



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

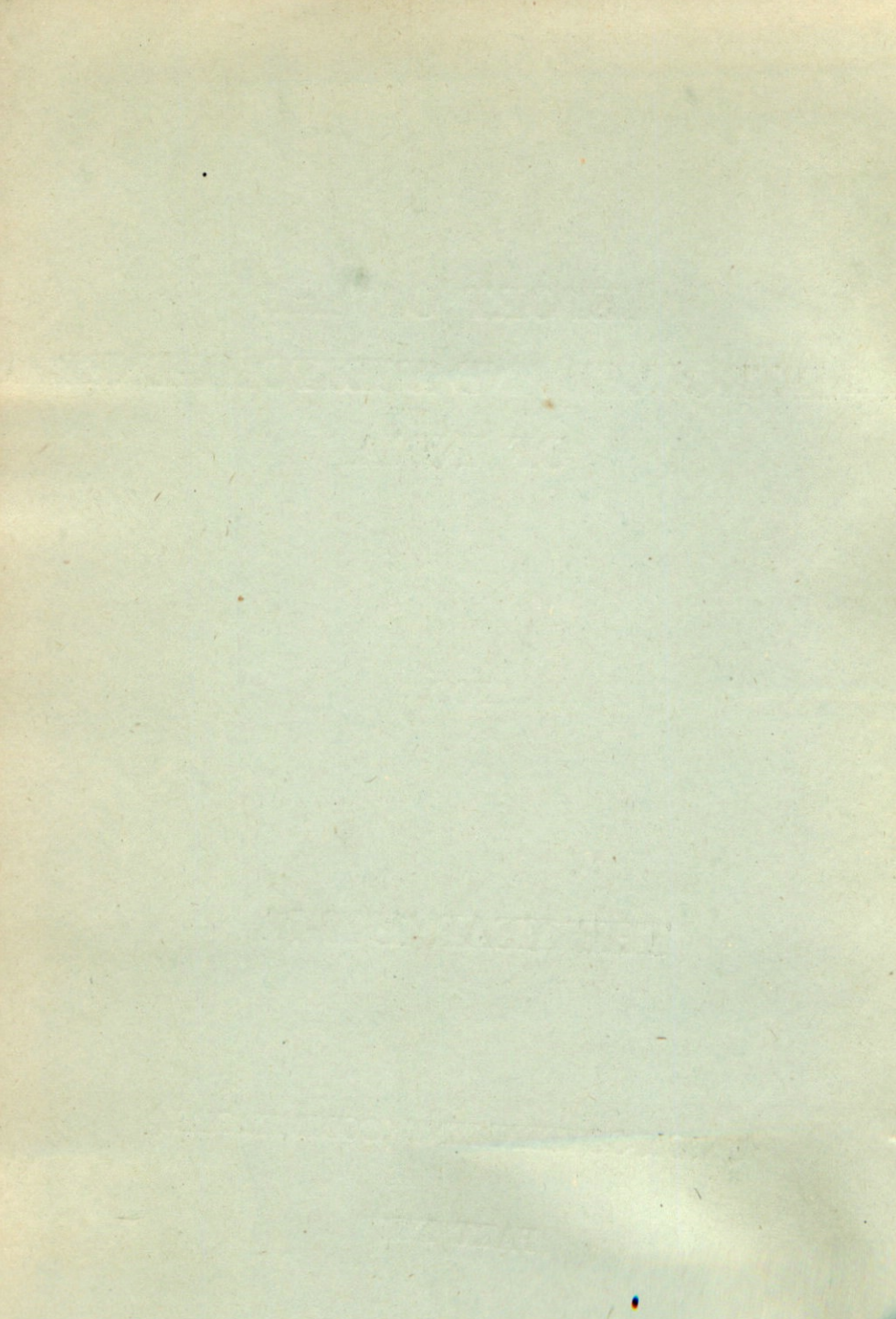
FOR

THE YEAR 1970-71

UNION GOVERNMENT (COMMERCIAL)

PART XIII

Individual irregularities and a resume of the Company Auditors Report.



ERRATA

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PREFATORY REMARKS

A reference is invited to the prefatory remarks in Part I of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Commercial) regarding selection of a number of undertakings for appraisal by the Audit Board under the supervision and control of the Comptroller and Auditor General of India and the decision to present the Report in a number of parts.

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

3. On the request of the Ministry of Petroleum and Chemicals a special audit was conducted in 1973, with the assistance of two Technical Officers nominated by the Ministry, of the high value items of stores and raw materials held by the Fertilizers and Chemicals, Travancore Limited. The results of the special audit have been summarised in paragraph 1 under 'Individual Irregularities' of the Report.

4. The Reports on National Coal Development Corporation Limited, Cochin Refineries Limited and Hindustan Zinc Limited mentioned in Part I of the Report for the year 1970-71 will be issued as parts of the next series of the Report of the Comptroller and Auditor General of India.

EXHIBITORY REMARKS

A further reference to the previous remarks in Part I of the Report in the Comptroller and Auditor General's Report on the 1971-72 financial year is made in the Comptroller and Auditor General's Report on the 1972-73 financial year. The Comptroller and Auditor General's Report on the 1973-74 financial year is also referred to in the Report on the 1974-75 financial year. The Comptroller and Auditor General's Report on the 1975-76 financial year is also referred to in the Report on the 1976-77 financial year.

The first condition of the Financial Management Commission report is that the Comptroller and Auditor General should be empowered to examine the accounts of the Government and the accounts of the Government departments. The Comptroller and Auditor General's Report on the 1971-72 financial year is also referred to in the Report on the 1972-73 financial year. The Comptroller and Auditor General's Report on the 1973-74 financial year is also referred to in the Report on the 1974-75 financial year. The Comptroller and Auditor General's Report on the 1975-76 financial year is also referred to in the Report on the 1976-77 financial year.

On the subject of the Finance Bill, the Commission and the Comptroller and Auditor General's Report on the 1971-72 financial year is also referred to in the Report on the 1972-73 financial year. The Comptroller and Auditor General's Report on the 1973-74 financial year is also referred to in the Report on the 1974-75 financial year. The Comptroller and Auditor General's Report on the 1975-76 financial year is also referred to in the Report on the 1976-77 financial year.

The Report on National Social Development Corporation Finance is also referred to in the Report on the 1971-72 financial year. The Comptroller and Auditor General's Report on the 1973-74 financial year is also referred to in the Report on the 1974-75 financial year. The Comptroller and Auditor General's Report on the 1975-76 financial year is also referred to in the Report on the 1976-77 financial year.

I. INDIVIDUAL IRREGULARITIES

FERTILISERS AND CHEMICALS TRAVANCORE LTD.

1. Irregularities in purchase and account of raw materials and stores

Mention was made, in paragraphs 4.07 and 9.03 of Part X of the Report of the Comptroller and Auditor General of India for the year 1969-70—Union Government (Commercial), of excess consumption of raw materials, deficiencies in the physical verification system, adoption of the book balances for preparation of accounts, heavy shortages of sulphur and rockphosphate amounting to Rs. 113.53 lakhs and write off of Rs. 46.04 lakhs.

A special audit (covering the period from 1st April, 1967 to 31st March, 1972) of high value items of stores and raw materials held by the Company (including sulphur and rockphosphate) was conducted in 1973 on the request of the Ministry of Petroleum and Chemicals with the assistance of two Technical Officers nominated by them.

The results of the special audit are summarised below :—

(A) Payment for raw materials received

(i) Sulphur and rockphosphate constituted the two most important raw materials required by the Company. The value of consumption of rockphosphate and sulphur during the five years ending March, 1972 was Rs. 1970.03 lakhs representing about 40 per cent of the total manufacturing expenses. Both the raw materials were imported. They were received at Cochin by the Shipping Officer of the Company who arranged for a draft survey, got the cargo unloaded through contractors and despatched the materials in boats to the factory site. On completion of the unloading operations, the Shipping Office prepared a report indicating the boats in which the materials were despatched to the factory and the approximate quantity carried in each boat. No weighment of the raw materials carried by the boats to the factory was done and the quantity indicated in the bills of lading was shown as fully received.

(ii) Payments to the suppliers were made on the basis of the weights indicated in the bills of lading. The weights shown in the bills of lading and the weights as determined at Cochin by draft survey were not reconciled. Though the Company accepted the weight shown in the bills of lading, the rebate of Rs. 6,70,758 secured by the Minerals and Metals Trading Corporation of India Limited, through whom the materials were imported, during July, 1967 to March, 1972 from the foreign supplier (Rs. 4,69,884 for acceptance of the bill of lading weight and Rs. 2,00,874 for extra moisture content) was not obtained by the Company.

(iii) Materials Receipt Reports for receipt of sulphur and rockphosphate shipments were issued after considerable delay, ranging even up to one year. Postings of receipts in the ledger were also not made in chronological order. The Company did not, therefore, have reliable up-to-date figures of stock of the raw materials at any time.

(B) Issue of raw materials

Sulphur and rockphosphate fed into the plants were not weighed. Theoretical consumption ratios were adopted from time to time including, in some cases, extra quantities to cover handling and other losses. Extra quantities were added in rockphosphate bags despatched from Cochin Harbour direct to the mixing centres to cover handling losses. This quantity was not, however, charged in the accounts. The stock at Udyogmandal had, therefore, been overstated in the accounts to this extent. The quantity not reflected in the accounts during the period January, 1971 to March, 1973 was of the order of 300 tonnes.

(C) Storage of raw materials

(i) Rockphosphate was reported to have been washed down the river due to the collapse of a retaining wall. No steps were taken to ascertain the quantity lost although remarks were made from time to time that rockphosphate was being washed down the river.

(ii) Whenever there were disputes in regard to the quantity supplied to or received from other fertiliser manufacturers, *ad hoc* settlements were made.

(iii) In view of the deficiencies mentioned above, book balances were not always complete and reliable.

(iv) On many occasions sulphur was kept in the open in heaps. Similarly when the stock was large, rockphosphate was also stored in the open

in heaps. Large quantities of gypsum were dumped in various parts of the township.

(v) Monthly surveys were being made to determine, on volumetric basis, the actual stock. Surveys were made even on occasions when incoming raw materials were being unloaded and got mixed with existing heaps, from which raw materials were also being drawn for consumption simultaneously. Varying density factors were adopted from time to time in deriving, from the volume, the quantity of raw materials. The methods of survey were not thus free from defects. The measurement books containing measurements in respect of the surveys conducted up to 5th January, 1971 were not made available to Audit as they were not traceable. The loss of the measurement books has not been investigated. Errors in calculation were noticed in the measurements recorded after 5th January, 1971. The measurements were also mostly recorded in pencil in the books and there were many unattested corrections and overwritings.

(vi) Even though monthly surveys of sulphur and rockphosphate indicated wide discrepancies between the survey figures and the book balances, the differences were ignored. These differences were widely known and even though notes were exchanged amongst various authorities of the Company, no action was taken to reconcile the discrepancies.

(vii) The Company has gone on maintaining that the survey figures were not dependable and accurate estimates could be made only when the stocks came to a low level. Even when the stocks came to a low figure, the entire shortage was not investigated and written off. For the purpose of annual accounts, the Management certified that the book figures represented the actuals even though they knew that the differences were too large (exceeding 20 per cent in March 1968 and 38 per cent in March, 1969) to be ignored. When Audit pointed out in April 1969 the wide variations between book balances and monthly survey balances and the absence of a regular system of verification of the stock of sulphur and rockphosphate and suggested remedial measures, the Company noted the comment and promised to do the needful. However, instead of adjusting the book figures to the physical stock, as ascertained by survey, part adjustments were made in the accounts for 1969-70 and 1970-71 and the survey report figures were inflated to agree with the book figures after the partial adjustments. The statements containing the inflated figures were furnished to the Statutory Auditors. By this process, the write off

was deferred and spread over a number of years partly in the form of consumption of the subsequent years.

(viii) The computed shortages (at the average issue rates) arising in different years on the basis of book balances reconstructed by Audit and survey figures of different years are indicated below :

(Figures in rupees)

Year	Shortage (—)/ Excess (+) of rock- phosphate	Shortage (—)/ Excess (+) of sulphur	Total
1967-68	(—)13,77,791	(—)1,03,47,088	(—)1,17,24,879
1968-69	(—)11,71,232	(+) 22,75,819	(+) 11,04,587
1969-70	(+) 9,835	(—) 2,45,211	(—) 2,35,376
1970-71	(—)23,34,316	(—) 9,51,380	(—) 32,85,696
1971-72	(+) 3,92,817	(—) 1,20,301	(+) 2,72,516
	(—)44,80,687	(—) 93,88,161	(—)1,38,68,848

(ix) As against the above, the value of shortages written off in the accounts in the three years ending 1971-72 were as follows :

Year	Rockphosphate stock written off (Rs.)	Sulphur stock written off (Rs.)	Total (Rs.)
1969-70	12,06,070	8,52,277	20,58,297
1970-71	17,80,919	7,55,809	25,36,728
1971-72	21,61,332	43,61,308	65,22,640
Total value of shortages written off	51,48,321	59,69,344	1,11,17,665

It would appear from the above that as against Rs. 1,38,68,848 being the value of shortages arising in the relevant years, the amount written off up to the end of 1971-72 was Rs. 1,11,17,665. Thus, while the full quantity found short was written off, a sum of Rs. 27,51,183 was written off less in the value account (in view of falling prices) of the relevant years by deferring the write off; the difference was charged to the accounts as value of consumption of the years following.

(x) Even allowing for inefficiency and the age of the plants, the following consumption ratios were considered as realistic by the Technical Officers associated with the Audit :—

Sulphur to Sulphuric Acid	0.35
Rockphosphate to Phosphoric Acid (with a recovery of 85%)	3.676

On the basis of these ratios the sulphur and rockphosphate that should have been consumed from 1st April, 1967 to 31st March, 1972 and that charged to the accounts including writes off are compared below :—

	Quantity charged to the accounts as consumed including write off (M.T.)	Quantity that should have been consumed (M.T.)	Difference (M.T.)	Value (Rs. in lakhs)
Sulphur	2,48,719	2,32,728	15,991	43.25
Rockphosphate	2,60,440	2,42,676	17,764	37.83

The difference might have been occasioned by various factors like :

- (1) Pilferage/loss of raw materials;
- (2) Loss in the process of manufacture;
- (3) Accountal of less finished products than actual production leading to loss/pilferage of the finished products.

In view of the defective maintenance of records relating to receipts and issues, the defective system of physical stock taking, absence of management control and failure to take action at the appropriate time when the discrepancies were noticed, it was not possible to determine how the shortages actually arose.

(xi) Considerable quantities of gypsum, a by-product of the Phosphoric Acid Plant and raw material for the manufacture of Ammonium Sulphate, were dumped around the factory area and the township. For several years it was shown in the books at a certain value even though it was not in fact available. Eventually the value of Rs. 6,11,540 was written off in March, 1970.

(xii) There was no periodical review of the consumption of raw materials and efficiencies by test runs as the efficiencies were assumed all along at *ad hoc* figures. The dimunition in stock as revealed by monthly
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surveys was also not taken note of. There was no effective system of internal check on raw materials and efficiencies in their usage and on finished products.

(D) Purchase of raw materials

(i) There was no proper system for assessing raw material requirements and for planning purchases so as to optimise the inventory holdings with the objective of avoiding high inventory and stock-outs at the same time. It has been stated by the Management on more than one occasion that the stocks of sulphur and rockphosphate as determined by physical survey were taken into account only for purchase planning and not for adjusting the account figures as the survey figures were unreliable except when the stocks were low. It was, however, noticed that the Management had, in fact, not acted on the basis of survey figures for the purpose of stock planning. *Ad hoc* procedures appeared to have been followed on different occasions, e.g. book figures were adopted on some occasions and independent estimates on others. Absence of proper control resulted in excessive stocks and near stock-outs from time to time. Book stock of sulphur reached an all time high in April 1968 (about 54,000 M. tons when the normal stock limit was about 18,000 M. tons only) following massive purchases. By the middle of 1971, the stocks reached low levels and by the end of the year, the stock was alarmingly low (1,200 M. tons).

(ii) During the 7 month period upto December, 1967 the Company placed orders for purchase of 1,14,000 M. tons of sulphur on various firms.

- (a) One of the purchase orders was placed on a Bombay firm for 10,000 M. ton at Rs. 580 per M. ton CIF Cochin on the basis of a telephonic offer followed by a telegram dated 24th May, 1967. In July, 1967 the firm asked for an increase in price on account of increase in freight rate arising from the closure of the Suez Canal. The Company agreed to increase the price by Rs. 20 per M. ton and amended the order to read as Rs. 600 per M. ton CIF without scrutinising the reasons justifying the increase. While the initial price was related to U.S. \$ 77 per M. ton CIF, the higher price was related to U.S. \$ 80 per M. ton CIF. It was, however, noticed from the invoice issued by the American suppliers on the Bombay firm that the latter were charged only at the original price of \$ 77 per M. ton C & F Cochin for a quantity of 11,823.668 M. tons. The Company thus paid about Rs. 2.36 lakhs over and above the quoted price without any justification.

- (b) Four orders were placed on another firm during September to December, 1967. The firm was paid a commission of Rs. 10 per M. ton against the usual commission of Rs. 7 paid to another established firm resulting in the payment of additional commission of Rs. 1,40,161. The supply against one of the orders which was due for shipment in December, 1967 was shifted without adequate justification, at the instance of the Company to February, 1968 for which it had to pay (as escalation) \$ 1.25 per M. ton resulting in increased price of Rs. 1,21,270.

(E) Stores and tools and plants

The important points noticed in the course of checking of stores accounts are indicated below :—

- (i) For none of the stores items maximum limits had been fixed;
- (ii) Stores ledgers were in arrears; postings were made only once a quarter;
- (iii) 6,000 bin cards were maintained for stores and spares which were no longer in stock with the company;
- (iv) Out of 25,400 items, stock balances in respect of 4,000 items were shown without indicating their values;
- (v) Though there was a system of perpetual stock verification, only a small number of the total items was covered in any one year. The total shortages and excesses noticed during 1968-69 to 1971-72 amounted to Rs. 64,989 and Rs. 92,796 respectively while the value of shortages and excesses noticed in 1972-73 were Rs. 10,89,744 and Rs. 2,23,034 respectively. Shortages and excesses noticed even during the limited verification are stated to be still under investigation and no adjustments have so far been made.
- (vi) The position of non-moving stores as on 31st March, 1972 was as follows :

Description	Total value	Value of non-moving stores
	Rs.	Rs.
Machinery spares	1,49,96,118	67,23,340
General spares	2,73,52,484	50,95,662

Non-moving stores constituted 28% of the total value of stores.

- (vii) A Committee constituted to review the surplus and obsolete items of stores and spares reported in September, 1970 that the company was having 1,350 items valued at Rs. 7.89 lakhs which were obsolete and 381 items valued at Rs. 12.94 lakhs which were surplus to requirements. No action has been taken on the Committee's report so far. There was no systematic procedure in vogue for review of the stores items from time to time for the purpose of locating surplus and obsolete stores;
- (viii) ABC analysis of the stores items was not done regularly;
- (ix) The Internal Audit Cell of the Company had not conducted audit of the records of the Stores Department;
- (x) No reconciliation of the bin card balances was being made with the stores ledger balances;
- (xi) The accounts of tools and plants were not properly reconciled. Over 2000 items of tools had not been returned to the tool crib even though they should have been returned at the end of the shift. Physical verification of tools was not conducted up to 1971-72;
- (xii) The accounts of ammonia cylinders were not maintained satisfactorily. One thousand cylinders purchased in 1968 were not taken in the accounts. The Company has not yet reconciled the cylinder accounts and the number of cylinders not accounted for by customers has not yet been determined.

(F) Finished Products

Physical verification of finished stocks in the custody of central depots, buffer godowns and mixing centres was conducted by a centralised stock taking and vigilance wing. The verification reports of the depots, centres etc. were forwarded to the Depot Officer/Officer-in-charge of mixing centres and the Regional Managers concerned as soon as the verification was completed. It was, however, observed that the verification reports were not pursued centrally with the result that the shortages had not been regularised. The value of shortages of finished products awaiting investigation and regularisation as on 31st March, 1972 was Rs. 23,80,777.

The Ministry intimated in March, 1974 that the whole matter was investigated by the CBI and based on their report, departmental action

had been initiated against some of the officers of the Company. CBI report in so far as it pertained to the involvement of the then Managing Director and the Finance Manager was also under consideration in consultation with the Chief Vigilance Commissioner.

HINDUSTAN STEEL LIMITED

CENTRAL COAL WASHERIES ORGANISATION

2. Loss on account of short receipt of coal

The Coal Washeries of Hindustan Steel Limited obtain supply of coal from the collieries (both in the private and public sector) allotted by the Coal Controller of the Government of India. Payment for the coal is required to be made on the basis of the weight recorded in the railway receipt after weightment of coal wagons at the first available weighbridge situated at the despatching point, *en route* or destination.

Out of the various collieries which were supplying coal, Sijua, Sawang and Kustore collieries had weighbridges at the despatching point. Accordingly, the coal wagons from these three collieries were being weighed at the despatching point while those from other collieries were weighed at destination *i.e.* washery weighbridges. As a result of re-weighment of the coal wagons received from these three collieries at the washery weighbridges, shortages were noticed in 1964. On being asked either to accept the weightment at washery weighbridges as the basis for payment or to agree to adjustment of shortages on the basis of re-weighment, Sijua Colliery did not agree and discontinued further supplies from March, 1965. Sawang Colliery (owned by NCDC) also did not agree but the extent of shortages declined. Kustore Colliery was stated to have agreed (verbally and not formally) to the adjustment of shortages on the basis of reweighment of wagons at the washery weighbridge and accordingly deductions were made by Hindustan Steel Limited from their bills from November, 1964 onwards under intimation to the suppliers every fortnight. These intimations were also acknowledged by the suppliers without any protest.

In December, 1965 disciplinary action was initiated against some employees of the Bhojudih Washery Weighbridge for recording excessive weights of wagons received from Kustore Colliery. The suppliers also protested on 14th April, 1966 against the deductions made from their bills from November, 1964 onwards and invited attention in this connection to their earlier communications. The Washery Management denied

having received the earlier protest letters and started making specific provision in the purchase orders issued from July, 1966 onwards to the effect that payment would be made on the basis of weighment of wagons at washery weighbridge.

As a result of negotiations, Hindustan Steel Limited (Head Office) ultimately agreed in July, 1968 to release 75 per cent. of the deductions made from the supplier's bills for short receipt of coal during the period from November, 1964 to June, 1968 in full and final settlement of the past claims. Accordingly, a sum of Rs. 5.31 lakhs was paid to the suppliers. No settlement could, however, be made regarding the procedure to be followed for the settlement of short receipt of coal in future.

The shortages in the receipt of coal increased as indicated below :—

Year	Percentage of the value of short receipt to total value of coal supplied	Value of shortages (Rupees in lakhs)	Remarks
1967-68	4.77	2.11 }	Prior to the settlement of July, 1968.
1968-69 (i) April—June	2.07	0.47 {	
(ii) July—March	13.46	8.89 }	After the settlement of July, 1968.
1969-70	9.54	9.34 }	
1970-71	13.80	5.43 }	

The matter was discussed on 27th May, 1971 between the representatives of Kustore Colliery and Hindustan Steel Limited and it was agreed that against a fixed additional payment of Rs. 1.18 per tonne the suppliers would ensure delivery of correct quantity of coal as ascertained on actual weighment at the washery weighbridges in future. It was also agreed that the shortages noticed during the period from 1st July, 1968 to 31st May, 1971 would be equally shared by the two parties subject to the condition that the share of Hindustan Steel in respect of the shortages noticed from 16th February, 1971 onwards would be limited to 2½ per cent. As a result, Hindustan Steel had to bear a further loss of Rs. 14.52 lakhs in addition to the loss of Rs. 5.31 lakhs already borne for the period from November, 1964 to June, 1968 on account of short receipt of coal from this colliery.

The additional payment made to the suppliers for delivery of correct quantity of coal during the period from 1st June, 1971 to 15th October, 1971 amounted to Rs. 1.05 lakhs. The management of Kustore Colliery

was taken over by Government on 16th October, 1971 and the Colliery was nationalised with effect from 1st May, 1972. The additional payment at the rate of Rs. 1.18 per tonne, however, continued to be made up to October, 1972 and an amount of Rs. 2.85 lakhs was accordingly paid.

The Ministry have stated (August, 1972) as follows :—

“Weighment was recorded at the Washery Weighbridge except in regard to Sijuya, Sawang and Kustore Collieries which had weighbridges at the despatching ends. The R.R. weight at the HSL washeries were applicable only to those collieries which did not have a weighbridge at despatching point, operated and worked by Railway personnel. Kustore Colliery was one of the collieries which had installed their own weighbridge and therefore R.R. was issued on the weights recorded at the washery weighbridge. Though weighment at the washery could have been done without the intervention of the Railways, the Railway Receipts weight had to be considered for normal commercial transactions and not the weight recorded anywhere else for the purpose of payment. Any weight other than that given in the R.R. could not be made applicable”.

In this connection the following facts deserve mention :—

- (i) In February, 1967, when Hindustan Steel took up the matter with the South Eastern Railway for discontinuing weighment of coal wagons at the Kustore Colliery weighbridge, the latter informed in May, 1967 that as there was no complaint from other consumers, it was not possible to make a distinction in the case of Hindustan Steel. However, South Eastern Railway was agreeable to witnessing of weighments of coal wagons by the representative of the Hindustan Steel Limited. This suggestion was not acted upon by Hindustan Steel as a continuing arrangement.
- (ii) Test weighment of 671 wagons from 20th March, 1968 onwards both at the colliery weighbridge and the washery weighbridge in the presence of representatives of Hindustan Steel and Kustore Colliery as a result of an agreement made on 5th February, 1968 indicated a net shortage of 2.97 per

cent. (248 wagons indicated higher weights and 423 wagons showed less weights on re-weighment at the Washery Weigh-bridge). Against this, the actual short receipt of coal, as already mentioned above, during 1969-70 and 1970-71 amounted to 9.54 per cent. and 13.80 per cent. respectively.

3. Loss of coal fines

In paragraph 12.03(ii) of Section II of the Audit Report (Commercial) 1966 it was pointed out that in the absence of basins for storage of slurry (consisting of fine particles of coal) during the periods of break-downs of the filter and thickener sections of Dugda I Washery, slurry valued at Rs. 15.59 lakhs was lost during 1962-63 and 1963-64. Under similar circumstances, the Dugda II Washery suffered a loss of Rs. 2.73 lakhs during the period from July, 1968 to March, 1969 due to flowing out of 3,412 tonnes of slurry because no arrangements were made for checking the discharge of such slurry during break-downs, emergency draining of thickeners, discharge of effluent at the start and stoppage of operations of the plant etc. Construction of a pucca pond was approved by the Board of Directors in April, 1969 but the work was actually commenced in February, 1970 and completed in October, 1970 at a cost of Rs. 1.40 lakhs. The further loss of slurry during April, 1969 to September, 1970 has not been ascertained by the Management.

In November, 1972 the Management stated that "the Kucha pond which was in existence at that time to cater to the need of Dugda I Washery was considered to be sufficient enough to arrest any slurry which was flowing out of the Dugda I and Dugda II Washeries".

It may be mentioned that the Kucha pond referred to above which was constructed in April, 1964 at a cost of Rs. 25,705 for Dugda I Washery proved inadequate even for that washery and the slurry continued to flow out to the depressions and undulating areas.

BHILAI STEEL PLANT

4. Construction of an air strip at Rajhara

As the road (under the control of Public Works Department) touching the mines area was not usable during rainy season, a proposal for construction of an air strip at Rajhara at an estimated cost of Rs. 4.72 lakhs was approved in January, 1962 in order to provide landing facilities to the dignitaries visiting the mines by air. Construction of the air strip was completed in June, 1964 at a cost of Rs. 3.10 lakhs.

In March, 1967 the Captain of the Company's aircraft inspected the air strip and found that it lacked facilities like parking space for aircraft, runway markings, etc. and suggested certain modifications at an estimated cost of Rs. 1.07 lakhs; the modifications were, however, not carried out.

The air strip has not been used so far (June, 1972) except for a solitary landing made by a small private aircraft in 1967 in search of fuel. It may be mentioned that at the time of approving the proposal, the Company had no idea about the number of visits paid to the mines by the dignitaries in the past. Even a licence for use of the air strip had not been taken up to 8th October, 1968 (licence for use was taken only once for the period from 9th October, 1968 to 30th September, 1969).

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

In pursuance of the directives issued by the Comptroller and Auditor General of India, the special reports of the Company Auditors on the accounts for the year 1970-71 have been received in the case of 82 Companies and 8 Subsidiary Companies (up to April, 1974). The important points contained in these reports are given in the succeeding paragraphs.

SYSTEM OF ACCOUNTS AND BOOK-KEEPING

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

- (i) Sambhar Salts Ltd.
- (ii) Rural Electrification Corporation Ltd.
- (iii) Hindustan Salts Ltd.
- (iv) Electronics Corporation of India Ltd.
- (v) Mining and Allied Machinery Corporation Ltd.
- (vi) Indian Rare Earths Ltd.
- (vii) Tungabhadra Steel Products Ltd.
- (viii) Indian Drugs and Pharmaceuticals Ltd. (Synthetic Drugs Plant, Antibiotics Plant and Head Office).
- (ix) Hindustan Zinc Ltd.
- (x) Hindustan Steelworks Construction Ltd.
- (xi) Bharat Heavy Plate and Vessels Ltd.
- (xii) Indo-Burma Petroleum Company Ltd.
- (xiii) Bharat Heavy Electricals Ltd. (Hyderabad Unit).
- (xiv) Fertilizers and Chemicals, Travancore Ltd.
- (xv) Indian Oil Corporation Ltd. (Marketing Division—Eastern Branch).
- (xvi) Pyrites, Phosphates and Chemicals Ltd.
- (xvii) National Textile Corporation Ltd.
- (xviii) Hindustan Teleprinters Ltd.

- (xix) Central Fisheries Corporation Ltd.
- (xx) Hindustan Machine Tools Ltd. (except Pinjore Unit).
- (xxi) Tannery and Footwear Corporation of India Ltd.
- (xxii) Manganese Ore (India) Ltd.
- (xxiii) Heavy Engineering Corporation Ltd. (Foundry Forge Plant, Heavy Machine Tools Plant, Township and Headquarters).
- (xxiv) Uranium Corporation of India Ltd.
- (xxv) Rehabilitation Industries Corporation Ltd.
- (xxvi) National Seeds Corporation Ltd.
- (xxvii) State Farms Corporation of India Ltd.
- (xxviii) Hindustan Steel Ltd. (Central Coal Washeries Organisation).

(B) In Goa Shipyard Ltd.:—

- (i) The accounting procedure laid down in the accounting manual was not being strictly followed.
- (ii) The present system involved considerable avoidable overlapping and duplication.
- (iii) Assets register was not maintained for items of fixed assets acquired or purchased prior to April, 1962 due to non-availability of relevant records/details. The assets purchased during 1970-71 had also not been entered in the assets register.

(C) The accounts manual needed up-dating (Rourkela Steel Plant and Rourkela Fertiliser Plant of Hindustan Steel Ltd.).

(D) In National Coal Development Corporation Ltd.:—

- (i) The existing accounting system required further improvement for the purpose of preparation of final accounts at Head Office and auditing in depth.
- (ii) The Cards/Registers maintained for plant and machinery and other assets were not complete.

(E) In Hindustan Zinc Ltd. :—

- (i) There was no uniform accounting procedure for all the units of the Company. Different units were following different procedures.
- (ii) Property and plant registers were not complete.

(F) In India Tourism Development Corporation Ltd.:—

(i) The accounting manual, though drawn up, had not been adopted during the year (Ashoka Hotel, Head Office, Transport Units, Duty free shops, Production and Publicity Division, etc.).

(ii) The following deficiencies were also noticed:—

(a) **Head Office, Transport Units, Duty Free Shops, Production and Publicity Division:—**

(1) Uniform heads of accounts had not been prescribed for different units engaged in similar activities.

(2) Sundry Debtors Ledgers had not been maintained in respect of Transport Units (Except Delhi Transport Unit) and the Travellers Lodges.

(b) **Ashoka Hotel**

(1) Arrival and Departure Register had not been properly maintained.

(2) Suppliers Ledger was not being maintained as a financial book.

(3) Allocation of expenditure during construction between capital and revenue was not satisfactory with regard to renovation works.

(G) No property or plant registers were kept at Kharagoda Unit of Hindustan Salts Ltd., while those maintained at Mandi Unit were not reconciled with financial books.

(H) Assets registers (Cards) had not been maintained for certain assets while those maintained had not been posted up-to-date by Electronics Corporation of India Ltd.

(I) In Madras Fertilisers Ltd. assets register was not kept up-to-date in as much as the assets acquired through the prime contractor had not been entered therein.

(J) Full particulars of some of the assets taken over by Tungabhadra Steel Products Ltd. from the Tungabhadra Board were not entered in the plant/property register.

(K) In National Newsprint and Paper Mills Ltd. :—

(i) The existing accounts manual needed revision and up-dating.

- (ii) Assets registers for workshop machinery and buildings were not maintained; these registers for fixed assets other than plant and machinery had not been fully reconciled with financial books.

(L) In Praga Tools Ltd. assets registers of furniture, electric installations, etc. were not kept up-to-date.

(M) Property and plant registers were not complete at Proto-type Training Centre, Okhla of National Small Industries Corporation Ltd.

(N) In Fertilisers and Chemicals, Travancore Ltd. (Udyogmandala Division) property registers were not kept up-to-date.

(O) In Hindustan Teleprinters Ltd. the property/plant registers were not complete in all respects.

(P) In Hindustan Machine Tools Ltd. (Pinjore Unit) the plant registers had not been kept up-to-date.

(Q) In Tannery and Footwear Corporation of India Ltd., no plant, property registers had been maintained.

(R) In National Research Development Corporation of India :—

- (i) The property/plant registers at the Head Office had not been kept up-to-date.
- (ii) Internal control on maintenance of stock registers was found to be lacking at the project site.

(S) In Cement Corporation of India Ltd. reconciliation of values shown in the property/plant registers with those in the financial book had not been made.

(T) In Heavy Engineering Corporation Ltd. :—

- (i) Assets registers had not been maintained (for assets other than civil works in township, motor vehicles, bi-cycles, furniture and fixtures, construction equipment and other office equipment in Head Office).
- (ii) The assets registers were not complete in all cases (Heavy Machine Building Plant and Foundry Forge Plant).

(U) In Uranium Corporation of India Ltd. :—

- (i) The cost of an identifiable unit of the plant could not be completely ascertained as the common items were not allocated to individual plants.
- (ii) The property/plant registers were not posted up-to-date.

(V) In National Seeds Corporation Ltd. :—

- (i) Assets and property registers were not maintained properly and no proper reconciliation was made with the financial accounts.
- (ii) Allocation of expenditure between revenue and capital was not proper in respect of capital works done departmentally.

(W) In Modern Bakeries (India) Ltd. assets registers were not maintained at Kanpur Unit and these were not up-to-date at Delhi Unit and Head Office.

(X) In State Farms Corporation of India Ltd. :—

- (i) Property/plant registers had not been maintained and reconciled with financial books at Jhassuguda, Jullundur and Head Office. At Suratgarh the register maintained related to machinery and buildings only while at Hissar and Raichur register for machinery only was maintained.
- (ii) The system of internal control required to be introduced in respect of wage payments and stores.
- (iii) Crop-wise sale accounts were not maintained by the farms.

(Y) In National Mineral Development Corporation Ltd. the accounts in respect of the various feasibility studies were not adequately and properly maintained.

INTERNAL AUDIT

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

- (i) Sambhar Salts Ltd.
- (ii) Mogul Line Ltd.
- (iii) Hindustan Latex Ltd.
- (iv) Rural Electrification Corporation Ltd.
- (v) Lubrizol India Ltd.
- (vi) Hindustan Salts Ltd.
- (vii) Indian Rare Earths Ltd.
- (viii) Hindustan Zinc Ltd.
- (ix) Indian Oil Corporation Ltd.

(a) *Marketing Division*

Northern Branch, Southern Branch, Eastern Branch, Western Branch and Head Office.

(b) *Refineries and Pipeline Division*

Barauni, Gauhati and Gujarat refineries, Gauhati—Siliguri Products Pipeline and Koyali—Ahmedabad Products Pipeline.

- (x) Hindustan Steelworks Construction Ltd.
- (xi) India Tourism Development Corporation Ltd. (Hotel Janapath, Hotel Ranjit, Hotel Lodhi and Ashoka Hotel).
- (xii) Indo-Burma Petroleum Company Ltd.
- (xiii) Bharat Heavy Electricals Ltd. (Tiruchirapalli Unit).
- (xiv) Fertilisers and Chemicals, Travancore Ltd.
- (xv) Pyrites, Phosphates and Chemicals Ltd.
- (xvi) Hindustan Insecticides Ltd.
- (xvii) National Textile Corporation Ltd.
- (xviii) Bharat Aluminium Company Ltd.
- (xix) Hindustan Teleprinters Ltd.
- (xx) Hindustan Antibiotics Ltd.
- (xxi) Central Fisheries Corporation Ltd.
- (xxii) National Instruments and Ophthalmic Glass Ltd.
- (xxiii) Hindustan Machine Tools Ltd. (Pinjore Unit).
- (xxiv) Tannery and Footwear Corporation of India Ltd.
- (xxv) Hindustan Steel Ltd. (Alloy Steels Plant except in respect of certain sections).
- (xxvi) National Research Development Corporation of India.
- (xxvii) Manganese Ore (India) Ltd.
- (xxviii) Hindustan Copper Ltd.
- (xxix) Rehabilitation Industries Corporation Ltd.
- (xxx) National Seeds Corporation Ltd.
- (xxxi) State Farms Corporation of India Ltd.

(AA) In Madras Fertilisers Ltd. the manual outlining the scope and programme of work for internal audit was under finalisation.

(AB) The programme of work for internal audit had not been specified in the accounting manual of Praga Tools Ltd.

(AC) In Hindustan Steel Ltd. (Bhilai Steel Plant) the manual laying down the scope and programme for internal audit in respect of certain departments of the plant was still under compilation.

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

- (i) Film Finance Corporation Ltd.
- (ii) Indo-Burma Petroleum Company Ltd. (New Delhi Branch).
- (iii) Indian Motion Pictures Export Corporation Ltd.
- (iv) Triveni Structural Ltd.
- (v) Hindustan Salts Ltd.
- (vi) Tungabhadra Steel Products Ltd.
- (vii) National Mineral Development Corporation Ltd. (Kudremukh and Donamalai Projects).
- (viii) National Buildings Construction Corporation Ltd.
- (ix) Garden Reach Workshops Ltd. (Marine Diesel Engine Project).
- (x) India Tourism Development Corporation Ltd. (Head Office).
- (xi) National Textile Corporation Ltd.
- (xii) Bharat Aluminium Company Ltd.
- (xiii) Tannery and Footwear Corporation of India Ltd.
- (xiv) National Research Development Corporation of India.

(BB) Madras Fertilisers Ltd. did not have a full-fledged internal audit department.

(BC) There was no regular system of internal audit in force in Hindustan Zinc Ltd.

(BD) In Indian Petro-chemicals Corporation Ltd. no internal audit was conducted during the year as the setting up of internal audit department was under consideration.

(BE) In Export Credit and Guarantee Corporation Ltd. no report from the internal auditor or any evidence of such audit was shown.

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

- (i) Sambhar Salts Ltd.
- (ii) Handicrafts and Handlooms Exports Corporation of India Ltd.
- (iii) National Small Industries Corporation Ltd. (Bombay and Madras Branches).
- (iv) Hindustan Steel Ltd. (Central Coal Washeries Organisation, Transport and Shipping Organisation and Head Office).
- (v) Hindustan Cables Ltd.

- (vi) Engineers India Ltd.
- (vii) National Mineral Development Corporation Ltd. (Kiriburu Mine and Calcutta Purchase Office).
- (viii) Indian Oil Corporation Ltd. (Marketing Division—Northern, Southern and Eastern Branches).
- (ix) Bharat Heavy Plate and Vessels Ltd.
- (x) National Industrial Development Corporation Ltd.
- (xi) Fertiliser Corporation of India Ltd. (Gorakhpur, Namrup and Sindri Units and Eastern Marketing Zone).
- (xii) Indian Drugs and Pharmaceuticals Ltd. (Antibiotics Plant).
- (xiii) National Coal Development Corporation Ltd.
- (xiv) Bharat Heavy Electricals Ltd. (Hyderabad Unit).
- (xv) Fertilisers and Chemicals, Travancore Ltd.
- (xvi) National Newsprint and Papers Mills Ltd.
- (xvii) Hindustan Insecticides Ltd.
- (xviii) Hindustan Teleprinters Ltd.
- (xix) Central Fisheries Corporation Ltd.
- (xx) National Instruments and Ophthalmic Glass Ltd.
- (xxi) Hindustan Shipyard Ltd.
- (xxii) Hindustan Machine Tools Ltd. (excepting Pinjore Unit).
- (xxiii) National Projects Construction Corporation Ltd.
- (xxiv) India Tourism Development Corporation Ltd. (Ashoka Hotel).
- (xxv) Cement Corporation of India Ltd.
- (xxvi) Heavy Engineering Corporation Ltd. (Foundry Forge Plant, Heavy Machine Tools Plant, Heavy Machine Building Plant, Township and Head Office).
- (xxvii) Uranium Corporation of India Ltd.
- (xxviii) Rehabilitation Industries Corporation Ltd.
- (xxix) Export Credit and Guarantee Corporation Ltd.

(CC) No internal audit was conducted during the year in Goa Shipyard Ltd., Lubrizol India Ltd., National Mineral Development Corporation Ltd. (Panna Diamond Project), Indian Oil Corporation Ltd. (Koyali—Ahmedabad Products Pipeline) and Heavy Engineering Corporation Ltd. (Calcutta Office).

(CD) In Mogul Line Ltd., the internal audit programme was not fully carried out during the year.

(CE) In Hindustan Organic Chemicals Ltd. the programme of internal audit could not be carried out properly during the year.

(CF) The programme of internal audit as envisaged in the audit manual did not seem to have been kept up in Mining and Allied Machinery Corporation Ltd. Action on some of the important points raised by the internal audit still remained to be taken.

(CG) In Neyveli Lignite Corporation Ltd. the programme of internal audit was not fully kept up in certain units.

(CH) In Machine Tools Corporation Ltd. no detailed internal audit was conducted.

(CI) In Shipping Corporation of India Ltd., Central Road Transport Corporation Ltd. and Hindustan Aeronautics Ltd. (Lucknow Division), the internal audit programme outlined in the manual was not fully covered during the year.

(CJ) In Indian Oil Corporation Ltd. (Marketing Division—Western Branch) the internal audit was not fully conducted according to the programme drawn up for the year.

(CK) In Hindustan Steel Ltd. :—

(i) The internal audit needed further strengthening so as to make it fully effective (Durgapur Steel Plant).

(ii) The programme drawn up for internal audit was not fully kept up because of shortage of staff (Alloy Steels Plant).

(CL) No follow up action was taken on internal audit reports by Hindustan Housing Factory Ltd.

(CM) In National Coal Development Corporation Ltd. and Indian Drugs and Pharmaceuticals Ltd. (Surgical Instruments Plant) action on some important points brought out by the internal audit remained to be taken.

(CN) In Sambhar Salts Ltd. the points thrown up by the internal audit were not fully considered by the Management for necessary action.

(CO) In Hindustan Machine Tools Ltd. (Pinjore Unit) quick action had not been taken by the Management on some of the important points thrown up by internal audit.

(CP) In Heavy Engineering Corporation Ltd. (Foundry Forge Plant, Heavy Machine Tools Plant, Township and Head Office) the observations of internal audit department were not given prompt attention in certain cases.

(CQ) No purchase procedure had been drawn up by the Tannery and Footwear Corporation of India Ltd. Quotations for items of stores only were invited.

(CR) In Electronics Corporation of India Ltd. the purchase procedure needed to be reviewed and improved.

(CS) There was scope to extend and intensify the internal audit in Praga Tools Ltd.

(CT) In National Seeds Corporation Ltd. there was no system for calling open tenders.

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

- (i) Cochin Refineries Ltd.
- (ii) Export Credit and Guarantee Corporation Ltd.
- (iii) Sambhar Salts Ltd.
- (iv) Handicrafts and Handlooms Exports Corporation of India Ltd.
- (v) Goa Shipyard Ltd.
- (vi) Hindustan Organic Chemicals Ltd. (in respect of capital and revenue budgets).
- (vii) Hindustan Photo Films Manufacturing Company Ltd.
- (viii) Triveni Structurals Ltd.
- (ix) Hindustan Salts Ltd.
- (x) Hindustan Cables Ltd.
- (xi) Electronics Corporation of India Ltd. (in respect of sales).
- (xii) National Small Industries Corporation Ltd. (Calcutta Sales Office).
- (xiii) Bharat Electronics Ltd.
- (xiv) Engineers India Ltd.
- (xv) Hindustan Aeronautics Ltd. (Nasik, Kanpur, Bangalore, Koraput, Hyderabad and Lucknow Divisions).
- (xvi) Bharat Earth Movers Ltd.
- (xvii) Indian Rare Earths Ltd.

- (xviii) Neyveli Lignite Corporation Ltd.
- (xix) Tungabhadra Steel Products Ltd.
- (xx) Hindustan Housing Factory Ltd.
- (xxi) Madras Fertilisers Ltd. (capital budget).
- (xxii) Shipping Corporation of India Ltd.
- (xxiii) Indian Drugs and Pharmaceuticals Ltd. (Synthetic Drugs Plant, Antibiotics Plant and Surgical Instruments Plant).
- (xxiv) Minerals and Metals Trading Corporation of India Ltd.
- (xxv) Hindustan Zinc Ltd. (in respect of revenue budget).
- (xxvi) Indian Oil Corporation Ltd.
 - (a) *Marketing Division:*
 - Head Office, Northern and Southern Branches (capital budget) and Eastern Branch.
 - (b) *Refineries and Pipeline Division:*
 - (i) Gauhati and Gujarat (capital budget) and Barauni refineries
 - (ii) Gauhati—Siliguri Products Pipeline (capital budget)
 - (iii) Koyali—Ahmedabad Products Pipeline (capital budget).
- (xxvii) Fertiliser Corporation of India Ltd. (P & D Division, Gorakpur, Namrup, Sindri, Barauni and Nangal Units and Eastern Marketing Zone).
- (xxviii) Bharat Heavy Plate and Vessels Ltd.
- (xxix) National Industrial Development Corporation Ltd.
- (xxx) Praga Tools Ltd.
- (xxxi) India Tourism Development Corporation Ltd.
- (xxxii) National Coal Development Corporation Ltd.
- (xxxiii) Bharat Heavy Electricals Ltd. (Hyderabad, Tiruchirapalli and Hardwar Units).
- (xxxiv) Fertilisers and Chemicals, Travancore Ltd.
- (xxxv) National Newsprint and Paper Mills Ltd.
- (xxxvi) Hindustan Insecticides Ltd.
- (xxxvii) Hindustan Teleprinters Ltd. (capital budget).
- (xxxviii) Hindustan Antibiotics Ltd. (capital budget).
- (xxxix) Central Fisheries Corporation Ltd.

- (xl) National Instruments and Ophthalmic Glass Ltd.
- (xli) Hindustan Shipyard Ltd.
- (xlii) Hindustan Machine Tools Ltd. (All units excepting Pinjore Unit and Watch Factory, Bangalore).
- (xliii) Hindustan Steel Ltd. (Durgapur and Alloy Steels Plants)
- (xliv) National Projects Construction Corporation Ltd.
- (xlv) Tannery and Footwear Corporation of India Ltd.
- (xlvi) Cement Corporation of India Ltd.
- (xlvii) National Research Development Corporation of India.
- (xlviii) Manganese Ore (India) Ltd.
- (xlix) Heavy Electricals (India) Ltd.
 - (I) Hindustan Copper Ltd. (capital budget).
 - (li) Heavy Engineering Corporation Ltd.
 - (lii) Central Road Transport Corporation Ltd. (capital budget).
 - (liii) Uranium Corporation of India Ltd. (capital budget).
 - (liv) Hindustan Antibiotics Ltd.
 - (lv) National Seeds Corporation Ltd.
 - (lvi) Instrumentation Ltd.
 - (lvii) Central Inland Water Transport Corporation Ltd.
 - (lviii) State Farms Corporation of India Ltd.
 - (lix) Garden Reach Workshops Ltd.

3(B) In the following Companies there was no system of preparing capital, revenue, production and sales budgets so as to compare actual performance thereagainst.

- (i) Indo-Burma Petroleum Company Ltd. (Electronics and Manufacturing Division).
- (ii) National Textile Corporation Ltd.
- (iii) Rehabilitation Industries Corporation Ltd. (Quantitative production budget).

(C) In Indian Motion Pictures Export Corporation Ltd., no budget for the year was prepared in advance.

(D) In Hindustan Steelworks Construction Ltd. no formal budget was prepared.

(E) In Pyrites, Phosphates and Chemicals Ltd. budgets were not drawn up with adequate details.

(F) In Modern Bakeries (India) Ltd. it was difficult to compare the estimates with actuals in the absence of similiarity between the heads of accounts adopted for financial accounts and budget proposals.

(G) In Rehabilitation Industries Corporation Ltd. the Management were unable to furnish details of actual performance in relation to budget provision.

MANUFACTURING AND PRODUCTION ACCOUNTS

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

- (i) Modern Bakeries (India) Ltd. (Ahmedabad, Bangalore and Cochin Units).
- (ii) Hindustan Latex Ltd. (Actual production fell short of installed capacity also).
- (iii) Indo-Burma Petroleum Company Ltd. (Electronics/Manufacturing Division).
- (iv) Hindustan Photo Films Manufacturing Company Ltd.
- (v) Hindustan Salts Ltd.
- (vi) Hindustan Cables Ltd. (Drycore cables).
- (vii) Mining and Allied Machinery Corporation Ltd.
- (viii) Bharat Earth Movers Ltd. (Earth Movers Division).
- (ix) Indian Rare Earths Ltd. (Main items).
- (x) Neyveli Lignite Corporation Ltd.
- (xi) Tungabhadra Steel Products Ltd. (Some cases).
- (xii) National Mineral Development Corporation Ltd. (Panna Diamond Mining Project).
- (xiii) Machine Tool Corporation of India Ltd.
- (xiv) Indian Drugs and Pharmaceuticals Ltd. (Synthetic Drugs Plant, Antibiotics Plant and Surgical Instruments Plant).
- (xv) Indian Telephone Industries Ltd. (Some cases).
- (xvi) Hindustan Zinc Ltd. (Zinc and Super-Phosphate).
- (xvii) Fertilizer Corporation of India Ltd. [P&D Division, Namrup (Ammonium Sulphate), Sindri, Nangal and Gorakhpur Units].

- (xviii) Bharat Heavy Plate and Vessels Ltd.
- (xix) Praga Tools Ltd. (Some cases).
- (xx) Hindustan Steel Ltd. (Rourkela Steel Plant, Rourkela Fertilizer Plant, Durgapur Steel Plant, Bhilai Steel Plant and Alloy Steels Plant).
- (xxi) National Coal Development Corporation Ltd.
- (xxii) Bharat Heavy Electricals Ltd. (Hyderabad, Hardwar and Tiruchirapalli Units).
- (xxiii) Fertilizers and Chemicals, Travancore Ltd.
- (xxiv) Garden Reach Workshops Ltd.
- (xxv) National Newsprint and Paper Mills Ltd.
- (xxvi) Indian Oil Corporation Ltd. [Refineries Division—Gujarat (Some of the products), Barauni and Gauhati refineries].
- (xxvii) Pyrites, Phosphates and Chemicals Ltd.
- (xxviii) Hindustan Insecticides Ltd.
- (xxix) Hindustan Aeronautics Ltd. (Bangalore Division).
- (xxx) Hindustan Teleprinters Ltd.
- (xxxi) Hindustan Antibiotics Ltd.
- (xxxii) National Instruments and Ophthalmic Glass Ltd.
- (xxxiii) Hindustan Shipyard Ltd.
- (xxxiv) Hindustan Machine Tools Ltd. (Pinjore Unit, Bangalore Units I & II and Kalamassary Unit).
- (xxxv) Tannery and Footwear Corporation of India Ltd.
- (xxxvi) Madras Refineries Ltd.
- (xxxvii) Heavy Electricals (India) Ltd.
- (xxxviii) Heavy Engineering Corporation Ltd. (Foundry Forge Plant, Heavy Machine Tools Plant and Heavy Machine Building Plant).
- (xxxix) State Farms Corporation of India Ltd.
- (AA) In Indian Oil Corporation Ltd., (Marketing Division—Southern Branch) no target of production was fixed for Lube Plant.

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

- (i) Sambhar Salts Ltd.
- (ii) Triveni Structurals Ltd.

- (iii) Hindustan Salts Ltd.
- (iv) National Instruments and Ophthalmic Glass Ltd. (Ophthalmic Glass Plant).
- (v) National Research Development Corporation of India (Commercial Project).
- (vi) National Seeds Corporation Ltd.
- (vii) State Farms Corporation of India Ltd.

(BB) In Indo-Burma Petroleum Company Ltd. (Manufacturing/Electronics Division) the costing system adopted was not on scientific basis and costs were not compiled in time. Standard costs of various main products had also not been fixed.

(BC) The Hindustan Photo Films Manufacturing Company Ltd., did not have a full-fledged costing system as labour and overhead charges were not allocated to various products.

During the year the rejections in Roll Films, Cine Sound Negative Films, X-Ray Films and Cine Positive Films were abnormal as compared to the previous year.

(BD) There was no scientific system of costing in operation in Lubrizol India Ltd.

(BE) In Central Coal Washeries Organisation of Hindustan Steel Ltd., no norms for input output ratio had been fixed by the Management. The standard cost had also not been fixed.

(BF) In Hindustan Cables Ltd., the percentage of rejections in terms of production at the final stage in co-axial cables was high and was progressively increasing.

(BG) The following deficiencies were noticed in the costing system in vogue in Electronics Corporation of India Ltd. :—

- (i) Costing system was yet to be evolved in respect of certain Divisions. In other Divisions the system was still under implementation.
- (ii) No consolidated statements to show quantity-wise output and rejections were drawn up.
- (iii) Product-wise costs were not available with reference to Division-wise cost.

(BH) There was no full-fledged system of costing in Mining and Allied Machinery Corporation Ltd.

(BI) Standard costing system had not been introduced in Nasik, Kanpur and Hyderabad Units of Hindustan Aeronautics Ltd.

(BJ) Standard costs had not been fixed for the main products by Neyveli Lignite Corporation Ltd., Hindustan Zinc Ltd., Heavy Engineering Corporation Ltd. (Heavy Machine Tools Plant), Uranium Corporation of India Ltd., Indian Drugs and Pharmaceuticals Ltd. (Surgical Instruments Plant) and Hindustan Machine Tools Ltd. (Pinjore Unit).

(BK) Although standards in respect of labour and material had been fixed, there was no regular costing system in vogue in the Railcoach Division of Bharat Earth Movers Ltd.; the Earth Mover Division did not also have a detailed standard costing system.

(BL) In Praga Tools Ltd. :—

- (i) Comparison of standard cost with actual cost of production was not possible as the cost sheets had not been closed.
- (ii) The variations between the actual rejections and standard rejections were not ascertainable as the Company was not computing the percentage of actual rejections.

(BM) In Indian Drugs and Pharmaceuticals Ltd.:—

- (i) Actual cost was much more than the standard cost. Also, the loss due to rejections amounted to Rs. 33.44 lakhs (Antibiotics Plant).
- (ii) The overall rejections of all instruments as a percentage on total production during the year was 27.7% as against the norm of 20% (Surgical Instruments Plant).

(BN) In Hindustan Steel Ltd. :—

- (i) The system of standard costing had not been introduced (Rourkela Fertilizer Plant).
- (ii) Actual costs were more than the standard costs (Durgapur Steel Plant).
- (iii) The rejections were high in the production of rails because of bad teaming brought about by the use of sub-standard quality of refractories (Bhilai Steel Plant).

(BO) In Fertilizers and Chemicals, Travancore Ltd., the actual cost of production was higher than the standard cost.

(BP) In National Newsprint and Paper Mills Ltd., no standard costs had been fixed.

(BQ) In Indian Oil Corporation Ltd. :—

- (i) Standard costs of various main products had not been fixed (Barauni Refinery).
- (ii) Standard costs had not been fixed for any of the products (Gujarat Refinery).
- (iii) Actual costs (including overheads and interest) were higher than the standard costs in most of the products (Gauhati Refinery).

(BR) In Hindustan Teleprinters Ltd. :—

- (i) The actual cost of components manufactured in the factory was more than the standard cost.
- (ii) The procedure for booking the material and labour to jobs needed to be streamlined as cases of incorrect bookings were noticed.

(BS) In Hindustan Antibiotics Ltd. :—

- (i) No standard costing system was in operation.
- (ii) In certain cases the actual rejections/process loss were more than the norms fixed.

(BT) In National Instruments and Ophthalmic Glass Ltd. :—

- (i) Existing costing system in Instruments Plant had the following defects :—
 - (a) Cost and financial accounts were not reconciled.
 - (b) There was delay in compilation of actual cost of closed jobs.
 - (c) Fixation of estimated labour hours for each job and computation of hourly overhead rate was defective with result that in most cases estimated cost was more than actual cost.
- (ii) Actual rejections were more than the norms laid down in the Detailed Project Report (Ophthalmic Glass Plant).

(iii) In the absence of any system of ascertainment of cost per unit, the selling price could not be compared with the cost of production of the units sold (Ophthalmic Glass Plant).

(BU) In Hindustan Shipyard Ltd. :—

(i) Following defects existed in the costing system :—

- (a) Estimates prepared by the Company were not in accordance with the details of jobs which were available for cost accounting purposes.
- (b) Comparison between estimates and actuals was rendered impossible as estimating was done on a very broad basis for a ship as a whole and not by jobs.
- (c) Certain important recommendations made by the Chief Cost Accounts Officer of the Government of India for improving and modernising the costing system had not been implemented.

(ii) Percentage of declared scrap to the total value of steel used in ship construction was higher than the standard percentage fixed by the production consultants.

(BV) In Hindustan Machine Tools Ltd. :—

- (a) The actual cost of production was higher than the standard cost (Kalamassery and Hyderabad Units).
- (b) Comparison of actual cost with standard cost could not be made as standard costs had not been worked out (Units I & II).

(BW) In Rehabilitation Industries Corporation Ltd. :—

- (i) The existing costing system was not considered adequate.
- (ii) Norms for rejections in production had not been fixed.

(BX) In Garden Reach Workshops Ltd., no norms for rejection in Foundry and Timber Workshop had been fixed. Rejections in ferrous metal were to the extent of 13.54% and those in timber to 40.68%.

(BY) In National Research Development Corporation of India no record was maintained for the rejections in production of goods for the project.

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

- (i) Sambhar Salts Ltd.
- (ii) Goa Shipyard Ltd. (For labour only).
- (iii) Indian Motion Pictures Export Corporation Ltd.
- (iv) Indo-Burma Petroleum Company Ltd. (Electronics/Manufacturing Division).
- (v) Lubrizol India Ltd.
- (vi) Hindustan Salts Ltd.
- (vii) Electronics Corporation of India Ltd. (except in Nuclear and Allied Instruments Division).
- (viii) Mining and Allied Machinery Corporation Ltd.
- (ix) Hindustan Aeronautics Ltd. (Nasik and Kanpur Divisions—machinery only).
- (x) Bharat Earth Movers Ltd. (Earth Movers Division).
- (xi) Indian Rare Earths Ltd. (Minerals Division).
- (xii) National Mineral Development Corporation Ltd. (Diamond Mining Project).
- (xiii) Indian Drugs and Pharmaceuticals Ltd. (Synthetic Drugs Plant).
- (xiv) Indian Oil Corporation Ltd. :—
 - (a) Marketing Division—Southern Branch (Lube Plant).
 - (b) Refineries and Pipeline Division—Barauni Refinery (labour), Gauhati Refinery (Labour and Workshops Machinery) and Haldia-Barauni-Kanpur products Pipeline (for labour only).
- (xv) Fertilizer Corporation of India Ltd. (P & D Division).
- (xvi) Bharat Heavy Plate and Vessels Ltd. (Machinery only).
- (xvii) National Small Industries Corporation Ltd.—P.T.C., Okhla (Machinery only).
- (xviii) Pyrites, Phosphates and Chemicals Ltd.
- (xix) Hindustan Teleprinters Ltd. (Machinery only).
- (xx) National Instruments and Ophthalmic Glass Ltd.
- (xxi) Tannery and Footwear Corporation of India Ltd.
- (xxii) National Research Development Corporation of India.

- (xxiii) Uranium Corporation of India Ltd. (for labour only).
- (xxiv) Rehabilitation Industries Corporation Ltd.
- (xxv) Modern Bakeries (India) Ltd. (Delhi, Kanpur and Hyderabad Units).
- (xxvi) Central Inland Water Transport Corporation Ltd. (Machinery only).
- (xxvii) State Farms Corporation of India Ltd.

(CC) In Heavy Electricals (India) Ltd. no record showing idle time of machinery was available.

(CD) In Hindustan Zinc Ltd. although idle time for machinery was recorded plant-wise, it was not being worked out in terms of idle labour hours and idle machine hours.

4(D) The consumption of raw materials was more than the standards/ estimates in the following Companies :—

- (i) Hindustan Cables Ltd.
- (ii) Hindustan Housing Factory Ltd. (in certain cases).
- (iii) Indian Drugs and Pharmaceuticals Ltd. (Synthetic Drugs Plant and Antibiotics Plant).
- (iv) Fertilizers and Chemicals, Travancore Ltd. (in respect of major raw materials as compared to the norms laid down in Detailed Project Report).
- (v) National Instruments and Ophthalmic Glass Ltd.
- (vi) Hindustan Steel Ltd. (Durgapur Steel Plant).
- (vii) Fertilizer Corporation of India Ltd. (Namrup and Sindri Units —only in certain materials).
- (viii) Rehabilitation Industries Corporation Ltd. (in some cases).

(DD) In Instrumentation Ltd. there were wide variations between the estimated consumption of materials and labour and the actual bookings in respect of various jobs.

(DE) In Madras Refineries Ltd. consumption of chemicals was in excess of the designed ratio.

PROFIT AND LOSS ACCOUNT

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

- (i) State Trading Corporation of India Ltd. (Bombay and Calcutta branches).
- (ii) Hindustan Photo Films Manufacturing Company Ltd.
- (iii) Triveni Structurals Ltd.
- (iv) Hindustan Cables Ltd.
- (v) Madras Fertilizers Ltd. (NPK Complex Fertilizer).
- (vi) Fertilizer Corporation of India Ltd. (Trombay, Namrup, Sindri and Nangal Units).
- (vii) National Mineral Development Corporation Ltd. (Kiriburu Iron Ore Project).
- (viii) Indian Drugs and Pharmaceuticals Ltd. (Synthetic Drugs Plant, Antibiotics Plant and Surgical Instruments Plant).
- (ix) Hindustan Zinc Ltd. (in respect of Zinc and Lead).
- (x) Bharat Heavy Plate and Vessels Ltd.
- (xi) Praga Tools Ltd. (in most of the jobbing works including forge items).
- (xii) Modern Bakeries (India) Ltd. (Bangalore, Cochin and Madras Units).
- (xiii) National Small Industries Corporation Ltd. (PTC, Okhla).
- (xiv) Hindustan Steel Ltd. (Rourkela Steel and Rourkela Fertilizer Plants, Bhilai Steel Plant, Durgapur Steel Plant and Alloy Steels Plant).
- (xv) National Coal Development Corporation Ltd. (in respect of coal).
- (xvi) Bharat Heavy Electricals Ltd. (Hyderabad and Hardwar Units).
- (xvii) Fertilizer and Chemicals, Travancore Ltd.
- (xviii) Garden Reach Workshops Ltd.
- (xix) National Newsprint and Paper Mills Ltd. (in respect of newsprint).
- (xx) Pyrites, Phosphates and Chemicals Ltd.
- (xxi) Hindustan Insecticides Ltd.
- (xxii) National Instruments and Ophthalmic Glass Ltd.

- (xxiii) Hindustan Antibiotics Ltd.
- (xxiv) Hindustan Shipyard Ltd.
- (xxv) Hindustan Machine Tools Ltd. (excepting Pinjore Factory and Watch Factory, Bangalore).
- (xxvi) Tannery and Footwear Corporation of India Ltd.
- (xxvii) National Projects Construction Corporation Ltd. (in certain cases at Mulla, Kothagodam, Pench, Delhi—Shadhra, Bailadilla, Badarpur and Farraka Projects).
- (xxviii) Cement Corporation of India Ltd.
- (xxix) Heavy Engineering Corporation Ltd. (Foundry Forge Plant, Heavy Machine Tools Plant and Heavy Machine Building Plant).
- (xxx) Rehabilitation Industries Corporation Ltd.
- (xxxi) Central Inland Water Transport Corporation Ltd.
- (xxxii) Heavy Electricals (India) Ltd.
- (xxxiii) Electronics Corporation of India Ltd. (RC, SM, SC and CM Divisions).
- (xxxiv) Mining and Allied Machinery Corporation Ltd.

(B) In Power Generation Scheme, B & C Plant, Clay Washing Plant and the Fertilizer Plant of Neyveli Lignite Corporation Ltd., the recovery rate was lower as compared to the cost of operation/production.

(C) In Indian Drugs and Pharmaceuticals Ltd. (Antibiotics Plant) the loss due to draining out and shut down amounted to Rs. 11.49 lakhs and Rs. 7.23 lakhs respectively.

BALANCE SHEET

6(A) In the following Companies maximum and minimum limits of stores were not fixed:—

- (i) Sambhar Salts Ltd. (for stores and spares).
- (ii) Modren Bakeries (India) Ltd. (Ahmedabad, Bombay, Madras, Delhi, Kanpur and Hyderabad Units).
- (iii) Goa Shipyard Ltd.
- (iv) Indo-Burma Petroleum Company Ltd. (Bombay Branch and Electronics/Manufacturing Division).
- (v) Hindustan Salts Ltd.

- (vi) Hindustan Steel Ltd. (Central Coal Washeries Organisation—B and C class items of stores, Rourkela Steel Plant—Spares and Alloy Steels Plant).
- (vii) Hindustan Cables Ltd. (in respect of spare parts).
- (viii) Electronics Corporation of India Ltd. (for stores and spares).
- (ix) Hindustan Aeronautics Ltd.—Kanpur Division (in some cases) and Nasik Division.
- (x) Tungabhadra Steel Products Ltd. (some items).
- (xi) Hindustan Housing Factory Ltd. (in respect of electrical tools, spares for motor vehicles and ball bearings).
- (xii) Indian Drugs and Pharmaceuticals Ltd. (Synthetic Drugs Plant, Antibiotics Plant and Surgical Instruments Plant).
- (xiii) Lubrizol India Ltd. (stores and spares).
- (xiv) Hindustan Zinc Ltd. (stores and spares).
- (xv) Hindustan Steelworks Construction Ltd.
- (xvi) National Coal Development Corporation Ltd. (in most of the Units).
- (xvii) Bharat Heavy Electricals Ltd. (Hardwar Unit—in most of the cases).
- (xviii) India Tourism Development Corporation Ltd. (Head Office, Transport Unit, Duty Free Shops, Production and Publicity Division, etc.).
- (xix) Indian Oil Corporation Ltd.:—
 - (a) Refineries and Pipelines Division—Barauni Refinery (for spares), Gujarat Refinery and Gauhati-Siliguri Products Pipeline (stock items).
 - (b) Marketing Division—Western Branch.
- (xx) Pyrites, Phosphates and Chemicals Ltd. (stores and spares).
- (xxi) Hindustan Teleprinters Ltd. [Assembly stores (components) and raw materials].
- (xxii) Instrumentation Ltd.
- (xxiii) National Instruments and Ophthalmic Glass•Ltd. (most of the items of stores, raw materials for glass, chemicals, appliances, etc. in Ophthalmic Glass Plant, components and other production materials in Instruments Plant).

- (xxiv) Tannery and Footwear Corporation of India Ltd.
- (xxv) National Research Development Corporation of India.
- (xxvi) Heavy Electricals (India) Ltd. (except the main items of stores brought under stock control).
- (xxvii) Heavy Engineering Corporation Ltd. (Heavy Machine Tools Plant and Heavy Machine Building Plant—in certain cases).
- (xxviii) Rehabilitation Industries Corporation Ltd. (stores and spares).
- (xxix) National Seeds Corporation Ltd.
- (xxx) National Mineral Development Corporation Ltd. (Purchase Office, Bombay, Head Office and Feasibility Studies).
- (xxxi) Central Inland Water Transport Corporation Ltd.
- (xxxii) State Farms Corporation of India Ltd.
- (xxxiii) Neyveli Lignite Corporation Ltd. (for spares).

6(B) In the following Companies there was no regular system of determining periodically surplus/unserviceable stores:—

- (i) Sambhar Salts Ltd.
- (ii) Hindustan Salts Ltd. (except Kharagoda).
- (iii) India Tourism Development Corporation Ltd. [Head Office, Transport Units, Duty free shops, Production and Publicity Division, etc.].
- (iv) National Instruments and Ophthalmic Glass Ltd. (Ophthalmic Glass Plant).
- (v) Central Inland Water Transport Corporation Ltd.
- (vi) Hindustan Zinc Ltd.

(BB) In Hindustan Housing Factory Ltd., there was accumulation of finished goods manufactured specially for construction works handled by the Company which had either been completed or for which orders were not received or had been cancelled.

(BC) In Hindustan Steel Ltd.:—

- (i) There was room for improvement in the system of periodical determination and disposal of surplus and unserviceable stores (Central Coal Washeries Organisation).
- (ii) Penal port rent paid amounted to Rs. 32.66 lakhs out of which Rs. 30.84 lakhs were on account of late submission of documents and non-placement of lorries (Transport and Shipping Organisation).

- (iii) There was room for improvement in the system of procurement and disposal of stores to ensure that stores in excess of reasonable requirements of maintenance and production did not accumulate (Central Coal Washeries Organisation).
- (iv) Manufacturing account was not prepared (Central Coal Washeries Organisation).
- (v) Substantial demurrage was paid (Central Coal Washeries Organisation).

(BD) In Hindustan Shipyard Ltd. the quantum of surplus and un-serviceable stores had not been determined during the year.

(BE) In Fertilizer Corporation of India Ltd. (Sindri Unit) the inventory included surplus stores valued at Rs. 61.40 lakhs which on disposal might not fetch book value.

(BF) In Hindustan Salts Ltd. the excesses/shortages revealed as a result of physical verification of stores, stocks, etc. were not accounted for during the year except for stocks of salt at Mandi and in case of minor shortages.

(BG) In Lubrizol India Ltd. store records were not posted up to date and the stores consumed were not priced as per the prescribed procedure.

(BH) Out of the stores declared surplus and un-serviceable to the extent of Rs. 122.91 lakhs during the last five years, stores valued at Rs. 38.32 lakhs were awaiting disposal in Neyveli Lignite Corporation Ltd.

(BI) In Indian Drugs and Pharmaceuticals Ltd :—

- (i) There was over stocking of stores and spares; stock represented 37 months' consumption (Antibiotics Plant).
- (ii) There was substantial accumulation of finished stock (Antibiotics Plant and Surgical Instruments Plant).
- (iii) Oxytetracycline were sold at a rate lower than the Government approved rate (Antibiotics Plant).
- (iv) The stores and spare parts, finished instruments and semi-finished products valuing Rs. 1,60,000, Rs. 67,000 and Rs. 3,06,308 respectively were not covered by physical verification (Surgical Instruments Plant).
- (v) Confirmation of debts were not obtained from all the parties (Surgical Instruments Plant).

- (vi) There were certain machines costing Rs. 7.5 lakhs approximately which remained idle for varying periods (Surgical Instruments Plant).
- (vii) The physical verification reports of fixed assets for the year were not finalised and exact shortages had also not been determined (Surgical Instruments Plant).
- (viii) The 'Stock with Outside Party' account was not periodically reviewed and quantities as per books were not confirmed by outside parties (Surgical Instruments Plant).
- (ix) In items off-loaded to various parties for further processing, no regular registers with supporting documents were maintained to show the quantity issued, quantity received back and balance as on 31-3-1971 (Surgical Instruments Plant).

(BJ) The original approved targets were scaled down due to fall in demand of coal without a corresponding restriction in the procurement policy of stores which resulted in over-stocking of stores with the National Coal Development Corporation Ltd.

(BK) In Bharat Heavy Electricals Ltd. (Hardwar Unit):—

- (i) Plant and machinery valuing Rs. 294 lakhs, though installed and capitalised, had not been put to use.
- (ii) Confirmations from most of the sundry debtors had not been obtained.

(BL) In India Tourism Development Corporation Ltd :—

- (i) Individual pricing of issues was not done except in the case of paper issued for printing jobs (Head office, Transport Units, Duty free shops, Production and Publicity Division, etc.).
- (ii) In Ashoka Hotel (Automobiles Workshop):—
 - (a) Goods Inward Register was not maintained.
 - (b) Gate passes for carrying materials outside the workshop were issued by the storekeeper himself.
 - (c) Requisition slips for issue of spares for repair of vehicles did not normally carry the authorisation of the works engineer.
 - (d) There was no system of written requisition for authorised casual local purchases.

(iii) No detailed records were being maintained for crockery and cutlery in the F&B Department.

(iv) No separate accounts had been maintained for the township *i.e.* staff quarters (Ashoka Hotel).

(BM) In National Newsprint and Paper Mills Ltd. two Ground Bleaching Washers costing Rs. 2.63 lakhs each (purchased in 1957-58) and Milk of Lime Plant costing Rs. 2.21 lakhs (installed in 1959-60) had not been commissioned.

(BN) In Indian Oil Corporation Ltd. :—

(a) The following plants remained idle in Barauni Refinery for the reasons indicated thereagainst :

(i) Bitumen Unit—Rs. 111.55 lakhs Production from Naharkatiya crude oil was not found suitable for road making in the plains.

(ii) A.U. third Unit—Rs. 186.38 lakhs Non-availability of crude oil.

(b) In Marketing Division (Eastern Branch) some of the assets, though completed, were still being shown under work-in-progress.

(c) In Haldia-Barauni-Kanpur Pipeline :

(i) Detailed records of the receipts and issues of items of stores (in some cases) were not properly maintained.

(ii) No separate operation account was drawn up to ascertain the cost of transporting the products through the pipeline.

(d) A sum of Rs. 24.92 lakhs was paid towards demurrage on bulk oil tankers used for the import of oil (Marketing Division—Western Branch).

(BO) In Pyrites, Phosphates and Chemicals Ltd. no confirmation from the parties from whom the amounts were due was obtained.

(BP) In Hindustan Aeronautics Ltd. (Bangalore Division) maximum and minimum limits in respect of project materials and equipments, etc. required for the assembly of aircraft had not been fixed.

(BQ) In Hindustan Machine Tools Ltd. (Pinjore Unit) stores and spares of the value of Rs. 11.71 lakhs had not moved for over 3 years.

(BR) In Madras Refineries Ltd. maximum and minimum limits had not been fixed in respect of maintenance stores which constituted about 75% of total stores and spares.

(BS) In Heavy Engineering Corporation Ltd. (Foundry Forge Plant and Heavy Machine Tools Plant) the system of procurement and disposal did not appear to be so phased or co-ordinated as to prevent accumulation of stores in excess of reasonable requirements of maintenance and production.

(BT) In Central Road Transport Corporation Ltd., National Seeds Corporation Ltd. and State Farms Corporation of India Ltd. no confirmation had been obtained from sundry debtors.

(BU) In Rehabilitation Industries Corporation Ltd.:—

- (i) Adequate system did not exist for chasing and realisation of debts and loans.
- (ii) The existing system of procurement and disposal of stocks did not ensure that (a) stores in excess of reasonable requirement were not accumulated and (b) the amount of surplus and unserviceable stock was disposed of without delay.

(BV) In State Farms Corporation of India Ltd.:—

- (i) No physical verification of produce, fertilizer, seed, petrol, oil and lubricants was carried out.
- (ii) There were large quantities of stores and spare parts lying at almost all the farms which were far in excess of reasonable requirements. The surplus spares at Suratgarh and Jetsar Farms alone amounted to Rs. 8.5 lakhs.
- (iii) The consumption of stores shown in the accounts had been worked out indirectly *i.e.* by deducting the closing balance from opening balance plus purchases.

(BW) In National Small Industries Corporation Ltd.:—

- (i) Valuation of finished goods at various Prototype-cum-Training Centres was not done on uniform basis.
- (ii) Debts were mounting as the collection machinery was not effective (Calcutta Sales Office).
- (iii) The system of making provision for doubtful debts was not scientific.

(BX) In Fertilizer Corporation of India Ltd.:—

- (i) No physical stock taking of fixed assets (except Calcutta Office) was done during the year.
- (ii) Physical verification of stocks was done in respect of a few godowns and confirmation obtained from State/Central Warehousing Corporations (Eastern Marketing Zone).

(BY) In Cement Corporation of India Ltd.:—

- (i) Physical balances of stores and spares were not reconciled with the ledger/bin card balances.
- (ii) There was no system of obtaining confirmation of outstanding balances.

(BZ) In National Research Development Corporation of India:—

- (i) Periodical verification of stores/spares had not been conducted.
- (ii) There was no procedure for getting confirmation from the debtors.

(BZA) In National Mineral Development Corporation Ltd. (Feasibility Studies) no record of issues and receipts of stores had been maintained.

(BZB) In Hindustan Latex Ltd. there was considerable under-utilisation of the main machinery.

(BZC) In Machine Tool Corporation of India Ltd. there was no proper system of physical verification of stock of finished and semi-finished goods, stores, spare parts, etc.

(BZD) The method of valuation of closing stock was not uniform at all branches of the Handicrafts and Handlooms Exports Corporation of India Ltd.

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

- (i) Indian Oil Corporation Ltd.—(Refineries Division—Head Office, Haldia Refinery and Gujarat Refinery).
- (ii) India Tourism Development Corporation Ltd.
- (iii) National Coal Development Corporation Ltd.
- (iv) National Newsprint and Paper Mills Ltd.
- (v) Hindustan Shipyard Ltd.
- (vi) Hindustan Machine Tools Ltd. (Pinjore Unit).
- (vii) Hindustan Steel Ltd. (Head Office).
- (viii) Heavy Engineering Corporation Ltd. (Foundry Forge Plant, Township and Transport).

6(D) In the following Companies no physical verification was conducted:—

- (i) Hindustan Zinc Ltd. (Stores).
- (ii) Fertilizer Corporation of India Ltd. (Planning and Development Division).

- (iii) India Tourism Development Corporation Ltd. (Fixed assets).
- (iv) Bharat Heavy Electricals Ltd. (Tiruchirapalli Unit—finished and semi-finished goods).
- (v) Cement Corporation of India Ltd. (Limestone Investigation Division).
- (vi) Bharat Heavy Plate and Vessels Ltd. (Plant and machinery, etc.).
- (vii) National Mineral Development Corporation Ltd.
 - (a) Panna Diamond Project (Fixed assets).
 - (b) Various Feasibility Studies (Fixed assets/stores).
- (viii) Central Inland Water Transport Corporation Ltd. (Rajbagan Dockyard—stock items).
- (ix) Hindustan Steelworks Construction Ltd. (Stocks at Hyderabad and cement at site).

R. P. Ranga

(R. P. RANGA)

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

NEW DELHI;

THE

20 JUL 1974

Countersigned.

A. Bakshi

(A. BAKSI)

Comptroller and Auditor General of India.

NEW DELHI;

THE

20 JUL 1974

The India Foreign Development Corporation Ltd. (1947-52)
The Indian Heavy Electricals Ltd. (1953-54)
and continued work.
The Council Corporation for India and its various branches
Department
The Indian Heavy Electricals Ltd. (1953-54)
and continued work.
The Indian Heavy Electricals Ltd. (1953-54)
and continued work.
The Indian Heavy Electricals Ltd. (1953-54)
and continued work.
The Indian Heavy Electricals Ltd. (1953-54)
and continued work.

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R. P. BAKSI

Secretary, Indian Council for Cultural Relations
New Delhi

DEPT.

Commissioner

18-10-58

Handwritten signature

(A. BAKSI)

Secretary and Joint Secretary
New Delhi

NEW DELHI

Reference No. I.C.C.R. 100/58