Systems India Limited.
72. Mahanagar Telephone Nigam Limited.
73. Telecommunication Consultants(India) Limited.
74. Videsh Sanchar Nigam Limited.

MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION AND SUPPLIES

75. Bharat Dynamics Limited.
76. Bharat Earth Movers Limited.
77. Bharat Electronics Limited.
78. Garden Reach Shipbuilders and Engineers Limited.
79. Goa Shipyard Limited.
80. Hindustan Aeronautics Limited.
81. Mazagon Dock Limited.
82. Mishra Dhatu Nigam Limited.
83. Vignyan Industries Limited.

DEPARTMENT OF ELECTRONICS

84. CMC Limited.
85. Electronics Trade and Technology Development
    Corporation Limited.
86. Semiconductor Complex Limited.

MINISTRY OF ENVIRONMENT AND FORESTS

DEPARTMENT OF ENVIRONMENT, FORESTS AND WILDLIFE

87. Andaman & Nicobar Islands Forest & Plantation Development Corporation Limited.

MINISTRY OF FINANCE

88. General Insurance Corporation of India.
89. Industrial Credit Company Limited.
90. National Insurance Company Limited.
91. New India Assurance Company Limited.
92. Oriental Insurance Company Limited.
93. United India Insurance Company Limited.
94. Zenith Securities and Investments Limited.

MINISTRY OF FOOD PROCESSING INDUSTRIES

95. Lakshadeep Development Corporation Limited.
96. Modern Food Industries (India) Limited.
97. North Eastern Regional Agricultural Marketing Corporation Limited.

MINISTRY OF HOME AFFAIRS (Union Territory Administration)

Union Territory of Chandigarh

98. Chandigarh Child and Women Development Corporation Limited.
99. Chandigarh Industrial and Tourism Development Corporation Limited.
100. Chandigarh Scheduled Castes Financial and Development Corporation Limited.

Union Territory of Goa

101. Dadra & Nagar Haveli, Daman, Diu SC/ST Financial and Development Corporation Limited.
102. Goa Meat Complex Limited.
103. Omnibus Industrial Development Corporation of Daman & Diu and Dadra & Nagar Haveli Limited.

Union Territory of Andaman & Nicobar

104. Andaman and Nicobar Islands Integrated Development Corporation Limited.

MINISTRY OF HEALTH & FAMILY WELFARE

105. Hindustan Latex Limited.
106. Hospital Services Consultancy Corporation (India) Limited.
107. Indian Medicines and Pharmaceuticals Corporation Limited.

MINISTRY OF INDUSTRY

DEPARTMENT OF HEAVY INDUSTRY

108. Andrew Yule and Company Limited.
109. Bharat Bhari Udyog Limited.
110. Bharat Brakes and Valves Limited.
111. Bharat Heavy Electricals Limited.
112. Bharat Heavy Plates and Vessels Limited.
113. Bharat Leather Corporation Limited.
114. Bharat Ophthalmic Glass Limited.
115. Bharat Process and Mechanical Engineers Limited.
116. Bharat Pumps and Compressors Limited.
117. Bharat Wagon and Engineering Company Limited.
118. Bharat Yantra Nigam Limited.
119. Bridge and Roof Company (India) Limited.
120. Braithwaite and Company Limited.
121. Braithwaite Burn & Jessop Construction Company Limited.
122 Burn Standard Company Limited.
123. Cement Corporation of India Limited.
124. Cycle Corporation of India Limited.
125. Engineering Projects (India) Limited.
126. HMT (International) Limited.
127. HMT Limited.
128. Heavy Engineering Corporation Limited.
129. Hindustan Cables Limited.
130. Hindustan Newsprint Limited.
131. Hindustan Paper Corporation Limited.
132. Hindustan Photo Films Manufacturing Company Limited.
133. Hindustan Salts Limited.
134. HMT Bearings Limited.
135. Hooghly Printing Company Limited.
136. Instrumentation Limited.
137. Jessop and Company Limited.
138. Lagan Jute Machinery Company Limited.
139. The Mandya National Paper Mills Limited.
140. Mining and Allied Machinery Corporation Limited.
141. Nagaland Pulp and Paper Company Limited.

142. National Bicycle Corporation of India Limited.
143. The National Industrial Development Corporation Limited.
144. National Instruments Limited.
145. NEPA Limited.
146. Praga Tools Limited.
147. Rajasthan Electronics and Instruments Limited.
148. Rehabilitation Industries Corporation Limited.
149. RBL Limited.
150. Richardson and Cruddas (1972) Limited.
151. Sambhar Salts Limited.
152. Scooters India Limited.
153. Tannery and Footwear Corporation of India Limited.
154. Triveni Structurals Limited.
155. Tungabhadra Steel Products Limited.
156. Tyre Corporation of India Limited.
157. Weighbird (India) Limited.

DEPARTMENT OF SMALL SCALE INDUSTRIES, AGRO AND RURAL INDUSTRIES

158. The National Small Industries Corporation Limited

MINISTRY OF HUMAN RESOURCES DEVELOPMENT
DEPARTMENT OF EDUCATION

159. Educational Consultants (India) Limited.

MINISTRY OF INFORMATION & BROADCASTING

160. Broadcast Engineering Consultants Limited.
161. National Film Development Corporation Limited.

MINISTRY OF MINES

162. Bharat Aluminium Company Limited.
163. Bharat Gold Mines Limited.
164. Hindustan Copper Limited.
165. Hindustan Zinc Limited.
166. Mineral Exploration Corporation Limited.
167. National Aluminium Company Limited.

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

168. Indian Renewable Energy Development Agency Limited.

MINISTRY OF PETROLEUM & NATURAL GAS

169. Balmer Lawrie and Company Limited.
170. Bharat Petroleum Corporation Limited.

171. Biecco Lawrie Limited.
172. Bongaigaon Refinery and Petrochemicals Limited.
173. Certification Engineers International Limited.
174. Cochin Refineries Limited.
175. Engineers India Limited.
176. Gas Authority of India Limited.
177. Hindustan Petroleum Corporation Limited.
178. IBP Company Limited.
179. Indian Additives Limited.
180. Indian Oil Blending Limited.
181. Indian Oil Corporation Limited.
182. Lubrizol India Limited.
183. Madras Refineries Limited.
184. Numaligarh Refineries Limited.
185. Oil India Limited.
186. Oil & Natural Gas Corporation Limited.
187. ONGC Videsh Limited.

MINISTRY OF PLANNING AND PROGRAMME IMPLEMENTATION

188. National Informatics Centre Services Inc.

MINISTRY OF POWER

189. Nathpa Jhakri Power Corporation Limited.
190. National Hydro-Electric Power Corporation Limited.
191. North Eastern Electric Power Corporation Limited.
192. National Thermal Power Corporation Limited.
193. Power Grid Corporation of India Limited.
194. Power Finance Corporation Limited.
195. Rural Electrification Corporation Limited.
196. Tehri Hydro Development Corporation Limited.

MINISTRY OF RAILWAYS

197. Container Corporation of India Limited.
198. Delhi Metro Rail Corporation Limited.
199. Indian Railway Finance Corporation Limited.
200 Ircon International Limited.
201. Konkan Railway Corporation Limited.
202. Rail India Technical and Economic Services Limited.

MINISTRY OF SCIENCE AND TECHNOLOGY
DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH

203. Central Electronics Limited.
204. National Research Development Corporation of India Ltd.

DEPARTMENT OF SPACE

205. Antrix Corporation Limited.

MINISTRY OF STEEL

206. Bharat Refractories Limited.
207. Ferro Scrap Nigam Limited.
208. Hindustan Steelworks Construction Limited.
209. IISCO Ujjain Pipe and Foundry Company Limited.
210. India Firebricks and Insulation Company Limited.
211. Indian Iron and Steel Company Limited.
212. J&K Mineral Development Corporation Limited.
213. Kudremukh Iron Ore Company Limited.
214. Maharashtra Electrosmelt Limited.
215. Manganese Ore (India) Limited.
216. MSTC Limited.
217. MECON (India) Limited.
218. National Mineral Development Corporation Limited.
219. Rashtriya Ispat Nigam Limited.
220. Sponge Iron India Limited.
221. Steel Authority of India Limited.
222. Visvesvaraya Iron & Steel Limited.

MINISTRY OF SURFACE TRANSPORT

223. Central Inland Water Transport Corporation Limited.
224. Cochin Shipyard Limited.
225. Dredging Corporation of India Limited.
226. Hindustan Shipyard Limited.
227. Hooghly Dock and Port Engineers Limited.
228. Indian Road Construction Corporation Limited.
229. The Shipping Corporation of India Limited.

MINISTRY OF TEXTILES

230. Birds Jute and Exports Limited.
231. The British India Corporation Limited.
232. Brushware Limited.
233. Cawnpore Textiles Limited.
234. Central Cottage Industries Corporation of India Limited.
235. The Cotton Corporation of India Limited.
236. The Elgin Mills Company Limited.
237. The Handicrafts and Handlooms Export Corporation of India Limited.

238. Jute Corporation of India Limited.
239. National Handloom velopment Corporation Limited.
240. National Jute Manufactures Corporation Limited.
241. National Textile Corporation Limited, New Delhi.
242. North Eastern Handicrafts and Handlooms Development Corporation Limited.
243. National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited.
244. National Textile Corporation (Delhi, Punjab and Rajasthan) Limited.
245. National Textile Corporation (Gujarat) Limited.
246. National Textile Corporation (Madhya Pradesh) Limited.
247. National Textile Corporation (Maharashtra North) Limited.
248. National Textile Corporation (South Maharashtra) Limited.
249. National Textile Corporation (Tamil Nadu and Pondicherry) Limited.
250. National Textile Corporation (Uttar Pradesh)Limited.
251. National Textile Corporation (West Bengal,Assam and Orissa) Limited.
252. Swadeshi Mining and Manufacturing Company Limited.

MINISTRY OF URBAN AFFAIRS & EMPLOYMENT
DEPARTMENT OF URBAN DEVELOPMENT

253 Hindustan Prefab Limited.
254. Housing and Urban Development Corporation Limited.
255. National Buildings Construction Corporation Limited.

MINISTRY OF WATER RESOURCES

256. Rashtriya Pariyojana Nirman Nigam Limited.
257. Water and Power Consultancy Services (India) Ltd.

MINISTRY OF WELFARE

258. Artificial Limbs Manufacturing Corporation of India Ltd.
259. National Scheduled Castes and Scheduled Tribes Finance and Development Corporation Limited.
260. National Backward Classes Finance and Development Corporation Limited.
261. National Minorities Development & Finance Corporation Limited

APPENDIX II

List of Deemed Central Government Companies under Section 619(B) of the Companies Act, 1956.

1. AB Homes Finance Limited.
2. Accumeasures (Punjab) Limited.
3. Agricultural Finance Corporation Limited.
4. All Bank Finance Limited.
5. Allied International Products Limited (Under liquidation).
6. Andaman Fisheries Limited.
7. Andhra Bank Financial Services Limited.
8. Andhra Pradesh Industrial and Technical Consultancy Organisation Limited.
9. Ashok Paper Mills Limited.
10. Becker Grey and Company (1930) Limited.
11. Bihar Industrial and Technical Consultancy Organisation Limited
12. Bisra Stone Lime Company Limited.
13. BOB Assets Management Company Limited
14. BOB Cards Limited.
15. BOB Capital Markets Limited. **(New Company in 1996-97)**
16. BOB Fiscal Services Limited.(Under liquidation)
17. BOB Housing Finance Limited.
18. BOI Assets Management Limited.
19. BOI Finance Limited.
20. BOI Shareholding Limited **(New Company from 12.1.1997)**
21. Canbank Computers Services Limited.
22. Canbank Factors Limited.
23. Canbank Financial Services Limited.
24. Canbank Investment Management Services Limited.
25. Canbank Ventures Capital Limited.
26. Cent Bank Financial and Custodial Services Limited.
27. Cent Bank Home Finance Limited.
28 Cochin Refineries Balmer Lawrie Limited.
29. Derco Cooling Coils Limited.
30. Discount and Finance House of India Limited.
31. Dishergarh Power Supply Company Limited.
32. Excellsior Plants Corporation Limited(Under liquidation)
33 Gangavati Sugars Limited.
34. Gilts Securities Trading Corporation Limited.
35. IDBI Capital Market Services Limited.
36. IDBI Investment Management Limited.

37. Ind Bank Housing Limited.
38. Ind Bank Merchant Banking Services Limited.
39. Indfund Management Limited.
40. India Tea and Restaurants Limited.
41. Indian Vaccines Limited.
42. Industrial and Technical Consultancy Organisation of Tamil Nadu Limited.
43. J&K Industrial and Technical Consultancy Organisation Limited.
44. Kerala Industrial and Technical Consultancy Organisation Limited.
45. Kohinoor Mills Company Limited.
46. Madan Industries Limited.
47. Nalanda Ceramics and Industries Limited.
48 North Bengal Dolomite Limited.
49. North Eastern Industrial and Technical Consultancy Organisation Limited.
50. North Eastern Finance Development Corporation Limited. **(New Company added in 1996-97)**
51. Orissa Industrial and Technical Consultancy Organisation Limited.
52. PNB Assets Management Limited.
53. PNB Capital Services Limited.
54 PNB Gilts Limited.
55. PNB Housing Finance Corporation Limited.
56. Reserve Bank Note Mudran Private Limited.
57. Ruby Rubber Works Limited.(Under liquidation)
58. Securities Trading Corporation of India Limited.
59. Shyam Properties Limited. **(Ceased to be Deemed Govt. Company from March 1997)**
60. Textile Processing Corporation of India Limited.(Under liquidation)
61. U.P.Industrial Consultants Limited.
62. Vibank Housing Finance Limited.
63. Wagon India Limited.
64. West Bengal Consultancy Organisation Limited.

APPENDIX III

List of Central Statutory Corporations under the audit of Comptroller and Auditor General of India.

MINISTRY OF CIVIL AVIATION AND TOURISM

1. Airports Authority of India.

MINISTRY OF FOOD

2. Central Warehousing Corporation
3. Food Corporation of India

DEPARTMENT OF POWER

4. Damodar Valley Corporation

MINISTRY OF SURFACE TRANSPORT

5. Inland Waterways Authority of India
6. National Highways Authority of India

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