REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1989

NO. 3

(COMMERCIAL)

GOVERNMENT OF WEST BENGAL

Errata

Report of the Comptroller and Auditor General of India for the 1988-89 (Commercial) - Government of West Bengal (No. 3)

Serial No.	Para No.	Page No.	Line No.	For	Read
1.	Overview	xi	13th	-	(Paragrap
2.	2A.5	xi	2nd	formuladed	formulated
3.	2A.6.2.1	xii	3rd	butween	between
4.	2B.1	xiii	4th	propescting	prosp
5.	4	xiv	24th from top	cedit	credit
6.	1.2.1	1	1st item of table	vetetable	vegeta
7.	1.2.4 i(a)	5	item 3 of table	communitation	comm
8.	1.2.[illegible]	8	12th from bottom	expect	excep
9.	1.6.5	26	item 1 of table	223	203
10.	1.10.4 iii(a)	40	8th from bottom	0.72 lakh	0.7
11.	2A.4	44	7th	suceeding	succ
12.	2B.15	88	6th	representing	rep
13.	2B.16.5(iv)	90	2nd	non-delayed	non
14.	2C.6.1	93	27th from top	verieties	vari
15.	3.1.6.1 (b)(i)	172	4th	2107.6	21,09
16.	3.1.7	175	2nd from bottom	37,450	37.405
17.	Annexure 2	221	Sl. 1, Column 6(c)	(-),502.39	(-) 5,04
18.	- do -	221	Sl. 6 Column 6(b)	263.00	163.00
19.	- do -	222	Sl.21 Column 6(c)	-	(+) 692.
20.	- do -	223	Sl. 37 Column 4	3.05	63.05
21.	- do -	223	Sl. 38 Column 4	2.00	82.00
22.	- do -	224	Sl. 49 Column 6(c)	(-)49.87	(-)94.87

TABLE OF CONTENTS

	Reference to Paragraph(s)	Page(s)
Preface		(vii)-(viii)
Overview		(ix)-(xxi)
CHAPTER I		
General view of Government Companies and Statutory Corporations		
Introduction	1.1	1
Government Companies—General view ..	1.2	1-12
Statutory Corporations—General aspects ..	1.3	12-15
West Bengal State Electricity Board	1.4	15-21
Calcutta State Transport Corporation ..	1.5	21-23
South Bengal State Transport Corporation ..	1.6	23-26
North Bengal State Transport Corporation ..	1.7	27-30
West Bengal Financial Corporation	1.8	30-35
West Bengal State Warehousing Corporation ..	1.9	35-38
West Bengal Industrial Infrastructure Development Corporation	1.10	38-40
CHAPTER II		
Reviews relating to Government Companies		
West Bengal State Minor Irrigation Corporation Limited	2A	41-66
West Bengal Mineral Development and Trading Corporation Limited	2B	66-90
West Bengal State Seed Corporation Limited ..	2C	90-106
West Bengal Tourism Development Corporation Limited	2D	106-117
West Bengal Film Development Corporation Limited	2E	118-137
West Bengal Ceramic Development Corporation Limited	2F	137-153

	Reference to	
	Paragraph(s)	*Page(s)*
CHAPTER III		
West Bengal State Electricity Board—Bandel Thermal Power Station	3-3.5	154-197
CHAPTER IV		
Miscellaneous topics of interest relating to Government Companies and Statutory Corporations		
The West Bengal Power Development Corporation Limited	4A.1-4A.3	198-200
West Bengal Essential Commodities Supply Corporation Limited	4A.4-4A.6	200-204
The Durgapur Projects Limited	4A.7-4A.8	204-206
West Bengal Tea Development Corporation Limited	4A.9-4A.10	206-207
Webel Carbon and Metal Film Resistors Limited..	4A.11	208
West Bengal Dairy and Poultry Development Corporation Limited	4A.12	209
The Calcutta Tramways Company (1978) Limited	4A.13	209-210
West Bengal State Electricity Board	4B.1-4B.8	210-216
Calcutta State Transport Corporation ..	4B.9	216-217
North Bengal State Transport Corporation ..	4B.10	217-218

ANNEXURES

		Page(s)
1.	List of Companies in which Government invested more than Rs. 10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India ..	219
1A.	List of Companies in which Government paid loans during 1988-89 but which are not subject to audit by the Comptroller and Auditor General of India ..	220
2.	Statement showing particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees given by Government, amount outstanding thereagainst and working results of all Government Companies ..	221-224
3.	Summarised financial results of all Government Companies for the year for which accounts were finalised	225-228
4.	Summarised financial results of the Statutory Corporations for the latest year for which annual accounts were finalised	229
5.	Statement showing the percentage of occupancy in the tourist lodges of the West Bengal Tourism Development Corporation Limited during the five years ended 1988-89	230-231
6.	Statement showing the details of consumption of coal per Kwh of energy generated and excess consumption of coal of BTPS	232-233
7.	Statement showing the consumption of oil of BTPS ..	234
8.	Statement showing the excess consumption of heat due to low thermal efficiency of BTPS	235-237
9.	Statement of planned and forced outages of BTPS ..	238
10.	Statement of estimated cost and actual expenditure up to March 1989 of BTPS	239-241
11.	Statement showing instances of leakages of tubes within short intervals of BTPS	242-243

PREFACE

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories;

—Government companies;

—Statutory corporations; and

—Departmentally-managed commercial undertakings.

2. This Report deals with the results of audit of accounts of Government companies and Statutory corporations including the West Bengal State Electricity Board and has been prepared for submission to the Government of West Bengal for presentation to the Legislature under section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of audit relating to departmentally-managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil)—Government of West Bengal.

3. There are certain companies which, in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled companies/corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government investment was more than Rs. 10 lakhs as on 31st March 1989 is given in Annexure 1. The total investment in these 20 companies up to March 1989 was Rs. 88·11 crores.

4. In case of the three State Road Transport Corporations and West Bengal State Electricity Board, which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of West Bengal Financial Corporation and West Bengal State Warehousing Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The audit of the accounts of West Bengal Industrial Infrastructure Development Corporation was entrusted to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, initially for a period of 5 years from 6th June 1978 and was subsequently extended in November 1989 for accounting period up to 1990-91. The audit reports on the annual accounts of all these corporations are being forwarded separetely to the Government of West Bengal.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1988-89 as well as those which had come to the notice in earlier years but could not be dealt with in previous reports. Matters relating to the period subsequent to 1988-89 have also been included, wherever considered necessary.

6. A report on the working of "Durgapur Chemicals Limited" has been prepared separately for submission to Government for presentation to the State Legislature under the Act, ibid.

OVERVIEW

1. The State had 53 Government companies (including 11 subsidiaries), one company under Section 619B of the Companies Act, 1956 and seven Statutory corporations. These are engaged in different productive and trading activities like, engineering, textiles, iron and steel, electronics, agriculture and dairy, tourism, forest, transport, etc.

2. The aggregate paid-up capital of these companies and corporations as on 31st March 1989 was Rs. 356·19 crores of which Rs. 342·10 crores and Rs. 5·79 crores were invested by State and Central Governments respectively and the balance Rs. 8·30 crores by others.

The balance of loans, including loans advanced by the State Government in respect of 44 companies including six subsidiaries outstanding as on 31st March 1989 aggregated Rs. 1,241·69 crores. Repayment of loans and payment of interest thereon in respect of 29 companies carried guarantee by the Government. The amount guaranteed and outstanding towards loan as on 31st March 1989 were Rs. 520·83 crores and Rs. 137·86 crores respectively.

[*Paragraph* 1.2.2]

3. Only 12 companies (including 4 subsidiaries) had finalised their accounts for the year 1988-89; the accounts of remaining 41 companies, including 7 subsidiaries, were in arrears for periods ranging from one to seven years.

[*Paragraph* 1.2.3]

4. On the basis of the latest available accounts which varied from company to company, the cumulative losses of 37 companies came to Rs. 323·93 crores while 4 companies accumulated a profit of Rs. 0·36 crore. The cumulative losses of Rs. 243·38 crores sustained by 17 companies exceeded their paid-up capital of Rs. 22·41 crores.

[*Paragraphs* 1.2.2 *and* 1.2.4 (*ii*)]

5. Out of 20 companies in which Government invested more than Rs. 10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India, three had furnished their latest annual accounts for review.

As per these accounts, one company made profit of Rs. 10·35 crores during 1988-89.

[*Paragraph* 1.2.6]

6. Supplementary audit by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 of the accounts of 19 companies, certified by the Chartered Accountants, brought out two cases of decrease in profit of Rs. 0·11 crore, 10 cases of increase in losses of Rs. 14·42 crores and 7 cases of decrease in losses of Rs. 1·10 crores.

[*Paragraph* 1.2.7]

7. The audit of annual accounts of West Bengal State Electricity Board vests solely with the Comptroller and Auditor General of India. The accounts of the Board had been prepared up to the year 1988-89 and their audit was in progress (February 1990), The accounts so prepared showed a net deficit of Rs. 38·80 crores for the year 1988-89.

[*Paragraphs* 1.3.2 & 1.4.4]

8. The accounts of Calcutta State Transport Corporation had been prepared up to 1987-88 and the audit thereof was in progress (February 1990). The accounts so prepared showed a net deficit of Rs. 32·22 crores for the year 1987-88. The accounts of South Bengal State Transport Corporation and North Bengal State Transport Corporation had been finalised up to 1986-87 and 1987-88 respectively. The audit reports in respect of South Bengal State Transport Corporation up to 1985-86 and that of North Bengal State Transport Corporation up to 1986-87 were issued to the Corporations and Government on 28th September 1989 and 3rd April 1989 respectively which had not been presented to the State Legislature so far (October 1989).

[*Paragraphs* 1.3.2, 1.5.3, 1.6.2 & 1.7.2]

9. West Bengal Financial Corporation had finalised its annual accounts up to 1988-89 while West Bengal State Warehousing Corporation had finalised its accounts up to 1987-88. Audit reports on the annual accounts in respect of the former Corporation up to 1988-89 and of the latter up to 1987-88 had been issued to the respective Corporations and Government.

[*Paragraph* 1.3.3]

10. The audit of West Bengal Industrial Infrastructure Development Corporation had been entrusted to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, initially for 5 years and subsequently extended up to 1990-91 at the request of the State Government. Audit reports on the annual accounts of the Corporation for the year 1983-84 had been issued to the Corporation and Government in January 1990.

11. The activities of six Government companies and Bandel Thermal Power Station of the West Bengal State Electricity Board were reviewed in Audit.

12. WEST BENGAL STATE MINOR IRRIGATION CORPORATION LIMITED

The Company was incorporated in January 1974 mainly to attract institutional finance for minor irrigation works to bring more areas of the State under double or multiple cropping and to take over the State owned minor irrigation installations. Even after 13 years of its inception, the State owned minor irrigation installations (2439 DTWs and 3558 RLIs) could not be taken over by the Company as originally envisaged. Consequently, the Company could serve only 4.26 *per cent* of the command area under minor irrigation of the State.

[*Paragraphs* 2*A*.1 *and* 2*A*.2]

The Company was required to raise loan up to Rs. 4,420 lakhs from commercial banks for implementation of ARDC schemes against which loan applied for was Rs. 875·03 lakhs and loan received up to May 1989 was only Rs. 640·38 lakhs.

[*Paragraph* 2*A*.5]

No schemes for availing refinance have been formuladed after 1984-85 indicating that the Company has abandoned the objective of mobilising institutional finance.

[*Paragraph* 2*A*.5]

Owing to lack of planning, the Company could not utilise funds of Rs. 192 lakhs provided by Government for construction of 150 river lift irrigation schemes. The funds had to be refunded after keeping idle for two years.

[*Paragraph* 2*A*.5]

By depending on Government grants and subsidies (Rs. 613 lakhs) to keep going and repay commercial borrowings, the prime objective of freeing the promotion of minor irrigation programmes from constraints of Government financing has also not been realised.

[*Paragraph* 2*A*.5]

Out of capital subsidy of Rs. 475·33 lakhs received from DRDA for executing 142 minor irrigation schemes, the Company, could complete 16 schemes only while the rest were in progress on which Rs. 121·34 lakhs were spend. The unutilised balance was Rs. 300·43 lakhs out of which Rs. 118 lakhs were diverted for working capital needs.

[*Paragraph* 2*A*.6.1.2]

In 17 to 33 *per cent* of the schemes, necessary field channels had not been completed. In absence of system of recording the quantum of water distributed, it was not possible to assess in Audit, the extent of water wasted through the systems.

[*Paragraph* 2*A*.6.1.5]

Achievements, during 1984-85 to 1988-89, of distribution of water for irrigation through its installations ranged bwtween 21 and 60 *per cent* of targets. Reasons for the low achievements were (*i*) lack of maintenance of pipe line and installations (*ii*) absence of pipe line (*iii*) low voltage supply (*iv*) salinity in water (*v*) choking of wells (*vi*) theft of spares and installations and (*vii*) availability of canal irrigation in command area at cheaper rate etc.

[*Paragraph* 2*A*.6.2.1]

The Company has been sustaining losses since inception. Loss of Rs. 982·95 lakhs, accumulated up to 1988-89, represented 88·9 *per cent* of the paid-up capital as on 31st March 1989.

[*Paragraph* 2*A*.7]

Due to non-finalisation of command area maps and the relative plot schedules of areas covered by minor irrigation schemes, the Company could not exercise adequate control over the area actually irrigated. It had

to depend on the declarations furnished by the farmers for collection of water rates.

[*Paragraph* 2*A*.8.1.1]

The Company had no system of reconciliation of remittances made by divisions/sub-divisions with actual credits given by banks since April 1983. A sum of Rs. 14·88 lakhs not credited in the Company's Bank Account for one to three years in respect of five divisions remained unreconciled.

[*Paragraph* 2*A*8.1.2]

13. WEST BENGAL MINERAL DEVELOPMENT AND TRADING CORPORATION LIMITED

Incorporated in 1973 to promote prospecting, mining and selling of minerals, stones, clays, etc. the Company was mainly engaged in mining of rock phosphate and stones at its two mines. Its propescting activity was negligible.

[*Paragraph* 2*B*.1]

The Company's accumulated loss up to 31st March 1989 amounted to Rs. 358 94 lakhs which was 84 *per cent* of its paid-up capital (Rs. 427·08 lakhs) even after receipt of subsidy of Rs. 150·90 lakhs on sale of rock phosphate during the five years up to March 1989.

[*Paragraph* 2*B*.5]

The losses during the five years up to March 1989 were mainly due to

—low utilisation of capacity for production of stone chips (16 to 64 *per cent*) and rock phosphate (21 to 41 *per cent*);

[*Paragraph* 2*B*.7.1.2]

—mounting problem of high proportion of overburden in rock phosphate mining remaining unsolved despite adverse comments from COPU; and

[*Paragraph* 2*B*.7.2]

—problem of reducing the transportation cost of stone chips by providing a railway siding at pithead having remained unsolved for the last eight years due to inability of Government to provide funds.

[*Paragraph* 2*B*.7.2.1]

Low grade rock phosphate stock of 30,372 tonnes, accumulated since 1977-78, was neither disposed of as

such nor was it blended with high grade to make it marketable.

[*Paragraph* 2*B*.7.2.2]

Two stone crushers procured in April 1982 to augment production by 18000 cum per annum were leased to a party from January 1983 to June 1985 with a stipulation to crush a minimum of 0·11 lakh cum of stone materials for the Company or pay rental of Rs. 0·26 lakh per quarter. The Company failed to get any of its stone materials crushed as also to recover, in the alternative, Rs. 2·83 lakhs towards rent and unreturned spare parts. The crushers were idle up to November 1988 when one of them was put to use.

[*Paragraph* 2*B*.7.1.3]

The Company incurred an interest liability of Rs. 26·57 lakhs on cash credit balance lying undischarged for four years. Of this, Rs. 11·25 lakhs could have been avoided had the balances available in current account been utilised in discharge of the cash credit account.

[*Paragraph* 2*B*.4.3]

The book debts showed an increasing trend since 1987-88. Although no credit facilities were to be extended to private parties, the Company effected supplies to some private parties without opening letters of cedit resulting in accumulation of debts of Rs. 10·83 lakhs against 65 parties as on 31st March 1989.

14. WEST BENGAL STATE SEED CORPORATION LIMITED

The Company was incorporated as wholly owned Government Company in November 1980 to take up the work of production and marketing of quality seeds and to assist Government in the overall agricultural development in the State.

[*Paragraph* 2*C*.1]

During the four years up to 1988-89, it produced 26871·90 tonnes of different seeds against targets of 39805·00 tonnes. In the absence of year-wise classified records, the production of foundation seeds from breeder seeds and quality seeds from foundation seeds could not be ascertained in Audit. The Company had not also

analysed its performances achieved during the years under review.

[*Paragraph* 2C.6.1]

Without proper demand and market study, the Company purchased 1010·99 tonnes of jute seeds of which only 613·24 tonnes could be sold including 428·03 tonnes sold at a distress price. There was a process loss of 199·54 tonnes. A quantity of 261·07 tonnes had to be dumped in compost heaps. All these resulted in a loss of Rs. 89·92 lakhs.

[*Paragraph* 2C.6.2.1.1]

In the absence of compiled records, the extent of subsidy claimed and received by the Company under centrally sponsored special rice production scheme and special food production scheme could not be ascertained in Audit.

[*Paragraph* 2C.6.3.1]

The Company received advances of Rs. 777·95 lakhs from Government up to 31st March 1989 for procurement and distribution of seeds up to block level as agent of the Government to fulfil certain schemes like distribution of minikits, etc. The Company could furnish expenditure statements for Rs. 347·55 lakhs only to Government up to March 1989 in support of utilisation of the advances.

[*Paragraph* 2C.6.3.3]

The Company had accumulated a loss of Rs. 112·68 lakhs up to 1985-86 while during the three years up to 1988-89 it earned profit of Rs. 24·88 lakhs, Rs. 87·56 lakhs and Rs. 168·80 lakhs respectively according to provisional accounts.

[*Paragraph* 2C.8]

15. WEST BENGAL TOURISM DEVELOPMENT CORPORATION LIMITED

The Company, incorporated in April 1974 to develop tourism in the State mainly with assistance from financial institutions, confined its activities to operation of tourist lodges and conducting certain tours mainly with Government assistance.

[*Paragraph* 2D.1]

Owing to lack of proper planning, the Company failed to utilise even half of the interest-free advances of

Rs. 247·95 lakhs received from Government since inception for construction of new tourist lodges and maintenance of existing ones. On the other hand, advances of Rs. 101·07 lakhs were diverted for working capital needs.

[*Paragraph* 2*D*.4.3]

The Company incurred losses since inception. Its accumulated loss as on 31st March 1987 was Rs. 166·52 lakhs which exceeded the paid-up capital of Rs. 146·56 lakhs.

[*Paragraph* 2*D*.5.1]

The percentage of average occupancy in the tourist lodges varied from 21·46 to 80·22 during the five years up to 1988-89. The Company did not undertake any study to make them viable.

[*Paragraph* 2*D*.6.1]

Seven lodges were transferred by Government to the Company between December 1976 and March 1989 treating their value as equity and loan in equal proportion but their valuation had not yet been finalised (July 1989).

[*Paragraph* 2*D*.6.1]

During the five years up to 1988-89, the Company sustained a loss of Rs. 64·24 lakhs on sale of food items in the tourist lodges by not adhering to the Company's norm of pricing at 100 *per cent* more than the cost of raw material cost.

16. WEST BENGAL FILM DEVELOPMENT CORPORATION LIMITED

The Company was incorporated in July 1980 to secure an overall improvement of film industry in the State. Implementation and operation of colour film laboratory project has been the main activity of the Company.

[*Paragraph* 2*E*.1]

Due to delay in execution of mortgage deed for term loan, the Company had to bear the liability of Rs. 6·66 lakhs towards additional interest.

[*Paragraph* 2*E*.5]

In construction of colour film laboratory complex, there had been time overrun of 2½ years and cost overrun of Rs. 101·74 lakhs (estimated) mainly due to non-availability of adequate funds. The laboratory was commission-

ed in October 1986 without sound recording theatre, a facility essential for film laboratory.

[*Paragraph* 2*E*.6.1]

The execution of civil work of laboratory building was defective, rectification of which required Rs. 6·85 lakhs as estimated by the Company. Rectification has however, not yet been taken up. No action was also taken against the contractor.

[*Paragraph* 2*E*.6.2.1]

Owing to lack of timely action, the Company incurred an avoidable expenditure of Rs. 5·69 lakhs on acid resistant flooring of the process building.

[*Paragraph* 2*E*.6.2.2]

Deviating from the project estimate, the entire laboratory building was centrally air-conditioned incurring an additional investment of Rs. 14·57 lakhs and higher electricity consumption.

[*Paragraph* 2*E*.6.4.1]

There were deficiencies in planning and designing of the laboratory. The printing capacity vis-a-vis processing capacity was not balanced, affecting the capacity utilisation. The chilling plant capacity was not adequate and needed to be doubled.

[*Paragraphs* 2*E*.6.4.2 *and* 2*E*.6.4.3]

The Company had been incurring losses since inception. The accumulated loss up to 1988-89 was Rs. 321·09 lakhs (provisional) representing 71·7 *per cent* of its paid-up capital.

[*Paragraph* 2*E*.8.1]

During the three years up to 1988-89, the Company could recover only 199·553 kgs of silver against 335·303 kgs. recoverable, resulting in a value loss of Rs. 6·15 lakhs. Besides, the Company disposed the silver by negotiations at lower prices than the market prices resulting in a further loss of Rs. 2·47 lakhs.

[*Paragraph* 2*E*.9]

17. WEST BENGAL CERAMIC DEVELOPMENT CORPORATION LIMITED

The Company was incorporated in June 1976 to take over the departmental undertaking on ceramics run by the State. Apart from production and marketing of

ceramic products, the Company was envisaged to serve the nearby cottage units by supplying processed clay and extending firing facilities in its kilns as these involved considerable investment which is beyond their capacity.

[*Paragraphs* 2F.1 *and* 2F.7.6]

The factories being very old, needed modernisation and renovation estimated in the year 1979 to cost Rs. 76·55 lakhs to make them viable. For want of adequate funds, the scheme was not implemented. However, Government provided meagre funds of Rs. 28·85 lakhs, out of which only Rs. 7·74 lakhs were spent for capital purposes while the rest was diverted for working capital needs.

[*Paragraph* 2F.6]

The Company had to suspend its activity of serving the cottage units from 1984-85 as it could not offer economical prices to them.

[*Paragraphs* 2F.7.6.1 *and* 2F.7.6.2]

The production of processed clay during the seven years up to March 1989 ranged between 0·4 and 11·5 *per cent* in factory I and 0·2 to 39·8 *per cent* in factory II. The extremely low capacity utilisation was due to unsettled dispute over fixation of status of workers inherited from Government.

[*Paragraph* 2F.7.2]

Accumulated loss as on 31st March 1989 stood at Rs. 596·87 lakhs (provisional) and had exceeded four times the paid-up capital (Rs. 126·15 lakhs).

[*Paragraph* 2F.10]

18. WEST BENGAL STATE ELECTRICITY BOARD

Bandel Thermal Power Station, which accounted for 65·92 *per cent* of the power generation of the State Electricity Board as on 31st March 1988, has an installed capacity of 560 MW. It has four units of 87·5 MW capacity installed in 1965 and 1966 and the fifth unit of 210 MW capacity installed in 1983. The capacity of the first four units was derated to 320 in 1972-73. The rated capacity of the power station is thus 530 MW.

Due to poor preventive maintenance, performance of the first four units suffered and they were being run at about 70 MW capacity each.

[*Paragraphs* 3.1 *and* 3.1.2]

Although with the proper preventive maintenance the plants should be available for running for 80 *per cent* of the time, the plants actually had run for only 37·2 to 95·5 *per cent* of the time and their output during the period of actual running varied between 2148 and 4880 Kwh per KW of capacity as against the desired norm of 5000 kwh. Only once in a period of five years did unit II achieve 5055 Kwh. in 1986-87 and unit III 5043 in 1984-85.

[*Paragraph* 3.1.2.1]

Due to imbalance of transmission and distribution system, power generation had to be backed down by 505·949 MKwh in 1987-88 and 1988-89 causing a revenue loss of Rs. 28·58 crores.

[*Paragraph* 3.1.2.3]

No attempt was made to ascertain the actual man-power needs, till 1986-87 when the committee found that the generation station needs 1865 persons to run instead of 2372 to 2837 employed from 1984-85 to 1988-89. Excess expenditure on this account during the five years up to 1988-89 was Rs. 4·84 crores.

[*Paragraph* 3.4]

Inefficient working of the coal handling plant resulted in payment of demurrage of Rs. 2.98 crores on unloading of coal, but no remedial action was taken by the Board.

[*Paragraph* 3.1.8.2]

The poor plant availability, excess consumption of coal and oil, excessive manpower, etc., resulted in loss of Rs. 302·46 crores over the five year period ending 31st March 1989.

[*Paragraphs* 3.1.2.2(*iv*), 3.1.3.1., 3.1.3.2, 3.1.7 *and* 3.4]

19. Besides, a test check of records of Government companies and Statutory corporations revealed

—extra-contractual financial benefit of Rs. 20 lakhs extended to a contractor by The West Bengal Power Development Corporation Limited disregarding the basis for allowance of escalation in prices of material and labour rates.

[*Paragraph* 4*A*.2]

—extra payment of Rs. 5·66 lakhs by The West Bengal Power Development Corporation Limited by way of cost escalation due to acceptance of the average of price indices of only a period of 12 months instead of the total delayed

period of 36-45 months preceeding the actual date completion.

[Paragraph 4A.

—revenue loss of Rs. 7·52 lakhs suffered West Bengal Essential Commodities Supply Corporatic Limited due to lapses of supervisory control of tl Company's officials over the agent's work.

[Paragraph 4A.

—absence of system of preparation of periodical cas flow statements to ensure gainful deployment of fund by West Bengal Essential Commodities Supply Corpor tion Limited resulted in loss of interest of Rs. 50·60 lakh

[Paragraph 4A.5(i), (ii), (iii) and (iv

—avoidable payment of penal interest of Rs. 94·3 lakhs by West Bengal Essential Commodities Suppl Corporation Limited due to submission of incorrect ta returns and delayed payment of sales tax for the year 1983-84 to 1985-86 on account of its failure to gear up th accounting system.

[Paragraph 4A.6

—loss of Rs. 9·83 lakhs suffered by the Durgapu Projects Limited due to lapse on the part of the Manage ment in acceptance of a storage tank without effectiv testing.

[Paragraph 4A.7

—absence of system of efficient managing of surplu funds by West Bengal Dairy and Poultry Developmen Corporation Limited resulting in loss of interest of Rs. lakhs for the period from July 1986 to June 1988.

[Paragraph 4A.12

—piece-meal purchase of steel tubular poles by th Calcutta Tramways Company (1978) Limited resulting i avoidable extra expenditure of Rs. 7·51 lakhs.

[Paragraph 4A.13

—avoidable payment of interest of Rs. 58·37 lakhs b West Bengal State Electricity Board on account of delaye deposit of income tax deducted at source.

[Paragraph 4B.7

—extra contractual financial benefit of Rs. 5·16 lakh extended to a contractor by Calcutta State Transpor

Corporation in respect of civil construction works in its Central Workshop.

[*Paragraph 4B*.9]

—undue financial aid of Rs. 6·84 lakhs extended to four firms of Calcutta for fabrication of bus bodies of North Bengal State Transport Corporation by way of reimbursement of Central excise duty by condoning the delay in delivery without recording reasons therefor.

[*Paragraph 4B*.10]

CHAPTER 1

1. GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 **Introduction**

This chapter contains particulars about the investment in and state of accounts, etc., of the Government companies and Statutory corporations.

Paragraph 1.2 gives a general view of Government companies, paragraph 1.3 deals with general aspects relating to Statutory corporations and paragraphs 1.4 to 1.10 give more details about the Statutory corporations including their financial and operational performances.

1.2 **Government companies—General view**

1.2.1 There were 53 Government companies (including 11 subsidiaries) as on 31st March 1989, in the State, as against 52 Government companies (including 13 subsidiaries) as on 31st March 1988. According to the information received by Audit, three new companies were incorporated and two companies viz., Webel Nicco Electronics Limited and Webel Computers Limited, both subsidiaries of West Bengal Electronics Industry Development Corporation Limited, have been converted into Joint Sector companies on 8th June 1988 and 30th June 1988 respectively during the year. The particulars of the three new companies are given below:

Name of the Company	Date of incorporation	Date of becoming Government company	Authorised capital (Rupees in crores)
Teesta Fruit and Vetetable Processing Limited	16th April 1986	16th April 1986	1·00
Sundarban Sugarbeet Processing Company Limited	12th May 1986	12th May 1986	1·00
Gluconate India Limited	4th April 1988	4th April 1988	4·00

1.2.2 The particulars of up-do-date paid-up capital, outstanding loans, amount of guarantees given by the State Government and the amount outstanding thereagainst, working results, etc., in respect of all the Government companies are given in Annexure 2. The position is summarised below:

Against the aggregate paid-up capital of Rs. 278·88 crores in 52 Government companies (including 13 subsidiaries) as on 31st March 1988, the aggregate paid-up capital as on 31st March 1989 stood at Rs. 356·19 crores in 53 Government companies (including 11 subsidiaries) as per particulars given below:

Sl. No.	Particulars	Number of companies	Investment by			Total investment
			State Government	Central Government	Others	
			(Rupees in crores)			
1.	Companies wholly owned by State Government	31	292·18	—	—	292·18
2.	Companies jointly owned with Central Government/Others	11	49·82	5·67	2·22	57·71
3.	Subsidiary companies	11	0·10	0·12	6·08	6·30
		53	*342·10	5·79	8·30	356·19

The balance of long-term loans outstanding in respect of 44 companies including 6 subsidiaries as on 31st March 1989 was Rs. 1,241·69 crores (State Government: Rs. 413·82 crores, Others: Rs. 824·72 crores and deferred payment credits: Rs. 3·15 crores) as against Rs. 580·36 crores (State Government: Rs. 361·27 crores, Others: Rs. 217·57 crores and deferred payment credits: Rs. 1·52 crores) as on 31st March 1988 in respect of 37 companies including 8 subsidiaries.

The State Government had guaranteed the repayment of oans raised by 29 companies and payment of interest thereon. The amounts guaranteed and outstanding thereagainst as on 31st March 1989 were Rs. 520·83** crores and Rs. 137·86** crores espectively as shown in Annexure 2.

The companies have to pay commission in consideration of uarantees given by the Government. The payment of guarantee ommission was in arrears to the extent of Rs. 1·66 crores payable y 15 companies as shown in Annexure 2.

Note: The figure as per Finance Accounts is Rs. 235·11 crores. The difference of Rs. 106·99 crores is under reconciliation.

Note: The figures as per Finance Accounts are Rs. 202·30 crores and Rs. 128·19 crores. The differences are under reconciliation.

1.2.3 A synoptic statement showing the financial results of all the companies based on the latest available accounts is given in Annexure 3.

Twelve companies (including four subsidiaries) had finalised their accounts (31st December 1989) for the year 1988-89 (serial number 4, 7, 12, 17, 18, 27, 28, 30, 31, 38, 46 and 50 of Annexure 3). In addition, 29 companies (including 5 subsidiaries) had finalised their accounts for some earlier years since the previous Report (serial numbers 1, 2, 3, 5, 6, 8, 9, 10, 13, 15, 16, 19, 21, 22, 23, 27, 29, 32, 33, 34, 35, 36, 37, 39, 41, 42, 44, 45 and 47 of Annexure 3).

It will be observed from Annexures 2 and 3 that the accounts of 41 companies (including 7 subsidiaries) were in arrears. The position of arrears is summarised below:

Sl. No.	Extent of arrears	No. of years involved	Number of Companies		Investment by				Reference to Sl. No. of Annexure-3
			Companies	Subsidiary companies	Government		Holding companies		
					Capital	Loans	Capital	Loans	
					(Rupees in crores)				
1.	1982-83 to 1988-89	7	2	1	2·26	4·89	0·99	Nil	14, 22 and 25
2.	1983-84 to 1988-89	6	2	1	12·31	6·97	1·05	0·16	15, 24 and 29
3.	1984-85 to 1988-89	5	3	2	7·86	1·00	0 45	0·15	8, 23, 34, 40 and 43
4.	1985-86 to 1988-89	4	1	—	1·38	0·36	—	—	9
5.	1986-87 to 1988-89	3	10	1	28·42	116·73	0·43	0·10	2, 5, 10, 13, 20, 32, 36, 44, 48, 51 and 53
6.	1987-88 to 1988-89	2	8	2	123·04	15·98	0·94	0·16	19, 26, 33, 35, 37, 39, 42, 45, 47 and 49
7.	1988-89	1	8	—	52·97	134·76	—	—	1, 3, 6, 11, 16, 21, 41 and 52

In the absence of finalisation of accounts, the productivity of the investment of Rs. 508·93 crores (capital: Rs. 228·24 crores and loans: Rs. 280·69 crores) by the State Government and Rs. 4·43 crores (capital: Rs. 3·86 crores and loan: Rs. 0·57 crore) by the holding companies in these companies could not be conclusively vouchsafed.

The position of arrears in finalisation of accounts was last brought to the notice of Government in January 1990 at the level of the Chief Secretary to the Government of West Bengal.

1.2.4 In regard to working results of the companies, the following further observations are made:

(*i*) In respect of 12 companies which finalised their accounts for 1988-89, the following position emerged:

(*a*) Three companies earned profit of Rs. 2·24 crores during 1988-89 and one company i.e. Webel Telecommunication Industries Limited declared dividend of Rs. 18 lakhs representing 18 *per cent* of the paid-up capital. The particulars in respect of the three companies showing the comparative position of the previous year are given below:

Sl. No.	Name of Company	Paid-up capital		Profit (+)/ Loss (−)		Percentage of profit to paid-up capital	
		1988-89	1987-88	1988-89	1987-88	1988-89	1987-88
		(Rupees in crores)				(per cent)	
1.	Webel Tele-communication Industries Limited	1·00	1·00	2·04	2·41	204	241
2.	Webel Business Machines Limited	0·28	0·25	0·03	(−)0·05	10·71	—
3.	Webel Electronics Communitation System Limited	0·84	0·95	0·17	0·09	20·24	25·71

(*b*) During the year 1988-89, seven companies including one subsidiary incurred losses aggregating Rs. 26·95 crores. Particulars in respect of them, showing the comparative position of the previous year, are given below:

Sl. No.	Name of Company	Paid-up capital		Loss	
		1988-89	1987-88	1988-89	1987-88
		(Rupees in crores)			
1.	The Durgapur Projects Limited	75·54	62·37	14·64	8·04
2.	West Bengal Industrial Development Corporation Limited	25·06	17·36	9·64	1·59
3.	West Bengal Livestock Processing Development Corporation Limited	1·92	1·92	0·13	0·13
4.	West Dinajpur Spinning Mills Limited	6·48	6·40	1·86	1·51
5.	Webel Power Electronics Limited	0·10	0·10	0·11	0·09
6.	West Bengal Agro-Textile Corporation Limited	1·42	1·42	0·02	0·04
7.	West Bengal Phytochemical and Phermaceutical Development Corporation Limited	3·29	2·74	0·55	0·42

(*i*) Two companies viz. IPP Limited and Greater Calcutta Gas Supply Corporation Limited have not started operations.

(*ii*) As shown in Annexure, 2 the accumulated loss in respect of 17 companies (including there subsidiaries) as reflected in the accounts finalised up to the period noted against each, had exceeded their paid-up capital at the close of the year as against 15 companies (including two subsidiaries) as reported in the Report of 1987-88. The details of 17 companies are given below:

Sl. No.	Name of Company	Year up to which accounts were finalised	Paid-up capital at the close of the year	Accumulated loss up to the end of the year	Serial number of Annexure-2
			(Rupees in crores)		
1.	The Kalyani Spinning Mills Limited	1987-88	1·58	57·50	1
2.	Electro-Medical and Allied Industries Limited	1987-88	0·25	3·84	3
3.	Durgapur Chemicals Limited	1985-86	5·09	48·67	5
4.	The State Fisheries Development Corporation Limited	1987-88	1·63	2·07	6
5.	Westinghouse Saxby Farmer Limited	1985-86	1·00	43·32	10

Sl. No.	Name of Company	Year up to which accounts were finalised	Paid-up capital at the close of the year	Accumulated loss up to the end of the year	Serial number of Annexure-2
			(Rupees in crores)		
6.	West Bengal Sugar Industries Development Corporation Limited	1985-86	2 62	7 14	13
7.	West Bengal Tourism Development Corporation Limited	1986-87	1 27	1 67	19
8.	Basumati Corporation Limited	1981-82	0 10	0 99	22
9.	West Bengal State Leather Industries Development Corporation Limited	1983-84	0 67	0 98	24
10.	West Bengal Ceramic Development Corporation Limited	1982-83	0 98	2 13	25
11.	West Bengal Tea Development Corporation Limited	1986-87	3 09	4 04	27
12.	Webel Business Machines Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	1988-89	0 28	0 46	28
13.	Webel Video Devices Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	1982-83	1 05	1 37	29
14.	The Shalimar Works (1980) Limited	1985-86	1 00	4 30	35
15.	The Calcutta Tramways Company (1978) Limited	1987-88	20 40	60 58	40
16.	Neo Pipes and Tubes Company Limited	1986-87	1 70	3 37	41
17.	Webel Power Electronics Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	1988-89	0 10	0 95	49

1.2.5 In addition, there was one company covered under section 619B of the Companies Act, 1956, details such as paid-up capital, etc., of which are given below:

Name of Company	Latest year of accounts	Paid-up capital	Investment by Government	Profit (+) Loss (−) during the year
		(Rupees in crores)		
West Bengal Filaments and Lamps Limited	1988-89	2·51	0 81	0 03

1.2.6 There are certain companies in which Government of West Bengal have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General of India as Government/Government owned/controlled companies/corporations hold less than 51 *per cent* of shares. A list of such undertakings in which Government investment was more than Rs. 10 lakhs as on 31st March 1989 is given in Annexure 1. The total investment in these companies up to 31st March 1989 was Rs. 88·11 crores against Rs. 73·69 crores as on 31st March 1988. During the period under reference four such companies (Serial Nos. 7, 8, 11 and 15 in Annexure 1) became Government companies but the entrustment of audit has not been received as yet. Although Eastern Distilleries (P) Limited (Serial No. 9 in Annexure 1) became Govermnent company on 16th April 1986, the entrustment of audit has not also been received so far. Only 3 (Lily Biscuit Company Private Limited, Mackintosh Burn Limited and CESC Limited) out of 20 companies listed in Annexure 1 had furnished their latest annual accounts.

It was noticed that in order to tide over the difficult ways and means position, further loans amounting to Rs. 5·21 crores were paid during 1988-89 as working capital to 11 companies (Annexure 1A). Loan of Rs. 8 crores was provided to CESC Limited during the year 1988-89 for implementation of Southern Generating Station Replacement Project. This company has earned a net profit of Rs. 10·35 crores during 1988-89 and its General Reserve amounted to Rs. 26·12 crores as on 31st March 1989.

None of the undertakings named in Annexure 1 expect CESC Limited and Eastern Distilleries (P) Limited could either repay any portion of principal or pay any part of interest during 1988-89. During the year 1988-89, the Government could recover Rs. 3·30 crores as principal and Rs. 4·92 crores as interest from two companies (CESC Limited: Rs. 3·20 crores as principal and Rs. 4·92 crores as interest and Eastern Distilleries (P) Limited: Rs. 0·10 crore as principal).

Changes in the accumulated losses, debt-equity ratio and interest accrued and due during the latest year for which accounts were submitted by the companies incurring losses are as under:

Sl. No.	Name of Company	Year of Accounts	Accumulated losses		Debt-equity ratio		Interest accrued and due	
			At the beginning of the year	At the close of the year	At the beginning of the year	At the close of the year	At the beginning of the year	At the close of the year
			(Rupees in crores)				(Rupees in crores)	
1.	Mackintosh Burn Limited	1986-87	2·07	1·97	9·13:1	9·37:1	0·76	0·90
2.	Lily Biscuit Company Private Limited	1987-88	5·93	6·89	28·82:1	34·28:1	0·45	0·70

1.2.7 Some of the important observations made by Statutory Auditors and as a result of audit by the Comptroller and Auditor General of India in respect of the accounts of the companies audited during the year are mentioned below:

(*i*) The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directives to the Statutory auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued, supplementary reports of the Statutory auditors on the accounts of 19 companies were received by 31st December 1989.

Important points noticed in these reports are summarised below:

Sl. No.	Nature of defects	Number of companies where the defect was noticed	Reference to Sl. No. of Annexure-2
1.	Non-compilation of Internal Audit Manual defining the scope and programme of work of the Internal Auditors	16	1, 2, 4, 5, 6, 10, 12, 13, 15, 16, 17, 18, 19, 21, 30 and 34
2.	Non-fixation of minimum and maximum limits of stores/spares	6	1, 5, 6, 15, 40 and 49
3.	Non-fixation of norms of requirement/ deployment of manpower	2	5 and 34
4.	Non-compilation of Accounting Manual	10	1, 2, 5, 10, 11, 12, 15, 18, 21 and 34
5.	Non-preparation of annual budgets	8	4, 6, 12, 13, 16, 19, 34 and 49
6.	Non-fixation of norms for consumption of major raw materials for manufacture of major products	1	1

Sl. No.	Nature of defects	Number of companies where the defect was noticed	Reference to Sl. No. of Annexure-2
7.	Non-fixation of production targets and non-maintenance of periodical quantity accounts		17
8.	Non-maintenance of Asset Register	6	2, 5, 13, 15, 19 and 34
9.	Absence of effective system of obtaining confirmation of debts	15	1, 2, 5, 6, 10, 11, 15, 16, 17, 19, 21, 30 34, 40 and 49
10.	Absence of system of ascertaining idle time of labour/machinery and fixation of standard cost of various products	3	10, 40 and 49
11.	Absence of effective system of determination of surplus/un-serviceable raw materials, stores and spares		1, 4, 5, 10, 15, 17, 34 and 49

(*ii*) Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the report of the Statutory auditors. Under this provision, the review of annual accounts of Government companies is being conducted in selected cases. The accounts of 27 companies were selected for such review during the period from January 1989 to December 1989.

The net effect of the comments issued under Section 619(4) of the Act, ibid, was as follows:

	Details	Number of accounts	Monetary effect (Rupees in crores)
(*i*)	Increase in profit	—	Nil
(*ii*)	Decrease in profit	2	0 11
(*iii*)	Increase in loss	10	14 42
(*iv*)	Decrease in loss	7	1 10
(*v*)	Non-disclosure of material facts	8	3 88

Some of the major errors and omissions noticed in the course of review of annual accounts of some of these companies not pointed out by Statutory auditors, are mentioned below:

(*a*) **West Bengal Essential Commotidies Supply Corporation Limited (accounts for the year 1[illegible]**

Although the Company accepted the liability for payment of Rs. 9·20 lakhs, no provision for the same has been made in the accounts resulting in understatement of current liabilities and overstatement of profit to the same extent.

(*b*) **West Bengal Sugar Industries Development Corporation Limited (accounts for the year 1985-86)**

During the year the company received a grant of Rs. 3 lakhs from Government for disbursement as loan to sugarcane growers. The loans were disbursed and the grant was taken as income without settling with Government the terms regarding disposal of loan recoveries from the loanees. In the absence of the terms, the grants should have been accounted for under Reserve and Surplus. This has resulted in understatement of loss for the year by Rs. 3 lakhs.

(*c*) **West Bengal Electronics Industry Development Corporation Limited (accounts for the year 1987-88)**

Loans and advances was overstated by Rs. 4·43 lakhs with corresponding understatement of accumulated loss (including current year's loss by Rs. 3·27 lakhs) by taking credit for interest on the loans of Rs. 34·40 lakhs given to Webel Jenson and Nicholson Limited despite the Board's decision in March 1988 treating them interest-free with effect from 1st November 1986.

(*d*) **West Bengal State Minor Irrigation Corporation Limited (accounts for the year 1982-83)**

(*i*) Stores and spare parts lying in store included Rs. 137·58 lakhs being the value of stores lying at the five divisions of the Company which was physically verified by a firm of Chartered Accountants and valued at Rs. 57·95 lakhs. The difference of Rs. 79·63 lakhs was neither adjusted in the accounts nor disclosed by way of notes on accounts.

(*ii*) Stores and spare parts lying with the contractors included Rs. 91·01 lakhs being the value of stores and spares consumed in construction of water distribution system commissioned and put to use within 31st March 1983 which should have been shown under 'Fixed Assets—Water Distribution System'. Non-provision of depreciation on the same (Rs. 16·22 lakhs for the prior periods and Rs. 7·38 lakhs for the current year) has resulted in understatement of current year's loss by Rs. 7·38 lakhs and accumulated loss by Rs. 23·60 lakhs.

(*e*) **Britannia Engineering Products and Services Limited (accounts for the year 1986-87)**

Inclusion of the claims relating to pre-vesting expenses in the profit and loss account has resulted in overstatement of loss by Rs. 10·68 lakhs.

(*f*) **The Durgapur Projects Limited (accounts for the year 1988-89)**

The loss of Rs. 1,464·01 lakhs has been understated by Rs. 26·38 lakhs and the cumulative loss by Rs. 56·72 lakhs on account of non-provision of penal interest, non-accountal of consumption of stores, non-provision for purchase of power etc.

(*g*) **West Bengal Power Development Corporation Limited (accounts for the year 1986-87)**

Loss of Rs. 1,272·23 lakhs for year has been understated by Rs. 1,323·08 lakhs on account of non-provision of liability for payment to railway staff, non-provision of interest and guarantee fees, non-capitalisation of interest, understatement of fuel cost, non-adjustment of claims receivable, etc. Omission to account for the claims recoverable in respect of supply of inferior grade of coal resulting in overstatement of cost of coal consumed.

(*h*) **Durgapur Chemicals Limited (accounts for the year 1985-86)**

Loss of Rs. 601·59 lakhs for the year has been understated to the extent of Rs. 80·04 lakhs on account of non-provision for doubtful debts and sticky loans and advances.

1.3 **Statutory Corporations—General aspects**

1.3.1 There were seven statutory corporations in the State as on 31st March 1989, viz:

—West Bengal State Electricity Board,

—Calcutta State Transport Corporation,

—North Bengal State Transport Corporation,

—South Bengal State Transport Corporation (formerly Durgapur State Transport Corporation),

—West Bengal Financial Corporation,

—West Bengal State Warehousing Corporation and

—West Bengal Industrial Infrastructure Development Corporation.

1.3.2 West Bengal State Electricity Board was constituted on 1st May 1955 under Section 5(*i*) of the Electricity (Supply) Act, 1948 and North Bengal State Transport Corporation, Calcutta State Transport Corporation and South Bengal State Transport Corporation (formerly Durgapur State Transport Corporation) were constituted on 15th April 1960, 15th June 1960 and 7th December 1973 respectively under the Road Transport Corporations Act, 1950.

Under the respective Acts, the audit of the West Bengal State Electricity Board and the State Transport Corporations vests solely in the Comptroller and Auditor General of India. Separate Audit Reports mainly incorporating the comments on the annual accounts of each year, are issued separately to the organisations and to Government.

The annual accounts along with the separate Audit Reports of the Board up to the year 1986-87 had been presented to the State Legislature while the accounts for the year 1987-88 and the separate Audit Report thereon issued on 31st July 1989 had not been presented to the State Legislature so far (October 1989). The audit of annual accounts for the year 1988-89 received in November 1989 was in progress.

The accounts of Calcutta State Transport Corporation were finalised up to 1987-88. The audit of annual accounts of the Corporation for the year 1987-88 received in August 1989 was in progress. The separate Audit Report along with certified copy of accounts for the year 1986-87 issued to the Corporation and Government on 1st August 1989 had not been presented to the State Legislature so far (October 1989).

The accounts of South Bengal State Transport Corporation and North Bengal State Transport Corporation had been finalised up to the year 1986-87 and 1987-88 respectively and Audit Reports in respect of South Bengal State Transport Corporation up to 1985-86 and that of North Bengal State Transport Corporation up to 1986-87 were issued to the Corporations and the Government on 28th September 1989 and 3rd April 1989 respectively which had not been presented to the State Legislature so far (October 1989).

1.3.3 West Bengal Financial Corporation was constituted on 1st March 1954 under Section 3(*i*) of the State Financial Corporations Act, 1951 and West Bengal State Warehousing Corporation was constituted on 31st March 1958 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 subsequently replaced by the Warehousing Corporations Act, 1962.

Under the respective Acts, the accounts of the organisations are audited by the Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India and the latter may also undertake audit of the Corporations separately. Separate Audit Reports in respect of the annual accounts of the Corporations are also issued by the Comptroller and Auditor General of India. The annual accounts of the two Corporations had been certified by the Chartered Accountants up to the year 1988-89 and 1987-88 respectively. Separate Audit Reports on the annual accounts had been issued in respect of West Bengal Financial Corporation up to 1988-89 and in respect of West Bengal State Warehousing Corporation up to 1987-88 to the respective Corporations and Government.

1.3.4 The West Bengal Industrial Infrastructure Development Corporation was constituted in November 1973 under the West Bengal Industrial Infrastructure Development Corporation Ordinance, 1973, subsequently replaced by West Bengal Industrial Infrastructure Development Corporation Act, 1974.

The audit of the accounts of the Corporation has been undertaken by the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 at the request of the State Government, initially for a period of five years commencing from 6th June 1978 and thereafter in September 1983 for another five years from 6th June 1983. This period has further been extended for two five yearly accounting periods from 1981-82 to 1985-86 and 1986-87 to 1990-91 at the request (September 1989) of the State Government.

Separate Audit Report, mainly incorporating the comments on the annual accounts, is issued separately to the Corporation and Government.

Separate Audit Report on the annual accounts of the Corporation up to 1983-84 had been issued to the Corporation and Government in January 1990. The separate Audit Report for the year 1980-81 was placed before the State Legislature on 18th May 1989.

1.3.5 The financial results of these seven Statutory Corporations for the latest years for which accounts have been finalised are summarised in Annexure 4. Salient points about the accounts and physical performance of these Statutory corporations are discussed in paragraphs 1.4 to 1.10.

1.4 **West Bengal State Electricity Board**

1.4.1 The capital requirements of the Board are met by way of loans from Government, public, banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding as on 31st March 1989 was Rs. 1,381·92 crores and represented an increase of Rs. 108·57 crores compared to the long-term loans of Rs. 1,273·35 crores outstanding at the end of previous year. Particulars of loans obtained from the State Government and other sources and outstanding at the close of March 1988 and March 1989 were as follows:

Sl. No.	Source	Amount outstanding as on 31st March 1988	1989	Percentage of increase
		(Rupees in crores)		
1.	State Government	466·08	480·47	3·09
2.	Others	807·27	901·45	11·67
	Total	1,273·35	1,381·92	

1.4.2 Government had guaranteed repayment of loans raised by the Board to the extent of Rs. 1,554·64 crores and payment of interest thereon. The amount of principal outstanding thereagainst as on 31st March 1989 was Rs. 938·47 crores. The Board has to pay guarantee fee in consideration of the guarantees given by the Government. The payment of guarantee fee to the extent of Rs. 21·18 crores was in arrears as at the close of March 1989.

1.4.3 The financial position of the Board at the end of the three years up to March 1989 is given below:

	1986-87	1987-88	1988-89
		(Rupees in crores)	
A. Liabilities			
1. Long-term loans from			
(a) Government	451·63	466·08	480·47
(b) Other sources	740·72	807·27	901·45

	1986-87	1987-88	1988-89
		(Rupees in crores)	
2. Subvention and grants from			
(*a*) Government	—	—	—
(*b*) Others	72·72	84·56	98·26
3. Overdrafts/Ways and means advances from Government	16·30	26·87	35·36
4. Interest on loans	298·42	347·09	386·72
5. Security deposits from consumers (including interest thereon)	21·86	26·11	34·68
6. Current liabilities and provisions	269·65	363·49	461·65
7. (*a*) Reserves and reserve fund	6·74	0·30	0·29
(*b*) Deficit	232·11	252·39	291·20
Total-A	1,645·93	1,869·38	2,107·68
B. Assets			
1. Gross fixed assets	568·98	713·32	760·48
(*a*) Depreciation	170·70	195·42	224·67
(*b*) Net fixed assets	398·28	517·90	535·81
2. Capital work-in-progress	512·62	528·66	655·00
3. Current assets	564·81	660·35	757·60
4. Investment	170·22	162·47	159·27
Total-B	1,645·93	1,869·38	2,107·68
C. Capital employed	878·53	1,001·69	1,027·21
D. Capital invested	1,289·34	1,406·54	1,537·74

Notes: 1. Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital.

2. Capital invested represents long-term loans, paid-up capital plus free reserves.

1.4.4 The working results of the Board for the three years up to 1988-89 on comparative commercial basis as required under Section 67 (as amended in August 1983) of the Electricity Supply Act, 1948 are summarised below:

		1986-87	1987-88	1988-89
			(Rupees in crores)	
1.	(*a*) Revenue receipts	348·01	402·74	484·58
	(*b*) Subsidy from the State Government	28 45	34·37	39·67
	Total	376·46	437·11	524·25
2.	Revenue expenditure including write-off of intangible assets	318·71	392·24	477·97
3.	(*a*) Gross surplus (+)/deficit (−) for the year	(+)57·75	(+)44·87	(+)46·28
	(*b*) Adjustments relating to previous years	(+)0·11	(+)3·56	(+)0·31
	(*c*) Surplus (+)/deficit (−)	(+)57·86	(+)48·43	(+)46·59
4.	Appropriations:			
	(*a*) Depreciation	19·35	21·87	24·73
	(*b*) Interest on Government loans	44·32	46·30	48·46
	(*c*) Interest on other loans and bonds	50·90	64·26	78·19
	(*d*) Total interest on loans	95·22	110·56	126·65
	(*e*) *Less:* Interest capitalised	48·54	57·28	65·99
	(*f*) Interest charged to revenue	46·68	53·28	60·66
5.	Net deficit	8·17	26·72	38 80
6.	Total return:			
	On capital employed	38·51	26·56	21·86
	On capital invested	36·64	24·08	17 59
7.	Percentage of return:			
	On capital employed	4·4	2·7	2·1
	On capital invested	2·8	1·7	1·1

1.4.5 The following major irregularities and omissions were pointed out in the Audit Report on the annual accounts of the Board for the year 1987-88. Some of these have been persisting for long.

(*a*) *Revenue Account*

The loss of Rs. 3,028 lakhs exhibited in the accounts was understated by Rs. 1,234·48 lakhs on account of the following with corresponding understatement of deficit as shown in the Balance Sheet.

		(Rupees in lakhs)
(A)	*Overstatement of income*	
(*i*)	Treatment of prior period income as current revenue	427·69
(*ii*)	Excess provision of unbilled revenue	5·55
(*iii*)	Wrong adjustment of excess billing done during the year	3·65
		436·89
(B)	*Understatement of expenditure*	
(*i*)	Omission to account for the liability for cost of water	41·15
(*ii*)	Omission to account for fuel related cost	17·66
(*iii*)	Omission to provide for liability for purchase of energy	218·25
(*iv*)	Treatment of revenue expenses as capital expenses	8·58
(*v*)	Omission to provide for the liability for services or supplies received etc.	34·95
(*vi*)	Omission to account for consumption of stores	154·36
(*vii*)	Omission to account for the expenses incurred by one unit on behalf of other	152 40
(*viii*)	Omission to account for bank charges deducted by bank from the bank balance	17·81
(*ix*)	Underprovision of depreciation on the residual payment on generating unit commissioned during 1982-83 and transmission line commissioned during 1986-87	62·29
(*x*)	Underprovision of depreciation on assets due to wrong calculation	1·33
(*xi*)	Short provision of interest liability	69·24
(*xii*)	Omission to provide interest on Employees' Provident Fund dues utilised during the year	196·27
(*xiii*)	Waival of late payment surcharge wrongly reduced from the revenue for the year	24·21
(*xiv*)	Understatement of consumption of coal	193·21
		1,191·71
(C)	*Understatement of income*	
(*i*)	Omission to account for revenue in respect of supply made during the year	150·30
(*ii*)	Reduction of revenue for the year by refund of excess revenue accounted for in earlier years	56·60
(*iii*)	Omission to account for late payment surcharge receiveable from consumers	3 03

(Rupees in lakhs)

(*iv*) Reduction of revenue for the year due to wrong accountal of waival of late payment surcharge	24·21
(*v*) Omission to account for interest and penalty recoverable from suppliers	21·87
	256·01

(D) *Overstatement of expenditure*

(*i*) Treatment of prior period expenditure as current expenditure	105·78
(*ii*) Cost of coal not actually consumed	32·33
	138·11

(*b*) *Balance sheet*

1. Fixed Assets—Gross Block	71,332 00
(*i*) The amount is understated due to—	
Omission to include value of completed assets wrongly continued to be shown as capital work-in-progress	2,656·56
Non-adjustment of the value of office building purchased, taken over and in use	23 36
Omission to account for left over expenditure on assets	24·74

(*ii*) The amount is overstated by Rs. 7·53 lakhs due to wrong calculation of depreciation

(*iii*) Fixed assets transferred to WBPDCL (Rs. 33,968·03 lakhs) also stand overstated by Rs. 981·20 lakhs on account of omission to credit sale proceeds of energy generated during trial run as commented upon in the ultimate sub-para of III-A of the comments on the accounts for 1986-87.

2. Stocks: Rs. 115·86 lakhs

(*i*) Stock of coal (Rs. 802 lakhs) has been understated by Rs. 912·50 lakhs (net) due to charging of coal consumption to the accounts on an assessed rate of consumption per unit of electricity generated.

(*ii*) Material pending inspection (Rs. 218 lakhs) did not include Rs. 157·19 lakhs being the value of materials received at stores.

1.4.6 The following table indicates the operational performance of the Board during the three years up to 1988-89:

	1986-87	1987-88	1988-89
	(MW)		(Provisional)
1. Installed capacity			
(*i*) Thermal (derated)	1,024 00	1,024·00	1,010·00
(*ii*) Hydel	45·60	45·60	45·00
(*iii*) Others (diesel and gas turbine)	118·80	117·03	118·00
Total-1	1,188·40	1,186·63	1,173·00

	1986-87	1987-88	1988-89
		(Mkwh)	
2. Power generated			
(*i*) Thermal	3,745·09	3,460·78	3,196·20
(*ii*) Hydel	109·20	93·88	110·92
(*iii*) Others (Diesel and gas turbine)	38·99	28·33	63·79
Total-2	3,893·28	3,582·99	3,370·91
3. *Less:* Auxiliary consumption	387·86	374·93	340·48
4. Net power generated (2-3)	3,505·42	3,208·06	3,030·43
5. Power purchased/procured	1,867·12	2,735·52	3,230·96
6. Total power available for sale (4+5)	5,372·54	5,943·58	6,261·39
7. Normal maximum demand (in MW)	950·00	1,066·00	1,102·00
8. Power sold	4,107·29	4,601·00	4,791·29
9. (*i*) Transmission and distribution loss	1,263·95	1,341·93	1,469 82
(*ii*) Free supply to Bhutan	1·30	0·65	0·28
		(per cent)	
10. Load factor	41·8	38·6	35·7
11. Percentage of generation to installed capacity	37·4	34·5	32·8
12. Percentage of transmission and distribution loss to total power available for sale	23·5	22·6	23 5
13. Number of units generated per KW of installed capacity (kwh)	3,276·1	3,019 0	2,873·8
14. Number of villages/towns electrified	N.A.	23,485	N.A.
15. (*a*) Pumpsets/Wells energised	N.A.	60,401	N.A.
(*b*) Pumpsets/Wells awaiting energisation	N.A.	N.A.	N.A.
16. Number of substations (33 KV and above)	N.A.	N.A.	N.A.
17. Transmission/distribution losses		(Mkwh)	
(*i*) High/Medium voltage (*ii*) Low voltage	1,263·95	1,341·93	1,469·82
18. Number of consumers (in lakhs)	9·99	11·26	16·64
19. Number of employees	N.A.	42,978	41,310

	1986-87	1987-88	1988-89
20. Total expenditure on staff (Rupees in lakhs)	[illegible]90·35	9,170·92	10,258·24
21. Percentage of expenditure on staff to total revenue expenditure	21·0	19·6	18·2
22. Break-up of sale of energy according to categories of consumers (Mkwh)			
(*a*) Agriculture	N.A.	158·1	N.A.
(*b*) Industries	N.A.	1,345·1	N.A.
(*c*) Commercial	N.A.	238·7	N.A.
(*d*) Domestic	N.A.	354·4	N.A.
(*e*) Others	N.A.	2,283·2	N.A.
23. (*a*) Revenue per Kwh (Rupees)	N.A.	0·87533	N.A.
(*b*) Expenditure per Kwh (Rupees)	N.A.	1·00810	N.A.
(*c*) Profit (+)/Loss (−) per Kwh (Rupees)	N.A.	(−)0·13277	N.A.

1.5 Calcutta State Transport Corporation

1.5.1 Under Section 23(*i*) of the Road Transport Corporations Act, 1950, the State Government and the Central Government had agreed to contribute to the capital in ratio of 6·08 : 1.

The capital of the Corporation as on 31st March 1989 was Rs. 708·46 lakhs (Rs. 608·46 lakhs contributed by the State Government and Rs. 100·00 lakhs by the Central Government) which was also the same as on 31st March 1988. Interest on capital received from the State Government and the Central Government is payable at the rate of 4 to 6 *per cent* and 6·25 *per cent* respectively. Interest amounting to Rs. 934·46 lakhs was payable on capital up to the year 1987-88.

1.5.2 The audit of the accounts of the Corporation for the year 1987-88 is under finalisation (December 1989).

The financial position of the Corporation at the end of the three years up to 1987-88 is given below:

	1985-86	1986-87	1987-88
		(Rupees in lakhs)	
Liabilities			
(1) Capital	708·46	708·46	708 46
(2) Reserves and surplus	3,179·11	3,661·71	4,152·04
(3) Borrowings	9,441·32	10,711·59	11,826·58
(4) Trade dues and other current liabilities	4,434·84	4,879·02	5,728·89
Total	17,763·73	19,960·78	22,415·97

Assets	1985-86	1986-87 (Rupees in lakhs)	1987-88
(1) Gross block	7,693 58	8,440 89	9,008 90
(2) *Less:* depreciation	3,835 56	4,323 68	4,755 30
(3) Net fixed assets	3,858 02	4,117·21	4,253 60
(4) Capital work-in-progress	53 86	38 91	57 15
(5) Investments	2,521·60	2,819 44	3,178 84
(6) Current assets, loans and advances	2,648 34	2,588 04	2,821 31
(7) Accumulated loss	8,681·91	10,397 18	12,105 07
Total	17,763 73	19,960 78	22,415 97
Capital invested	10,149 78	11,420 05	12,535 04
Capital employed	1,917 92	1,691 73	1,117 44

1.5.3 The working results of the Corporation for the three years up to 1987-88 are summarised below:

	1985-86	1986-87 (Rupees in lakhs)	1987-88
1. (*a*) Operating:			
Revenue	1,551 34	1,698 07	1,828 08
Expenditure	4,169 77	4,464 33	4,693 68
Deficit	2,618 43	2,766·26	2,865 60
(*b*) Non-operating·			
Revenue	83 06	87 08	116 97
Expenditure	563 96	573 40	673 24
Non-operating deficit	480 90	486 32	556 27
2. Total revenue	1,634 41	1,785 15	1,945 05
3. Total expenditure	4,733 73	5,037 73	5,366·92
4. Net loss	3,099 32	3,252 58	3,421 87
5. Interest on capital and loan	567 53	603 32	703 88
6 Total return on:			
(*i*) Capital employed	(−)2,531 80	(−)2,649 26	(−)2,717 99
(*ii*) Capital invested	(−)2,572 93	(−)2,690 40	(−)2,759 12

Notes: 1. Capital invested represents capital plus long-term loans and free reserves.
2. Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital.

1.5.4 The table below indicates the physical performance of the Corporation during the three years up to 1988-89:

		1986-87	1987-88	1988-89
1.	Average number of vehicles held	1,204	1,213	1,264
2.	Average number of vehicles on road	658	684	806
3.	Percentage of utilisation	54·65	56·39	63·77
4.	Kilometres covered (in lakhs)			
	(*a*) Gross	434·16	478·05	543·39
	(*b*) Effective	402·00	435·41	494·55
	(*c*) Dead	32·16	42·64	48·84
5.	Percentage of dead Kms to gross Kms	7·41	8·92	8·99
6.	Average Kms covered per vehicle per day	167	175	176·46
7.	Average revenue per Km (paise)	441·70	418·93	431·84 (provisional)
8.	Average expenditure per Km (paise)	1,253·13	908·91	875·66 (provisional)
9.	Loss per Km (paise)	811·44	489·98	443·82
10.	Total route Kms	10,588	10,605	12,164
11.	Number of operating depots	9	10	10
12.	Average number of break-downs per lakh Kms	167·0	117·8	119·87
13.	Average number of accidents per lakh Kms	1·23	1·29	1·27
14.	Passenger Kms scheduled (lakhs)	25,454	26,747 43	26,538·39
15.	Passenger Kms operated (lakhs)	21,182·00	23,448·00	25,629·57
16.	Occupancy ratio (per cent)*	95	107·5	108·28

*Occupancy ratio means total seat Kms occupied out of total seat Kms offered expressed as percentage.

1.6 **South Bengal State Transport Corporation**

1.6.1 South Bengal State Transport Corporation (erstwhile Durgapur State Transport Corporation) was incorporated on 7th December 1973 with a view to extending the facilities of Road Transport in five districts of South Bengal, namely, Burdwan, Bankura, Purulia, Midnapore and Hooghly.

The capital of the Corporation amounting to Rs. 1,712·06 lakhs (wholly subscribed by the State Government) as on 31st March 1989 was the same as on 31st March 1988.

1.6.2 The accounts of the Corporation for 1987-88 and 1988-89 were in arrears.

The table below summarises the financial position of the Corporation at the end of the three years up to 1986-87:

	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
Liabilities			
1. Capital	119·91	119·91	119·91
2. Reserve and Surplus	17·09	19·39	21·69
3. Borrowings	1,231·34	1,323·67	1,436·98
4. Deposits	5·16	5·24	4·95
5. Trade dues and other current liabilities	501·28	610·77	719·99
Total	1,874·78	2,078·98	2,303·52
Assets			
1. Gross block	551·01	653·33	746·05
2. *Less:* Depreciation	260·87	314·35	382·81
3. Net fixed assets	290·14	338·98	363·24
4. Capital work-in-progress	50·22	25·81	16·22
5. Investments	37·75	37·79	37·87
6. Current assets, loans and advances	161·86	166·23	180·33
7. Accumulated loss	1,334·81	1,510·17	1,705·86
Total	1,874·78	2,078·98	2,303·52
Capital invested*	1,351·25	1,443·58	1,556·90
Capital employed**	(−)49·28	(−)105·56	(−)181·37

*Capital invested represents capital plus long-term loans and free reserve.

**Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital.

1.6.3 The working results of the Corporation for the three years up to 1986-87 are summarised below:

	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
1. (*a*) Operating:			
Revenue	173·44	204·77	196·58
Expenditure	401·36	468·12	509·26
Deficit	227·92	263·35	312·68
(*b*) Non-operating:			
Revenue	182·56	181·98	204·89
Expenditure	81·28	93·99	87·90
Surplus	101·28	87·99	116·99
2. Total revenue	356·00	386·75	401·47
3. Total expenditure	482·64	562·11	597·16
4. Net loss	126·64	175·36	195·69
5. Interest on capital and loan	81·28	93·99	87·90
6. Total return on:			
(*i*) Capital employed	(−)45·36	(−)81·37	(−)107·79
(*ii*) Capital invested	(−)52·86	(−)88·87	(−)107 79

1.6.4 The following major irregularities and omissions were pointed out in the separate Audit Report on the annual accounts of the Corporation for the year 1985-86 referred to in paragraph 1.3.2 supra.

The loss of Rs. 175·36 lakhs for the year was overstated by Rs. 0·83 lakh with corresponding overstatement of current liabilities by Rs. 0·56 lakh (net) and understatement of current assets by Rs. 0·27 lakh (net) on account of the following:

(*i*) Non-provision of accounting (compilation) charges of Rs. 0·08 lakh for 1985-86 paid in 1988-89 to a data processing firm.

(*ii*) Non-provision of penalty of Rs. 4·66 lakhs for non-payment of road tax on vehicles in terms of Section 11 of West Bengal Motor Vehicles Tax Act, 1979.

(*iii*) Non-provision of house rent of Rs. 0·22 lakh and electricity charges of Rs. 0·38 lakh.

(*iv*) Payment of interest on IDBI loan at 15·35 *per cent* instead of 13·68 *per cent* resulting in excess payment to the extent of Rs. 0·25 lakh.

(*v*) Charging of pre-paid insurance premium of Rs. 1·05 lakhs to the Profit and Loss Account.

(*vi*) Non-accountal of traffic revenue of Rs. 0·73 lakh in respect of chartered trips.

(*vii*) Excess provision of interest to the extent of Rs. 5·90 lakhs on loan of Rs. 1,311·96 lakhs received from the Government of West Bengal.

(*viii*) Accounting of Insurance claims of Rs. 1·76 lakhs raised during earlier years and treated as income during the respective years but realised during the year 1985-86 as income instead of adjusting the same against Sundry Debtors Account.

1.6.5 The table below indicates the operational performance of the Corporation during the three years up to 1988-89:

	1986-87	1987-88	1988-89
1. Average number of vehicles held ..	223	219	234
2. Average number of vehicles on road ..	103	103	130
3. Percentage of utilisation	46	47	56
4. Kilometres covered (in lakhs) ..			
(*a*) Gross	84·45	84·65	109·90
(*b*) Effective	76·62	77·97	103·31
(*c*) Dead	7·83	6·68	6·59
5. Percentage of dead Kms. to gross Kms	9	8	6
6. Average Kms covered *per* vehicle *per* day	94	98	121
7. Average revenue *per* Km (paise) ..	256	276	296
8. Average expenditure *per* Km (paise) ..	756	771	782
9. Loss *per* Km (paise)	500	495	486
10. Total route Kms	NA	NA	NA
11. Number of operating depots ..	1	1	5
12. Average number of break-downs *per* lakh Kms	21	20	NA
13. Average number of accidents *per* lakh Kms	0·70	0·46	0·56
14. Passenger Kms scheduled (lakhs) ..	3,831	3,899	5,172
15. Passenger Kms operated (lakhs) ..	2,181	2,388	3,411
*16. Occupancy ratio (*per cent*)	57	61	66

*Occupancy ratio means total seat Kms occupied out of total seat Kms offered expressed as percentage.

1.7 North Bengal State Transport Corporation

1.7.1 The capital of the Corporation was Rs. 1,038·06 lakhs (Rs. 587·04 lakhs contributed by State Government and Rs. 451·02 lakhs by Central Government) as on 31st March 1989 as against Rs. 938·05 lakhs (Rs. 587·04 lakhs contributed by State Government and Rs. 351·01 lakhs by Central Government) as on 31st March 1988.

1.7.2 The accounts of the Corporation for 1988-89 were in arrears.

The financial position of the Corporation at the end of three years up to 1987-88 is given below:

	1985-86	1986-87	1987-88
		(Rupees in lakhs)	
Liabilities			
1. Capital	825·55	825·55	938·05
2. Reserves and surplus	7·38	8·28	8·29
3. Borrowings	2,506·36	2,849·44	3,244·92
4. Trade dues and other current liabilities	1,909·25	2,267·87	2,596·44
5. Difference in accounts	0·70	0·72	0·78
Total	5,249·24	5,951·86	6,788 48
Assets			
1. Gross Block	468·59	592·14	967·36
2. *Less:* Depreciation	137·19	199·72	104·36
3. Net fixed assets	331·40	392·42	863·00
4. Capital work-in-progress	—	—	—
5. Investments	392·50	405·56	473·75
6. Current assets, loans and advances ..	173·66	299·76	313·29
7. Accumulated loss	4,351·68	4,854·12	5,138·44
Total	5,249·24	5,951·86	6,788·48
Capital invested*	3,333·21	3,673·02	4,087·52
Capital employed**	(−)1,404·94	(−)1,575·23	(−)1,420·48

*Capital invested represents capital plus long-term loans and free reserves.

**Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital.

1.7.3 The working results of the Corporation for the three years up to 1987-88 are summarised below:

	1985-86	1986-87	1987-88
		(Rupees in lakhs)	
1. (a) Operating:			
Revenue	533·31	820·44	1,012·81
Expenditure	1,185·46	1,551·39	1,624·58
Deficit	652·15	730·95	611·77
(b) Non-operating:			
Revenue	3·44	2·55	14·30
Expenditure	204·36	216·96	244·57
Deficit	200·92	214·41	230·27
2. Total revenue	536·75	822·99	1,027·11
3. Total expenditure	1,389·82	1,768·35	1,869·15
4. Net loss	853·07	945·36	842·04
5. Interest on capital and loan ..	204·33	216 14	244·56
6. Total return on:			
(i) Capital employed	(−)648·74	(−)729·22	(−)597·48
(ii) Capital invested	(−)653·01	(−)731·52	(−)598·57

1.7.4 Certain major comments on the accounts of the Corporation for the year ended 31st March 1988 are given below:

(*i*) Loss of Rs. 842·04 lakhs for the year was overstated by Rs. 125·99 lakhs on account of the following:

	(Rupees in lakhs)
(a) Charging of advance of Rs. 48·51 lakhs paid to Indian Oil Corporation Limited for supply of H.S.D. Oil against which supply was not received during the year, to operating expenses (Power-Diesel) instead of showing the same under 'Advance and Deposits'	(+)48·51
(b) Non-provision of liability for payment against telephone bills for 1987-88 but paid in subsequent period resulting in understatement of current liabilities	(−) 0·18
(c) Excess provision of interest on loan from State Government ..	(+)83·25
(d) Non-provision of guarantee fee	(−) 0·13

(Rupees in lakhs)

(*e*)	Non-accountal of traffic revenue receivable from Sub-divisional Officer, Islampur (Rs. 0·48 lakh) and Election Officer, Cooch Behar (Rs. 0·90 lakh) on account of chartered trips performed in February 1988 resulting in understatement of Sundry debtors	(+) 1·38
(*f*)	Non-contribution of Accident Reserve Fund	(–) 0·40
(*g*)	Non-provision of penalty for non-payment of road tax ..	(–) 7·83
(*h*)	Excess provision of depreciation	(+) 1·86
(*i*)	Overstatement of stock of stores and materials	(–) 0·47

(*ii*) The State Government had written off (17th January 1984) loan of Rs. 1,331·97 lakhs and interest (Rs. 9·37 lakhs) thereon up to 31st March 1981 but the same has not been adjusted in the accounts resulting in overstatement of loans by Rs. 1,331·97 lakhs and accrued interest payable to State Government by Rs. 9·37 lakhs.

The table below indicates the operational performance of the Corporation during the three years up to 1988-89:

	1986-87	1987-88	1988-89
1. Average number of vehicles held ..	449	490	572
2. Average number of vehicles on road ..	376	426	526
3. Percentage of utilisation	84	87	92
4. Kilometres covered (in lakhs) ..			
(*a*) Gross	288·89	328·67	463·92
(*b*) Effective	286·72	326·08	460·24
(*c*) Dead	2·17	2·59	3·68
5. Percentage of dead Kms to gross Kms ..	0·79	0·79	0·79
6. Average Kms covered *per* vehicle *per* day	209	209	240
7. Average revenue *per* Km (paise) ..	287	315	333
8. Average expenditure *per* Km (paise) ..	617	573	492
9. Loss *per* Km (paise)	330	258	159
10. Total route Kms	37,200	41,172	50,068
11. Number of operating depots ..	17	18	19

	1986-87	1987-88	1988-89
12. Average number of break-downs *per lakh* Kms	15	15	15
13. Average number of accident *per* lakh Kms	0·19	0·27	0·20
14. Passenger Kms scheduled (lakhs) ..	15,663·12	18,679·26	23,723·71
15. Passenger Kms operated (lakhs) ..	14,096·91	16,071·63	23,012·00
*16. Occupancy ratio (*per cent*)	68	68	74

*Occupancy ratio means total seat Kms occupied out of total seat Kms offered expressed as percentage.

1.8 West Bengal Financial Corporation

1.8.1 The paid-up capital of the Corporation amounted to Rs. 1,700 lakhs [Rs. 825·89 lakhs contributed by the State Government, Rs. 825·88 lakhs by the Industrial Development Bank of India (IDBI) and Rs. 48·23 lakhs by others] as on 31st March 1989 against Rs. 1,000 lakhs (Rs. 475·89 lakhs contributed by the State Government, Rs. 475·88 lakhs by IDBI and Rs. 48·23 lakhs by others) as on 31st March 1988.

Government had guaranteed under Section 6(*i*) of the State Financial Corporations Act, 1951 the repayment of share capital of Rs. 1,570 lakhs (excluding special share capital of Rs. 130 lakhs) and payment of minimum dividend thereon at 3·5 *per cent* up to Rs. 920 lakhs and at 7·5 *per cent* on share capital in excess of Rs. 920 lakhs.

Government had also guaranteed repayment of market loan of Rs. 5,142·50 lakhs raised by the Corporation through bonds and debentures. Amount of principal outstanding thereagainst as on 31st March 1989 was Rs. 5,142·50 lakhs.

1.8.2 The table below summarises the financial position of the Corporation under the broad headings at the end of three years up to 1988-89:

	1986-87	1987-88	1988-89
		(Rupees in lakhs)	
Liabilities			
1. Paid-up capital (including share application money)	1,095·00	1,405·00	1,700·00
2. Reserve Fund, other reserve and surplus ..	687·31	790·63	806·36
3. Borrowings:			
(*i*) Bonds and debentures	3,547·50	4,290 00	5,142·50
(*ii*) Others	4,763·19	5,629·92	6,556·54
4. Subvention paid by State Government on account of dividend	11·87	11·87	—
5. Other liabilities and provisions ..	786·28	1,058·82	1,566·60
Total	10,891·15	13,186·24	15,772·00
Assets			
1. Cash and bank balances	180·80	260·43	244·69
2. Investments	18·28	18·46	24·58
3. Loans and Advances	10,381·52	12,608·14	15,167·87
4. Debentures, shares etc. acquired under underwriting agreements	41·34	41·30	46 30
5. Net fixed assets	14·13	14·15	17·88
6. Dividend deficit account	11·87	11·87	10 84
7. Others assets	243·21	231·89	259·84
Total:	10,891·15	13,186·24	15,772·00
†Capital employed	9,286·20	11,240·62	13,434·61
‡Capital invested	10,189·16	11,892 19	14,176·28

†Capital employed represents the mean of the aggregate of opening and closing balances of (*i*) paid-up capital (*ii*) bonds and debentures (*iii*) reserves (*iv*) borrowings (including re-finance) and deposits.

‡Capital invested represents paid-up capital plus long-term loans plus free reserves.

1.8.3 The Corporation switched over to cash system of accounting from mercantile system of accounting since 1982-83. The following table gives details of the working results of the Corporation for three years up to 1988-89

Particulars		1986-87	1987-88	1988-89
			(Rupees in lakhs)	
1. Income:				
(*a*) Interest on loans and advances	..	851·76	1,077·28	1,295·95
(*b*) Other income	.. ..	15·79	43·12	22·12
Total	.. .. ..	867·55	1,120·40	1,313·07
2. Expenditure:				
(*a*) Interest on long-term loans	..	610·22	812·88	980·06
(*b*) Other expenses	.. ..	90·88	113·50	138·69
Total	.. .. ..	701·10	926·38	1,118·75
3. Profit before tax	.. ..	166·45	194·02	199·32
4. Provision for tax	.. ..	55·00	61·11	62·78
5. Profit after tax	.. .. ..	111·45	132·91	136·54
6. Other appropriations	.. ..	66·58	83·61	79·73
7. Reserve for bad and doubtful debts	..	5·00	10·00	56·81
8. Amount available for dividend	..	39·87	39·30	89·21
9. Dividend	.. .. ..	35·00	35·00	30·95
10. (*a*) Capital employed	.. ..	9,286·20	11,240·62	13,434·61
(*b*) Capital invested	.. ..	10,189·16	11,892·19	14,176·28
11. Total return on:				
(*a*) Capital employed	.. ..	776·67	1,006·90	1,179·38
(*b*) Capital invested	.. ..	776·67	1,006·90	1,179·38
12. Percentage of return on:				
(*a*) Capital employed	.. ..	8·4	8·9	8·8
(*b*) Capital invested	.. ..	7·6	8·5	8·3

1.8.4 Some major comments on the accounts of the Corporation for the year ended 31st March 1988 are given below:

(*i*) Although the Corporation has transferred Rs. 30·36 lakhs from "Sundry Debtors Account" to "Other Income Account" being commitment and legal charges realised from applicants to whom loans were subsequently disbursed, it has not analysed the position of Rs. 8·95 lakhs received towards commitment charges, legal charges and credit guarantee fee from 203 applicants between June 1974 and March 1986 and kept under Sundry Deposits till 31st March 1988. The actual nature of receipts could not also be ascertained from the relevant ledger.

Out of Rs. 30·36 lakhs transferred to Other Income Account during 1987-88, deposits of Rs. 22·48 lakhs received in earlier years and qualifying for being treated as income after lapse of two years in prior years have been treated as income for the current year without necessary disclosure.

(*ii*) Other liabilities included 19 claims received from the Deposit Insurance and Credit Guarantee Corporation (DICGC) at their net amount totalling Rs. 40·31 lakhs. Non-adjustment of DICGC's share of recovery of Rs. 0·73 lakh to Profit and Loss Account resulted in inflation of profit to that extent.

1.8.5 The following table indicates the position regarding the receipts and disposal of applications of loans for the three years up to 1988-89:

Particulars	1986-87		1987-88		1988-89		Cumulative	
	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
1. Applications pending at the beginning of the year .	291	408 00	271	465 29	135	496 18	—	—
2. Applications received during the year	1,730	5,441 66	3,684	5,870 81	3,371	6,238 01	19,978	45,188 57
3. Total . .	2,021	5,849 66	3,955	6,336 10	3,506	6,734 19	19,978	45,188 57
4. Applications sanctioned during the year	1,653	4,079 93	3,229	5,017 27	2,557	5,431 06	16,500	34,861 59
5. (*a*) Applications cancelled/with-drawn/reduction in amount	97	1,008 15	591	743 21	622	801 55	2,894	7,087 91
(*b*) Rejected	—	296 29	—	79 44	Nil	Nil	256	2,737 49
6. Applications pending at the close of the year	271	465 29	135	496 18	327	501 58	327	501 58
7. Loans disbursed ..	1,355	2,636 68	1,443	3,012 92	2,459	3,698 55	10,041	29,926 66
8. Loans outstanding at the close of the year	5,871	10,381 52	7,289	12,608 14	9,731	15,167 87	9,731	15,167 87
9 Amount overdue for recovery at the close of the year:								
(*a*) Principal	—	599 32	—	944 34	—	1,359 68	—	1,359 68
(*b*) Interest .. .	—	1,316 28	—	2,013 69	—	2,658 83	—	2,658 83
(*c*) Total	618	1,915 60	3,251	2,958 03	—	4,018 51	—	4,018 51
				(*Per cent*)				
10. Percentage of default to total loans outstanding ..	—	18 4	—	23 5	—	26 5	—	26 5

Out of outstanding loans of Rs. 15,167·87 lakhs on 31st March 1989, an amount of Rs. 4,018·51 lakhs (including interest o Rs. 2,658·83 lakhs) was overdue for recovery. The percentage of overdue amount to the total outstanding has gone up from 18·4 in 1986-87 to 23·5 in 1987-88 and further to 26·5 in 1988-89

1.8.6. Investment made by the Corporation at the close o the year 1988-89 included Rs. 16·12 lakhs towards share capita and Rs. 2,218·47 lakhs towards loans (including interest o Rs. 1,326·63 lakhs) on units lying closed or considered sick (representing 21·34 *per cent* and 14·62 *per cent* of the total investment by the Corporation in all the units in share capital and loans respectively). The Corporation had made a provision of Rs. 29·12 lakhs towards bad and doubtful debt up to 31st March 1989.

1.9 West Bengal State Warehousing Corporation

1.9.1 The paid-up capital of the Corporation as on 31st March 1989 was Rs. 504·40 lakhs (Rs. 299·70 lakhs contributed by the State Government and Rs. 204·70 lakhs by Central Warehousing Corporation) against Rs. 484·40 lakhs (Rs. 279·70 lakhs contributed by the State Government and Rs. 204·70 lakhs by Central Warehousing Corporation) as on 31st March 1988.

1.9.2 The table below summarises the financial position of the Corporation at the end of the three years up to 1987-88:

	1985-86	1986-87	1987-88
		(Rupees in lakhs)	
Liabilities			
1. Paid-up capital	399·40	419·40	484·40
2. Reserves and Surplus	166·76	205 46	259·96
3. Trade dues and other current liabilities	180 69	221·62	230·03
Total	746·85	846·48	974·39
Assets			
1. Gross block	380·56	471 71	569·66
2. *Less :* depreciation	44·96	50·90	109·82
3. Net fixed assets	335·60	420·81	459·84
4. Capital work-in-progress	—	—	26·20
5. Investment	49·11	49·31	53·72
6. Current assets, loans and advances	362·14	376·36	434·63
Total	746·85	846·48	974·39
Capital employed	517·05	575·55	664·44

Capital employed represents net fixed assets (excluding work-in-progress) plus working capital.

1.9.3 The following table gives the working results of the Corporation for the three years up to 1987-88:

Particulars		1985-86	1986-87	1987-88
			(Rupees in lakhs)	
1. Income:				
(*i*) Warehousing charges	..	233·48	257·82	300·80
(*ii*) Other receipts ..	..	0·50	0·70	0·72
Total—1 ..	..	233·98	258·52	301·52
?. Expenditure:				
(*i*) Establishment charges	..	92·49	99·92	110·34
(*ii*) Other expenses ..	..	106·63	107·71	126 70
Total—2 ..	..	199·12	207·63	237·04
;. Profit before tax ..	..	34·86	50·89	64·48
. Provision for tax ..	..	0·29	0·41	0·41
. Other appropriations ..	..	4·33	7·58	8·01
. Amount available for dividend	..	30·24	42·90	56·06
. Proposed dividend (*per cent*)	..	18·97(4·75)	27·96(6)	26·96(6)
. Total return on capital employed	..	34·86	50·89	64·48
			(*Per cent*)	
Percentage of return on capital employed		6·74	8·84	9·70

1:9.4. The main points brought out in the separate Audit .eport on annual accounts of the Corporation for the year 987-88 are mentioned below:

(*i*) The amount paid on running account bills for construc-on work of godown was charged under 'Building' instead ' 'Capital Work-in-Progress'. Depreciation has also been ·ovided on the same before the asset is completed and put to ;e resulting in overstatement of 'Land and Buildings' (net block) / Rs. 3·40 lakhs and understatement of 'Capital Work-in-·ogress' by Rs. 3·49 lakhs and net profit by Rs. 0·09 lakh.

(*ii*) As in the previous years, this includes Rs. 10 lakhs kept in deposit account with the Calcutta Pay and Accounts Officer, Government of West Bengal (R.B.I.) in contravention of Section 28 of the Warehousing Corporations Act, 1962.

(*iii*) In pursuance of the order of an Arbitrator the Corporation agreed to enhance the rent of a hired godown at Paharpur from Rs. 16,000 *per* month to Rs. 22,400 *per* month with effect from October 1985. The payment was, however, made at Rs. 16,000 *per* month. Neither the liability for payment of the enhanced rent of Rs. 1·15 lakhs for the period from October 1985 to March 1987 has been provided nor its implication of overstatement of profit to the same extent disclosed.

1.9.5 The following table gives details of the storage capacity created, capacity utilised and other information about performance of the Corporation during the three years up to 1988-89:

Particulars	1986-87	1987-88	1988-89
1. Number of stations covered	40	40	40
2. Storage capacity created up to the end of the year			
		(Tonnes in lakhs)	
(*a*) Owned	0·76	0·89	1·02
(*b*) Hired	1·54	1·58	1·58
Total	2·30	2·47	2·60
3. Average capacity utilised during the year	2 03	2·06	2·21
4. Percentage of utilisation	88	83	85
		(Rupees)	
5. Average revenue *per* tonne *per year*	104·30	108 90	110·00
6. Average expenses *per* tonne *per* year	78 32	NA	80·00

1.9.6 Under the provisions of Section 31(7) of the Warehousing Corporations Act, 1962 the Corporation should submit a copy of its auitors' report to the Comptroller and Auditor General of India at least one month before it is placed before the shareholders. The Corporation, however, submitted the auditors' report on the accounts for the years 1981-82 to 1984-85 to the Comptroller and Auditor General of India only on 10th September 1984, 23rd September 1986, 8th December 1987 and 9th June 1988 after holding the Annual General Meeting to consider these reports on 2nd March 1984, 16th September 1986, 10th November 1987 and 28th March 1988 respectively.

1.9.7 Under the provisions of Section 31(10) of the Act, ibid, the separate Audit Report of the Comptroller and Auditor General of India is required to be placed before the shareholders within 6 months of the close of the financial year to which it relates. Since the accounts were in arrear; the separate Audit Report should have been placed before the next Annual General Meeting of the shareholders. Separate Audit Reports for the years 1981-82 to 1986-87 issued by the Comptroller and Auditor General of India on 12th July 1985, 18th May 1987, 20th May 1988, 5th December 1988, 12th April 1989 and 18th August 1989 respectively were not placed before the Annual General Meeting held on 16th September 1986, 10th November 1987, 28th March 1988, 23rd December 1988, 27th March 1989 and 29th July 1989.

1.10 West Bengal Industrial Infrastructure Development Corporation

1.10.1 The Corporation had no share capital of its own. The Corporation has obtained long-term loans from the State Government from time to time. Outstanding balance of the loans as on 31st March 1984 was Rs. 334·19 lakhs as against Rs. 284·19 lakhs as on 31st March 1983.

1.10.2 The table below summarises the financial position of the Corporation at the end of the three years up to 1983-84:

	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
Liabilities			
. Loans from State Government ..	259·19	284·19	334·19
. Net balance of deposit for deposit works ..	55·74	78·22	58·58
. Reserves and Surplus	2·98	—	—
. Trade dues and other current liabilities ..	234·45	253·43	285·38
Total	552·36	615·84	678·15

Assets	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
1. Gross block	183·20	186 97	182·19
2. *Less:* Depreciation	8·74	8·00	7 17
3. Net fixed assets	174·46	178 97	175·02
4. Capital work-in-progress	0·08	0·08	‘0·08
5. Expenditure for development of insustrial areas and estates and other schemes ..	64 96	70 94	110 21
6. Current assets and loans and advances ..	312·86	359·43	382·95
7. Deficit	—	6·42	9·89
Total	552·36	615·84	678·15
Capital employed	252·87	284·97	272·53
Capital invested	262·17	277·77	324·30

Capital employed represents net fixed assets plus working capital.
Capital invested represents long-term loans plus free reserves minus deficit.

1.10.3 The following table gives the details of the working results of the Corporation for the three years up to 1983-84:

Particulars	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
Income			
1. Annual rent of land and building ∴	9·41	9·40	9·45
2. Recoveries of overheads on development work at 12½ *per cent*	4·04	0·34	0·63
3. Interest from bank	10·48	8·56	6·63
4. Interest from entrepreneurs	1·25	3·77	1·97
5. Water supply and electricity supply charges	3·56	4·77	7·72
6. Miscellaneous income	0·22	0·45	2·30
Total	28·96	27·29	28·70
Expenditure			
1. Administrative expenses	12·75	15·48	19·17
2. Interest on loan	12·31	12·64	13·50
3. Depreciation and other expenses ..	9·86	8 58	8·60
Total	34·92	36·70	41·27

	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
Profit(+)/Loss(−) before tax	(−)5·96	(−)9·41	(−)12·57
Provision for tax	—	—	—
Net loss	5·96	9·41	12·57
Total return on Capital employed	6·35	3·23	0·93
Capital invested	6·35	3·23	0·93
Percentage of total return on		*(Per cent)*	
Capital employed	2·5	1·1	0·4
Capital invested	2·4	1·1	0 3

1.10.4 Certain major comments on the accounts of the Corporation for the year ended 31st March 1984 are given below:

(*i*) The construction of Haldia Industrial Urban Complex (HIUC) was not a deposit work but it was taken up by the Corporation from out of interest bearing loan of Rs. 180 lakhs received from Government. The misclassification of loan as deposit resulted in overstatement of HIUC Deposit by Rs. 17·16 lakhs and understatement of loan by Rs. 180·00 lakhs and 'Development of other Schemes' by Rs. 162·84 lakhs.

(*ii*) Fixed Asset of building did not include Rs. 9·74 lakhs (total cost of construction Rs. 94·17 lakhs—cost of construction already accounted for Rs. 84·43 lakhs) being the balance of cost of completed Housing Complex at Kharagpur, resulting in understatement of fixed assets—Building by Rs. 9·74 lakhs with corresponding understatement of liabilities.

(*iii*) The deficit of Rs. 12·56 lakhs for the year has been understated by Rs. 4·10 lakhs due to the following omission/ommission of errors:

(*a*) Short debit of interest of Rs. 0·72 lakh on the loans from the Government of West Bengal.

(*b*) Omission to charge depreciation of Rs. 3·35 lakhs for four years ending 1983-84 due to non-capitalisation of the expenditure on Housing Complex at Kharagpur.

(*c*) Non-provision of liability of Rs. 0·02 lakh towards charges payable to a firm of Chartered Accountant for compilation of accounts.

CHAPTER II

2. REVIEWS RELATING TO GOVERNMENT COMPANIES

This chapter contains reviews on the working of the following six companies:

2A. West Bengal State Minor Irrigation Corporation Limited
2B. West Bengal Mineral Development and Trading Corporation Limited
2C. West Bengal State Seed Corporation Limited
2D. West Bengal Tourism Development Corporation Limited
2E. West Bengal Film Development Corporation Limited
2F. West Bengal Ceramic Development Corporation Limited

2A. WEST BENGAL STATE MINOR IRRIGATION CORPORATION LIMITED

Highlights

The Company was incorporated in January 1974 mainly to attract institutional finance for minor irrigation works to bring more areas of the State under double or multiple cropping and to take over the State owned minor irrigation installations.

Even after 13 years of its inception, the State owned minor irrigation installations [2439 deep tubewells and 3,558 river lift installations (RLIs)] could not be taken over by the Company as originally envisaged. Consequently, the Company could serve only 4·26 *per cent* of the command area under minor irrigation of the State.

The Company was entitled to raise loan up to Rs. 4,420 lakhs from commercial banks for implementation of ARDC schemes against which loan applied for was Rs. 875·03 lakhs and loan received up to May 1989 was only Rs. 640·38 lakhs.

No schemes for availing refinance have been formulated after 1984-85 indicating that the Company has

abandoned the objective of mobilising institutional finance.

Owing to lack of planning the Company could not utilise funds of Rs. 192 lakhs provided by Government for construction of 150 river lift irrigation schemes. The funds had to be refunded after keeping idle for two years.

Out of capital subsidy of Rs. 475·33 lakhs received from District Rural Development Agency for executing 142 minor irrigation schemes, the Company could complete 16 schemes only while the rest were in progress on which Rs. 121·34 lakhs were spent. The unutilised balance was Rs. 300·43 lakhs out of which Rs. 118 lakhs were diverted for working capital needs.

By depending on Government grants and subsidies (Rs. 613 lakhs) to keep going and repay commercial borrowings, the prime objective of freeing the promotion of minor irrigation programmes from constraints of Government financing has also not been realised.

In 17 to 33 *per cent* of the schemes, necessary field channels had not been completed. In the absence of system of recording the quantum of water distributed, it was not possible to assess in Audit, the extent of water wasted through the installations.

Achievement of distribution of water for irrigation through its installations during 1984-85 to 1988-89 ranged between 46 and 60 *per cent* of targets in the case of RLIs, while it was only between 21 and 30 *per cent* in the case of DTWs. The reasons for lower achievements were (*i*) lack of maintenance of pipe line and installations, (*ii*) absence of pipe line, (*iii*) low voltage supply, (*iv*) salinity in water, (*v*) choking of wells, (*vi*) theft of spares and installations and (*vii*) availability of canal irrigation in command area at cheaper rate, etc.

The Company has been sustaining losses since inception. Loss of Rs. 982·95 lakhs accumulated up to 1988-89 represented 88·95 *per cent* of the paid-up capital as on 31st March 1989.

Owing to non-finalisation of command area maps covered by the minor irrigation schemes along with relative plot schedule in most of the cases, the Company could not have any control over the area actually irrigated.

It had to depend on farmer's declaration for collecting water rates.

The Company had no system of reconciliation of remittances made by division/sub-divisions with actual credits given by banks since April 1983. Remittances of Rs. 14·88 lakhs not credited in the Company's Bank Account for 1 to 3 years in respect of 5 Divisions remained unreconciled.

2A.1 **Introduction**

In 1973, the State Government estimated that hardly 25 *per cent* of the net cultivable areas of the State obtained irrigation water from major as well as minor irrigation schemes. It was, therefore, contemplated to bring more areas in the State under double or multiple cropping under a massive programme through minor irrigation; with a view to attracting large flow of institutional finance necessary for the purpose and to free the programme from the constraints of Government financing West Bengal State Minor Irrigation Corporation Limited was incorporated in January 1974 as a wholly owned Government Company.

2A.2 **Objects**

The main objects of the Company are:—

(*i*) to erect, improve, manage and arrange for operation and working of DTWs and RLIs and other minor irrigation projects;

(*ii*) to take over from the existing system the State owned DTWs and RLIs along with the connected assets and maintain and operate them;

(*iii*) to undertake installation and construction of DTWs and RLIs and other connected works on behalf of private individuals, institutions, associations, etc.

(*iv*) to engage in the processing, manufacture and sale of equipment, accessories, spare parts, machinery, plants and/or their products connected with DTWs and RLIs; and

(*v*) to set up demonstration farms, to introduce improved and scientific methods of use of land and water resources.

The activities of the Company were, however, confined to items (*i*) and (*iv*) only.

As the programme to take over the existing 2,439 DTWs schemes and 3,558 RLIs schemes from Government had not been finalised since 1974-75, the Company continued to operate only 4·26 *per cent* (consisting of 503 DTWs and 240 RLIs of its own) of the command area served by minor irrigation facilities in the State.

2A.3 **Organisational set-up**

Management of the Company vests in a Board consisting of 14 Directors headed by a Chairman. The day to day affairs are managed by a Managing Director who is assisted by a Project Engineer and a Secretary.

To look after the work of execution of projects, which were scattered all over the State, five divisions were formed, each headed by one Divisional Engineer.

2A.4 **Scope of Audit**

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1979-80 (Commercial). The Committee on Public Undertakings has not, however, examined the review so far (May 1989). The results of further review covering subsequent period from 1980 to 1989 conducted by Audit during April to May 1989 are discussed in the suceeding paragraphs.

2A.5 **Pattern of financing**

In order to attain its objective of installation of DTWs and RLIs for supply of water for irrigation purposes, the Company was to use its equity capital to obtain loans from Agricultural Refinance Development Corporation (ARDC). In addition, the Company was entrusted with the responsibility of construction of minor irrigation schemes for small and marginal farmers under District Rural Development Agency (DRDA) on capital subsidy basis. The Company was expected to supply irrigation water at the rate fixed by the State Government which has assured to subsidise the difference between the cost of irrigation water supplied and the water rates.

The initial authorised capital of Rs. 6 crores was increased from time to time to Rs. 12 crores as on 31st March 1989 consisting of 120 lakh equity shares of Rs. 1,000 each. The paid-up capital as at the end of March 1989 was Rs. 11·05 crores.

As per pattern prescribed for financing the schemes under ARDC, the Company was entitled to raise loans up to Rs. 4,420 lakhs (on the basis of 80 *per cent* refinance against 20 *per cent* investment of the Company represented by paid-up capital of Rs. 11·05 crores) from commercial banks. Since its inception to March 1989, the Company, however, applied for loans aggregating Rs. 875·08 lakhs against which Rs. 640·38 lakhs were received. Payment of interest and repayment of principal under ARDC's refinance scheme were guaranteed by Government. The bulk of refinance loan amounting to Rs. 634·28 lakhs was received between 1978-79 and 1984-85. No schemes were formulated after 1984-85 which indicates that the Company has abandoned the objective of mobilising institutional finance for promoting minor irrigation. During the review period, most of its activities are directed to fulfil the programme financed by District Rural Development Agency, another source of channelising Government funds, which has contributed Rs. 680·11 lakhs. Besides, the uneconomic water rates have resulted in Government sanctioning grants and subsidies aggregating Rs. 263·74 lakhs for keeping the Company going. Grant-in-aid of Rs. 350 lakhs was also received from Government for repayment of fund borrowed from commercial banks. Thus, the primary objective of freeing the promotion of minor irrigation programme from the constraints of Government financing has not been realised.

Further, in March 1978, the Chief Engineer (Agriculture, Minor irrigation branch) Government of West Bengal provided Rs. 192 lakhs to the Company for construction of 150 river lift irrigation centres before finalishing any project either by the Company or by the Department. The amount could not be spent by the Company till March 1980 when Government asked it to refund the same along with interest accrued thereon. The Company had kept the amount in short-term deposits with United Bank of India from March 1978 to March 1980 and earned interest of Rs. 9·78 lakhs. Though Rs. 192 lakhs were repaid in March 1980, the interest earned was retained by it in violation of Government order of March 1980.

The Company had, thus, failed to avail the opportunity of utilisation of the amount provided in March 1978 by the Government for construction of 150 RLI centres to create further irrigation potential for 1,500 acres in the State.

2A.6 **Performance analysis**

2A.6.1 *Execution of works*

The Company executed works in respect of schemes formulated by it including ARDC refinance schemes and also those entrusted to it by other agencies like Comprehensive Area Development Corporation (CADC), District Rural Development Agency (DRDA) and Small Farmers Development Agency (SFDA).

The Company, since inception to the end of March 1989 constructed and handed over 169 DTW schemes to CADC (145 nos.) and SFDA (24 Nos.) and also took up for execution 743 schemes, as shown below:

Sl. No.	Particulars of schemes	DTW	RLI
		(Number)	
(*a*)	Company's own schemes	454	98
(*b*)	(*i*) West Bengal State Water Board (after drilling)	15	—
	(*ii*) Farmer's Co-operative	6	—
(*c*)	DRDA Schemes	28	142
		503	240

2A.6.1.1 *ARDC schemes*

As per the refinance schemes, the Company would get loan assistance for schemes sanctioned by ARDC to the extent of 80 *per cent* of the sanctioned amount from the commercial banks on the basis of actual expenditure statement furnished by the Company. The loan was to be repaid within a period of 9 years at an interest of 10·25 *per cent per* annum.

The table below indicates the details of schemes submitted by the Company to the commercial banks for financing under ARDC refinancing schemes during the 9 years up to March 1989:

Name of the scheme	No. of units	Estimated cost	Amount of refinance applied for	Refinance sanctioned		Amount of refinance received (May 1989)	Shortfall in drawal of sanctioned loan
				Number of units	Amount		
			(Rupees in lakhs)				
(i) Deep tubewells	575	912·50	730·00	554	704·80	510·18	194·62
(ii) River lift irrigation	78	181·35	145·08	70	130·20	130·20	—

In the absence of detailed records relating to commissioning of schemes, the number of ARDC refinance schemes completed up to 1988-89 could not be ascertained in Audit. It was, however, noticed by Audit that in 363 completed schemes there were delays ranging from 12 months to 30 months in sanctioning the schemes by the financing banks due to non-submission of certificate of availability of surface water potential and essential details such as static water lift, dynamic water lift, command area map with contour survey, distribution layout and calculation of engineering details for enabling technical clearance.

The shortfall in drawal of loan for the sanctioned DTW schemes was mainly due to delay in construction of installations resulting in delay in submission of expenditure statements for recoupment of the same by the banks. Loan of Rs. 353·69 lakhs was repaid up to March 1989 leaving a balance of Rs. 286·69 lakhs out of which Rs. 24·11 lakhs was due for repayment up to 31st March 1989. Since the Company did not maintain any loan register showing details of receipt of loan, date on which principal instalments fell due, dates of payment of instalment, accrual of interest, overdue interest and penal interest, if any, and dates of repayment, etc., the actual interest liability on term loans could not be ascertained in Audit. From the claims lodged by the banks so far (May 1989), it was noticed that interest of Rs. 53·21 lakhs and penal interest of Rs. 0·34 lakh was paid during 1987-88 and further interest of Rs. 131·38 lakhs was due up to March 1989 which includes overdue interest of Rs. 80·71 lakhs and penal interest of Rs. 6·84 lakhs. Penal interest could have been avoided had the loan instalments and interest on loan been paid to the financing banks in time.

The omission to repay the instalments of loans and payment of interest in time was attributed (May 1988) by the Company mainly to fund constraints. It was, however, noticed in Audit in May 1989 that the constraints of fund was mainly due to abnormal delays in implementation of the schemes and consequential non-generation of own fund, inadequate performances in most of DTW/RLI centres and uneconomic water rate.

2A.6.1.2 *Schemes under District Rural Development Agency (DRDA)*

In case of schemes executed for the benefit of small and marginal farmers, the Company is entitled to receive capital outlay as subsidy, based on coverage of small and marginal farmers from the District Rural Development Agency (DRDA). The schemes so implemented would be maintained by the Company from its own resources and the Company would be entitled to revenue subsidy assistance for water rate from Government as admissible in relation to other schemes.

During the three years up to 1988-89 the Company received from DRDA Rs. 475·33 lakhs for execution of 142 minor irrigation schemes. Till March 1989, it could complete only 16 schemes at a cost of Rs. 53·56 lakhs and 154 schemes (expenditure: Rs. 121·34 lakhs) were in progress leaving Rs. 300·43 lakhs unutilised on that date. Out of this, Rs. 118 lakhs were utilised as working capital during January 1986 to December 1988. The performance of the Company is in sharp contrast with its assurance given to Government in March 1988 that with adequate funds it was in a position to execute 100 schemes *per* year.

Though the Company had sufficient funds at hand even after such diversion, it could not achieve more than 16 *per cent* of the annual target achieveable by its own admission. The Company did not also analyse the reasons for such a poor achievement.

Centralised detailed records were also not maintained showing work-wise fund received and expenditure made thereagainst to verify work-wise progress made so far (May 1989). Sixteen river lift centres completed up to March 1989 could not also be operated regularly (May 1989) due to non-posting of required operational staff.

2A.6.1.3 *Delay in execution of works*

2A.6.1.3.1 The construction of DTW is to be completed within 2 years according to the work programme. The work of drilling of deep tubewells and construction of pump house is required to be completed in the first year and the installation of pump sets as well as the energisation and laying of pipelines with water transmission arrangements are expected to be completed by the end of second year. Test check of 227 schemes, however, revealed that time lag between drilling of a tubewell and flow of water after energisation varied from three to eight years mainly due to:

(*a*) shortage of construction materials i.e. steel, cement and spun pipes;

(*b*) delay in completion of civil works;

(*c*) delay in receipt of power connection from West Bengal State Electricity Board;

(*d*) frequent theft of electrical and other installations during the period of construction; and

(*e*) paucity of fund during working season i.e. December to March.

2A.6.1.4 *Shortfall of targets fixed for irrigation*

A minor irrigation scheme (Tubewell or river lift irrigation scheme) is regarded as complete when all the components have been made operational. The components are:

(*a*) Drilling of tubewells/installation of pipelines;

(*b*) installation of pump sets;

(*c*) energisation of pump sets;

(*d*) arrangements for transmission of water to all the areas to be covered by the unit; and

(*e*) construction of staff quarters and pump house.

The following table indicates the details of works taken up for execution, the area brought under irrigation, etc. during the three years up to March 1989:

Particulars	As on March 1987		As on March 1988		As on March 1989	
	RLI	DTW	RLI	DTW	RLI	DTW
(*i*) Schemes taken up for execution/wells drilled	98	475	240	503	240	503
(*ii*) Schemes/wells from which water was released	50	438	58	448	84	455
(*iii*) Schemes/wells from which water was released before completion of water lines	9	118	10	133	28	143
(*iv*) Percentage of (*iii*) to (*ii*)	18	27	17	30	33	31
(*v*) Estimated area to be brought under irrigation on completion of schemes from which water was released (in acres) ..	5,000	32,850	5,800	33,600	8,400	34,125
(*vi*) Potential for irrigation created (in acres)	8,760	54,450	8,640	48,040	12,400	53,200
(*vii*) Actual area brought under irrigation	2,365	25,598	3,107*	33,628*	3,356*	36,329*
(*viii*) Percentage of (*vii*) to (*vi*)	27	47	37	70	27	68

*Figures are provisional.

From the above table it was evident that the Company could achieve 27 to 37 *per cent* of irrigation potential created by RLI schemes and 47 to 70 of irrigation potential created by DTW schemes respectively during the three years up to March 1989.

The Company did not analyse the reasons for shortfall in utilisation of the irrigation potential created for the above schemes.

2A.6.1.5 *Non-completion of water line*

It may be observed from the table in the preceeding paragraph that, in 17 to 33 *per cent* of the schemes, necessary field channels had not been completed resulting in (*a*) wastage of water in transmission through flooding of intermediate fields as indicated in the Report (1976) of the Technical Committee on the study of criteria and specification for river lift installations set up by the Department of Agriculture and Community Development, Government of West Bengal and (*b*) difficulties in recovery of water charges from farmers who had not applied for water but received water supply because of location of their holdings between the exit points and other fields intended to be irrigated.

As the system of recording the quantum of water distributed by the schemes was not followed, it was not possible to asses in Audit the extent of water wasted through the systems.

2A.6.2 *Operation and maintenance*

2A.6.2.1 *Supply of irrigation water*

In terms of the Report of the Technical Committee (1976), the command area envisaged for 'Rabi' and 'Boro' irrigation in respect of DTW and RLI were 100 and 200 acres respectively. As against this, the Company fixed its norm at a much reduced area of 75 acres and 100 acres for DTW and RLI respectively. The annual targets were, however, fixed from time to time even much below the above norm. The actual irrigation fell short by 46 to 60 *per cent* in respect of DTW schemes while the shortfall ranged between 21 and 30 *per cent* during the 5 years up to March 1989 in case of RLI schemes for 'Rabi' and 'Boro' crop seasons as would be evident from the table given below:

Year		RLI				DTW			
		Command area	Targets fixed	Actual irrigation	Shortfall of actual irrigation (percentage)	Command area	Targets fixed	Actual irrigation	Shortfall of actual irrigation (percentage)
		(Acres)				(Acres)			
1984-85	..	4,700	3,818	1,691	56	31,350	26,350	19,672	25
1985-86	..	5,000	4,256	1,836	57	31,800	26,850	19,458	28
1986-87	..	5,000	4,380	1,767	60	32,850	27,275	19,008	30
1987-88	..	5,800	4,320	2,321*	46	33,600	33,000	24,971*	24
1988-89	..	6,800	6,200	2,507*	60	34,125	34,000	26,976*	21

*Figures are provisional

According to unit authorities of the Company, the shortfall from time to time up to March 1989 was due primarily to:

(*a*) inadequate distribution of water owing to dilapidated condition of pipelines in most of the old schemes as no normal maintenance of the pipelines was carried out in many schemes since commissioning;

(*b*) inadequate distribution of water in absence of permanent pipelines in most of the schemes;

(*c*) low voltage of power supply in some areas;

(*d*) theft of high tension line in some schemes;

(*e*) salinity in water noticed in some DTW schemes in Midnapur and South 24-Parganas;

(*f*) availability of canal/river water or coming up of private tubewells in the command area in some blocks under Midnapur and Howrah districts (discussed in paragraph 2A.6.2.2 *infra*); and

(*g*) non-engagement of manpower required for operation and maintenance of the centres.

2A.6.2.1.1 *Distribution of water*

As envisaged in the Technical Criteria (1976) for efficient utilisation of irrigation water, the distribution arrangement should be such as to ensure economic distribution of irrigation water. To that end, every spout or field opening in the distribution system laid in the command area must work by rotation system to ensure controlled irrigation which will also facilitate equitable distribution of water to the field. In respect of four divisions it was noticed in Audit that controlled and equitable distribution of irrigation water could not be enforced in any of the divisions so far (May 1989) mainly for lack of uniform crop planning in the command area and uneven contour of the plots to be irrigated resulting in uneven distribution of water.

Economy in distribution of water which could have been enforced could not be assessed in Audit due to non-recording of the quantum of water distributed from the schemes.

2A.6.2.2 *Non-operation of DTW and RLI*

2A.6.2.2.1 During the three years up to March 1989, tubewells and river lift centres as detailed below could not be operated due to (*i*) non-replacement of damaged spare parts, (*ii*) non-replacement of burnt motors, (*iii*) non-rectification of choked tubewells and (*iv*) theft of spares and electrical installations:

Year			Schemes/wells from which water was released	Non-operating schemes	Percentage of non-operating schemes
1986-87	..	..	483	16	3·3
1987-88	..	..	501	22	4·4
1988-89	..	..	518	25	4·8

It may be noticed that number of units becoming defective increased from year to year resulting in non-utilisation of irrigation potential to the extent of 1,300 acres, 1,700 acres and 1,950 acres respectively during these years and blocking up of funds of Rs. 40 lakhs to Rs. 62·50 lakhs. The Company did neither investigate into the reasons for increasing trend in non-operating schemes nor did it take action in recommissioning any of these after repair.

2A.6.2.2.2 Test check of records of eight blocks under three districts revealed that performance of fourteen out of twenty-three constructed tubewells was poor due to less requirement of water either on account of availability of canal/river water or coming up of private shallow tubewells in the command area. Percentage of shortfall of irrigation in respect of these schemes during the three years up to March 1989 ranged between 55 and 100. Action taken so far (May 1989) to utilise the schemes up to a maximum capacity was not, however, available on records. The Company did not also approach Government to restrict the growth of private shallow tubewells in its command area which adversely affected the utilisation of its installed capacity.

2A.6.2.2.3 The Company from time to time up to March 1983, had taken over 15 exploratory deep tubewells drilled by the West Bengal State Water Board to be run commercially. At the time of taking over of these, the Company did not conduct any tests of the quality of water but constructed pump houses, laid water lines and energised the centres between September 1976 and March 1983. A test check in Audit of three tubewells completed at a cost of Rs. 4·60 lakhs in Barasat and Midnapore Divisions revealed that performance of these tubewells since energisation was very poor and those could not be operated commercially due to high salinity in water and the farmers of the command area were disinterested to use such water. Efforts to remove salinity in one deep tubewell (Radhanagar DTW) taken over by the Company in June 1987 at a cost of Rs. 0·29 lakh had failed. The future of the 3 schemes has not yet been decided by the Company (May 1989) and the investment of Rs. 4·60 lakhs was lying idle.

2A.6.2.2.4 *Infructuous expenditure*

In April 1979, the Company decided to create 100 acres of irrigation potential at Sidhabari under Alipurduar-I block in the district of Jalpaiguri by constructing a river lift irrigation scheme on Buri-Torsa river. In June 1982, a pump house was constructed at a cost of Rs. 0·31 lakh. In July 1982, for laying the water line RCC pipes valuing Rs. 1·62 lakhs were purchased and despatched to the site. Before laying water line it was, however, noticed in September 1982 by the Divisional Engineer, Siliguri that the scheme was not feasible due to non-availability of sufficient water in the river. Remaining works for the scheme were, therefore, postponed. No action was, however, taken to divert the RCC pipes valuing Rs. 1·62 lakhs for other works so far (May 1989). According to the local management, the pipes were either damaged or stolen from the site. Had the availability of water in the river been studied before construction of pump house and purchase of RCC pipes, an expenditure of Rs. 1·93 lakhs could have been avoided.

2A.6.2.2.5 In April 1980, river lift irrigation potential for 100 acres was created by Barasat (Civil) sub-division at Sakda in Swarupnagar block in the district of 24-Parganas which comprised construction of a temporary pump house, laying of 18" diameter pipeline and commissioning of 2 diesel engines of 24·5 H.P. capacity each at a total cost of Rs. 1·50 lakhs. The scheme could not be operated in the absence of requisition for irrigation water from the cultivators of the command area due to coming up of private shallow tubewells in the command area. A further expenditure of Rs. 1·08 lakhs was also incurred up to March 1989 with a monthly recurring expenditure of Rs. 0·01 lakh beyond March 1989 for keeping one night-guard at the site.

The expenditure of Rs. 2·58 lakhs could have been avoided, had there been a close liaison with the local agencies i.e. Panchayat and Block Development Officer, etc. and suitable study on the future irrigation prospect in the area before installation of the scheme.

2A.6.2.2.6 In April 1979, the Company decided to create 100 acres of irrigation potential at Madanpur—Nupur under Ondal block in the district of Burdwan by constructing a river lift irrigation scheme on Damodar branch canal. In January 1981, the scheme was completed at a total cost of Rs. 1·34 lakhs. The scheme could not, however, be operated commercially due to lack of sufficient water in the canal. No records could be produced by the Company showing the feasibility study made and consideration on which the river lift irrigation scheme was established.

All these schemes were financed by loans from ARDC and the idle schemes meant an interest burden of Rs. 6·76 lakhs so far (31st March 1989).

2A.7 **Working results**

The main activity of the Company involving working results is operation and maintenance of irrigation schemes for supply of water to beneficiaries at rates fixed by Government. Also, the Company is entitled to be reimbursed by way of subsidy the differential between the cost of operation and maintenance and water rates. Finalisation of accounts of the Company was in arrear since 1984-85. The reasons for keeping the accounts in arrears for five years were, however, not on record.

The table below indicates the details of working results of the Company for the five years up to March 1989 as per provisional accounts:

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Rupees in lakhs)		
1. **Income:**					
Water levy	28.59	37·88	35·23	43·74	52·30
Interest on short-term deposit	3·06	3·26	3·06	2·10	4·50
Others	0 16	0·09	0·21	0·37	1·67
Grant-in-aid for salary and wages	—	38·00	50·00	75·00	78·83
Subsidy for water rates ..	94·00	20·00	70·00	77·00	180·00
	125·81	99·23	158·50	198·21	317·30

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Rupees in lakhs)		
2. Expenditure:					
Running and maintenance	25·10	36·06	40 88	50·67	48·55
Administrative ..	12·86	19·17	21·18	27·60	29 38
Salary and wages ..	125·90	139·79	163 52	186 95	202·49
Interest on bank loan ..	33·96	20·90	14 15	53·73	168·81
Others	—	—	—	0·25	—
Total	197·82	215 92	239·73	319·20	449·23
3. Loss for the year ..	72·01	116·69	81·23	120·99	131·93

The Company's accumulated loss as on 31st March 1989 before charging depreciation and after taking into account water rate subsidy and grants-in-aid (amounting to Rs. 769·74 lakhs) up to that date worked out to Rs. 982·95 lakhs. The accumulated loss represented 88·95 *per cent* the paid-up capital of Rs. 1,105 lakhs as on 31st March 1989.

In the absence of proper accounts and effective costing system in respect of actual cost of irrigation water and distribution arrangements, the Company failed to work out the correct amount of claims of subsidy realisable from Government since 1981-82 and has not lodged any formal claim therefor, but the Government had been releasing grants/subsidy on an ad hoc basis. In April 1989, Government asked the Company to furnish statement of expenditure incurred as well as physical progress made and also the audited statement of accounts of the Company for the last three years for approaching them for further release of fund. The Company had not submitted any cost statement to Government so far (May 1989).

As noticed in Audit, consistent losses were primarily due to:

(*i*) shortfall in achievement of targets fixed for irrigation;

(*ii*) low voltage power supply in some areas and consequential loss of irrigation;

(*iii*) failure to take up new schemes and consequential non-generation of additional revenues;

(*iv*) uneconomic water rate; and

(*v*) lack of adequate control over assessment and collection of water rate.

2A.8 **Water rate**

In 1976, the Company fixed a water rate of Rs. 9·50 per acre-inch on the assumption of no profit no loss. Prevailing water rates charged by other two agencies of the Government who are having similar installations was Rs. 1·60 and Rs. 10 per acre-inch respectively at that time.

With an idea to rationalise the existing water rate structure, Government refixed (March 1983) the water rate at Rs. 5 per acre-inch with effect from 1st May 1983 with an assurance to make good the gap between actual cost of operation and return in the shape of revised water rate.

As already mentioned in para 2A·7, the Company has been getting subsidy on an ad hoc basis as it had not taken any action to work out the correct amount of claims of subsidy and to approach the Government for the subsidy differential.

2A.8.1 *Assessment and collection procedure*

The West Bengal State Tubewells and Lift Irrigation Act was enacted in 1974 providing for imposition of water rates on lands served by minor irrigation projects. But provisions of the Act could not be enforced as the relevant rules had not been framed so far (May 1989). The procedure for assessment and collection of water rate prescribed by the Company through executive orders from time to time, therefore, continued to be followed as described below:

The farmer desiring supply of water for irrigation of his plot has to submit an indent in prescribed forms to the operator of appropriate deep tubewells/river lift station under whose command the land is situated. On receipt of the indent the operator is required to verify the area with reference to plot index and command area map. On being satisfied about the area to be irrigated, he is to receive the charges in advance as per the prescribed rates against proper receipt issued to the payer. The operator has to arrange for pumping and supply of water to the plot and to enter the particulars of hours of run, power consumed, quantum of irrigation water supplied, actual area irrigated in acres and amount collected in the irrigation log book and operator's log book maintained by him. The operator is to deposit the collected amount to the sub-divisional office as soon as accumulated amount exceeds Rs. 500 or once in fortnight whichever is earlier. The sub-divisional officer is to remit the amount to the Company's head office through a non-drawal bank account maintained for the purpose with intimation to the Divisional Office for maintenance of necessary records.

2A.8.1.1 *Non-observance of procedure for collection and deposit of water rate*

The prescribed procedure was not uniformly followed and was otherwise defective as discussed below:

(*a*) The command area maps of the DTW and RLI schemes along with relative plot schedules of land Revenue Department were not prepared/finalised in majority of the centres resulting in absence of adequate check of the area irrigated with that of the holding as declared by the farmer in the indents. In Barasat civil sub-division, water was supplied even without formal indents received from the cultivators.

(*b*) Instances of supply of water before recovery of water rates had also come to the notice of Audit, as a result of which, the Company failed to realise considerable amount of water rate from the farmers. As per the records made available to Audit, the outstanding water rate due from farmers amounted to Rs. 18·43 lakhs as on 31st March 1985. In the absence of consolidated records either at divisional offices or at the head office of the Company, the arrears in water rate recoverable from the farmers up to March 1989 could not be ascertained in Audit.

(*c*) Test check of records of two divisions revealed that during the five years up to 1988-89, in four cases, water rates involving Rs. 0·51 lakh collected were deposited by the operators after delay ranging from 10 to 37 months. In two cases, water rate of Rs. 0·19 lakh collected during 1986-87 had not been deposited by the operators and the Management did not take any action so far (May 1989) against the operators even after the Board's direction in November 1988 to take appropriate action.

(*d*) In one case it was noticed that the operator used more than one receipt book for collection of water rate simultaneously. While reviewing the case on 28th November 1988, the Board of Directors directed to take appropriate action against the operator. Information about action taken is, however, awaited (May 1989).

2A.8.1.2 *Deposit of water rate in bank*

Water rates collected and deposited to the sub-division by the operators are subsequently transferred by the divisional/

sub-divisional offices to the Company's head office through a non-drawal bank account. The amounts so transferred and received at the head office were not reconciled periodically after March 1983. Test check of records of the divisions revealed that during the three years up to 1988-89, water rates amounting Rs. 123·39 lakhs were deposited by the divisions/sub-divisions against which an amount of Rs. 108·51 lakhs was received by the Company up to May 1989 leaving a shortfall of Rs. 14·88 lakhs as shown below:

Name of Division	Number of Districts	Amount remitted by Sub-division up to March 1989	Amount received at head office up to May 1989	(−) Shortfall (+) Excess
		(Rupees in lakhs)		
Midnapore	3	37·03	34·86	(−) 2·17
Burdwan	2	42·39	37·87	(−) 4·52
Barasat	3	25·54	18·37	(−) 7·17
Berhampore	3	9·85	11·86	(+) 2·01
Siliguri	3	8·58	5·55	(−) 3 03
	14	123·39	108·51	(−)14·88

As the Company did not reconcile its bank balances periodically with the remittance figures, the extent of loss of interest for non-crediting to the Company's receipt could not be worked out in Audit. In Berhampore Division records relating to amounts remitted up to March 1989 were not completed even by May 1989.

2A.9 **Operating manpower**

Manpower requirement for operation of an irrigation scheme, as envisaged in the Technical Criteria (1976) was two i.e. one operator and one assistant operator. The operator is primarily responsible to operate the machine while the assistant operator is responsible to ensure efficient utilisation of water as well as proper maintenance of the pumping units and the pipeline. The following table would indicate the position of manpower deployed vis-a-vis the requirements during the five years up to 1988-89:

Year	Working schemes	Total manpower required	Manpower in position	Percentage of shortage
		(numbers)		
1984-85	477	954	788	17
1985-86	479	958	788	18
1986-87	488	976	806	17
1987-88	506	1,012	870	14
1988-89 .. .	539	1,078	882	18

The Company did not take any action to provide adequate operating manpower so far (May 1989).

2A.10 **Purchase and inventory control**

The Company did not have any purchase or stores manual of its own. It did neither prepare annual material budget incorporating requirements of stores and spares for both capital works as well as for operation and maintenance of irrigation schemes although it was noticed in Audit that during the five years up to 1988-89 the purchases of both capital goods and stores and spares increased gradually from Rs. 11·83 lakhs in 1984-85 to Rs. 196·30 lakhs in 1988-89. The stores and spares required for pump sets, cement, steel, spun pipes, etc. were procured both by the head office and also by the divisional offices and stored in sub-divisional stores for consumption. Purchase proposals were not generally vetted by finance department of the Company. Detailed records were not maintained for advances paid for purchases from time to time and reconciliation thereof against receipt of materials to effect pursuance of early recovery of balance amount of advance, if any. There is also no system to identify periodically the obsolete and surplus stores and spares for their early disposal. Stores and spares in stock are not being physically verified by an independent verifier at periodical intervals.

In December 1982, the Company appointed U.P. Mukherjee and Company, Chartered Accountants, to conduct the physical verification of stores of five divisions as on 31st March 1983. Mention was made in paragraph 5A·6 of Chapter V of the Report of the Comptroller and Auditor General of India for the year 1986-87 (Commercial) about shortage of steel tubes valued Rs. 2·96 lakhs. The verification made in March 1983 revealed that against book value of Rs. 137·58 lakhs, stores valued only Rs. 57·95 lakhs was serviceable and the remaining Rs. 79·63 lakhs represented unserviceable stores. No action was taken to dispose of the unserviceable stores (May 1989).

Test check conducted in Audit further revealed the following:

(*i*) In Garsenapati RLI scheme in Keshpur block of Midnapore district, temporary water distribution channel of 1760 feet long was constructed in November 1980 with M.S. pipes of 6″ diameter valued Rs. 0·62 lakh. With the construction of a permanent distribution channel during 1982-83, all the M.S. pipes became surplus but were neither diverted to stock nor were they put to use in other units/schemes (May 1989).

(*ii*) Fifty electromotor pump sets of 20 HP capacity comprising Crompton make pumps coupled with Crompton make motor and accessories were procured in June 1979 on emergent basis at a cost of Rs. 6·24 lakhs. Out of these, 6 pump sets were utilised up to April 1988. The remaining 44 pump sets had been lying idle at 6 stores sites. Non-utilisation of the pump sets had, thus, resulted in blocking up of capital to the extent of Rs. 4·59 lakhs and loss of interest of Rs. 9·72 lakhs up to May 1989. The exact reasons for non-utilisation of electromotor pump sets for more than eight years were not on record.

(*iii*) Scrutiny of the latest available physical verification reports of stores as prepared by stores-in-charges for the year 1986-87 revealed that 188·18 tonnes of cement valuing Rs. 2·54 lakhs approximately got clodded at 9 stores due to long storage. Exact circumstances leading to the clodding of cement, were not, however, investigated by the Company to fix up responsibility and to realise the loss from the persons, if any, responsible for it.

(*iv*) In Burdwan sub-division, reinforced cement concrete water line construction materials valuing Rs. 3·73 lakhs had been lying idle since 1982. No action either to utilise the materials or to dispose them of to the best advantage of the Company had been taken so far (May 1989).

(*v*) During November 1978 to June 1982 the Company had advanced in eleven cases a total amount of Rs. 42·82 lakhs to West Bengal Essential Commodities Supply Corporation Limited for supply of 7,808 tonnes of cement against which 5,978 tonnes of cement valuing Rs. 40·28 lakhs were actually received from the supplier up to June 1982. The balance amount of Rs. 2·55 lakhs could not be claimed for the last seven years due to non-reconciliation of delivery orders with relevant invoices from the supplier.

This has resulted in a loss of interest of Rs. 3·21 lakhs up to May 1989 on the fund unnecessarily lying with the supplier.

2A.11 **System deficiencies**

2A.11.1 *Internal audit*

Statutory Auditors appointed by the Company Law Board to report on the annual financial statements of the Company under Section 619(3) of the Companies Act 1956, had in their reports for the years 1975-76 to 1982-83, *inter alia,* mentioned that there was no internal audit system adopted by the Company. It was noticed in Audit that in spite of such comments made by the auditors from time to time, no effective action was taken by the Company to streamline and strengthen the system. The Board of Directors in their 40th meeting held in December 1982 had approved appointment of U.P. Mukherjee and Company, Chartered Accountants to act as the Company's internal auditors for one year with effect from 1st February 1983. The Firm was paid, from time to time an amount of Rs. 0·20 lakh as remuneration for the services. The reports furnished by the internal auditor were not, however, been put up to the Board (May 1989). These were also not produced to Audit for necessary verification. The Board of Directors in their 47th meeting held in September 1984 had further approved creation of a post of Internal Auditor. Accordingly, an Internal Audit Officer was appointed in November 1988 on promotion from the post of Accountant whose services were, however, utilised for other purposes up to May 1989. Thus, the transactions from February 1984 onwards were not covered in internal audit.

2A.11.2 *Management information system*

There was no system of regular periodical review of the various activities of the Company and no management information system was evolved so far (May 1989) to feed statistical and other data as an aid to the Management in decision making. Even performance reports of deep tubewells and river lift irrigation schemes for the years 1986-87, 1987-88 and 1988-89 were not compiled so far (May 1989) and put up to the Board of Directors for their information. In view of the same, performance of each scheme/centre for all those years could not be ascertained in Audit.

2A.11.3 *Cash management*

There was no system of preparation of cash flow statements periodically in the Company. In the absence of such a system the Company did not have any planned control over receipts and payments of cash. The deficiencies cropped up due to lack of the system as noticed during test check have already been discussed in paragraph 2A·8 *supra*.

2A.12 Other points of interest

2A.12.1 *Avoidable payment of sales tax*

Owing to its failure to submit the sales tax returns to the sales tax authorities in time, the Company could not get the requisite declaration form necessary to avail the benefit of concessional rate of tax on the supplies obtained by it. The avoidable expenditure on this account in 1978-79 was Rs. 1·29 lakhs. Board while reviewing the cases of avoidable payments in September 1982 directed to be cautious about recurrence of such avoidable payments.

Test check in Audit revealed that the Company had further incurred avoidable payment of sales tax to the tune of Rs. 23·58 lakhs during 1984-85 to 1988-89 for the same reasons. The Company did not take steps to stop recurrence of such avoidable payments so far (May 1989). This has resulted in loss of Rs. 24·87 lakhs.

2A.12.2 *Waiver of service charges*

Mention was made in paragraph 4·04·3 of the Report of the Comptroller and Auditor General of India for the year 1979-80 (Commercial) about construction and operation of WBCADC deep tubewells. 145 deep tubewells were constructed and handed over to the WBCADC in phases during the period from 1975-76 to 1977-78 at a cost of Rs. 177·50 lakhs of which Rs. 82 lakhs were received from WBCADC during 1975-76 and 1976-77.

In March 1983, in a meeting with the WBCADC, the Company preferred its claims of Rs. 160·85 lakhs which included Rs. 21·97 lakhs as service charges at 12·5 *per cent* on cost of construction of Rs. 175·77 lakhs (against the actual cost of Rs. 177·50 lakhs), Rs. 93·77 lakhs towards balance capital cost and interest charges of Rs. 45·11 lakhs at the rate of 10·25 *per cent* per annum up to March 1983 on balance capital cost. In a subsequent meeting held in July 1984 with the WBCADC, it was further decided that service charges as claimed by the Company should be waived and the question of recovery of the claimed interest would be considered separately by the WBCADC. The decision taken in July 1984 was subsequently ratified by the Board of Directors in September 1984. The outstanding amount on account of cost of construction (Rs. 93·77 lakhs) was received from WBCADC in March 1986. No decision had, however, been arrived at about payment of interest of Rs. 45·11 lakhs as was earlier agreed (July 1984) to be decided separately. It was also noticed that while the cost of construction of 145 tubewells was Rs. 177·50 lakhs, the Company claimed from WBCADC only Rs. 175·77 lakhs, resulting in a short recovery of Rs. 1·73 lakhs. No action has so far (May 1989) been taken to recover the amount from WBCADC.

These matters were reported to Management and Government in August 1989; their replies had not been received (January 1990).

2B. WEST BENGAL MINERAL DEVELOPMENT AND TRADING CORPORATION LIMITED

Highlights

Set up in 1973 to promote prospecting, mining and selling of minerals, stones, clays, etc, the Company was mainly engaged in mining of rock phosphate and stones at its two mines. Its prospecting activity was negligible.

The Company's accumulated loss up to 31st March 1989 amounted to Rs. 358·94 lakhs which was 84 *per cent* of its paid-up capital (Rs. 427·08 lakhs) even after receipt of subsidy of Rs. 150·90 lakhs on sale of rock phosphate during the five years up to March 1989.

The losses during the five years up to March 1989 were mainly due to:

low utilisation of capacity of production of stone chips (16 to 64 *per cent*) and rock phosphate (21 to 41 *per cent*);

mounting problem of high proportion of overburden in rock phosphote mining remaining unsolved despite adverse comments from COPU; and

problem of reducing the transportation cost of stone chips by providing a railway siding at pithead having remained unsolved for the last eight years due to inability of Government to provide funds.

Low grade rock phosphate stock of 30372 tonnes accumulated since 1977-78, was neither disposed of as such nor was it blended with high grade to make it marketable.

Two stone crushers were procured in April 1982 to augment production by 18000 cum per annum. They were leased to a party from January 1983 to June 1985 with a stipulation to crush a minimum of 0·11 lakh cum of stone materials for the Company or pay rental of Rs. 0·26 lakh per quarter. The Company failed to get any of its stone materials crushed as also to recover, in the alternative, Rs. 2·83 lakhs towards rent and unreturned spare parts. The crushers were idle up to November 1988 when one of them was put to use.

The Company incurred an interest liability of Rs. 26·57 lakhs on cash credit balance lying undischarged for four years. Of this, Rs. 11·25 lakhs could have been avoided had the balances available in current account been utilised in discharge of the cash credit account.

The book debts showed an increasing trend since 1987-88. Although no credit facilities were to be extended to private parties, the Company effected supplies to some private parties without opening letters of credit resulting in accumulation of debts of Rs. 10·83 lakhs against 65 parties as on 31st March 1989.

2B.1 **Introduction**

West Bengal Mineral Development and Trading Corporation Limited was incorporated in February 1973 as a wholly owned Government Company to engage in prospecting and mining of minerals, ores and stones in the State and marketing them as such or after processing, crushing and grinding.

The present activities of the Company are confined to manual extraction of stone boulders from two pits of Pachami—Hatgachha stone quarry in the district of Birbhum and rock phosphate from Beldih quarry in the district of Purulia. It also undertook prospecting of quartz, felspar, fireclay and granite and trading in stone chips, clay, dolomite, granite, etc.

2B.2 **Scope of Audit**

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1978-79 (Commercial). The Committee on Public Undertakings examined the review and made its recommendations/observations in its Twentyfifth Report presented to the Legislature in May 1988. The results of a further review covering mainly the activities of the Company for the 5 years up to 31st March 1989 conducted during March to July 1989 are set out in the succeeding paragraphs.

2B.3 **Organisational set-up**

The management of the Company is vested in a Board of Directors which had ten directors as on 31st March 1989, all nominated by Government. The Chairman-cum-Managing Director is the Chief Executive of the Company. He is assisted by Project Manager, Marketing Manager, Factory Manager, Manager (Finance) and Manager (Exploration).

2B.4 **Funding**

2B.4.1 *Share capital*

Against the authorised capital of Rs. 500 lakhs, the paid-up capital of the Company was Rs. 427 lakhs as on 31st March 1989.

2B.4.2 *Loans*

The Company obtained from time to time unsecured loan of Rs. 127 lakhs (Rs. 42·50 lakhs as plan loan and Rs. 84·50 lakhs as non-plan loan) up to 31st March 1989 from Government at rates of interest varying between 9·5 *per cent* and 11·75 *per cent* per annum. The Company could not pay any interest and total interest accrued on the loans amounted to Rs. 35·83 lakhs including overdue interest of Rs. 30·20 lakhs as on 31st March 1989. The terms and conditions for repayment of principal have not been decided by Government.

2B.4.3 *Cash credit*

Against the hypothecation of stock and book debts, the Company had availed of cash credit from United Bank of India (UBI) up to a limit of Rs. 3·88 lakhs in 1980-81 which was increased to Rs. 11·88 lakhs in 1981-82 and to Rs. 30 lakhs in 1984-85. This limit was exceeded by Rs. 2·64 lakhs including interest of Rs. 1·27 lakhs as on 31st March 1985 without formal approval from the bank. The operation of the cash credit facilities was kept suspended since April 1985 as the limit of Rs. 30 lakhs was exceeded without taking any action to liquidate the excess or to terminate the cash credit arrangement. As a result, interest has further accumulated to Rs. 27·84 lakhs as on 31st March 1989. Simultaneously, the Company was having a current account with Central Bank of India since 1985 without earning any interest. Had the balances in current account during the period ranging between Rs. 3·64 lakhs and Rs. 26·64 lakhs been utilised to discharge the liability on cash credit account, the Company could have saved atleast Rs. 11·25 lakhs by way of interest of cash credit account.

2B.4.4 *Subsidy*

The Company had also received up to September 1989 Rs. 150·90 lakhs as subsidy on sale of rock phosphate since April 1984 to March 1989 from the Government of India for the sale of fertilisers at administered prices.

2B.5 **Financial position**

The table below summarises the financial position of the Company for the three years up to 1988-89:

	1986-87	1987-88	1988-89
		(Rupees in lakhs)	
Liabilities			
(*a*) Paid-up capital (including share application money)	290·08	364 08	427·08
(*b*) Borrowings (including cash credit) ..	127·23	146·01	186·31
(*c*) Trade dues and other current liabilities (including provisions)	104·46	128·06	152·58
Total	521·77	638·15	765·97
Assets			
(*d*) Gross Block	69·40	70·93	80·55
(*e*) *Less:* Depreciation	37·06	41·36	45·94
(*f*) Net fixed assets	32·34	29·57	34·61
(*g*) Capital work-in-progress	5·33	7·43	10·46
(*h*) Investments	12·00	12·00	12·00

	1986-87	1987-88	1988-89
		(Rupees in lakhs)	
(*i*) Current assets, loans and advances ..	186·05	214 08	336 26
(*j*) Intangible assets:			
(*i*) Miscellaneous expenditure to the extent not written off or adjusted ..	10·97	11·51	13 70
(*ii*) Accumulated loss	275·08	363·50	358·94
Total	521·77	638·15	765·97
Capital employed	124 24	128·15	233·44
Net worth	4·03	(–)10·93	54·44

Notes: (1) Capital employed represents net fixed assets plus working capital.
(2) Net worth represents paid-up capital plus reserves less intangible assets.

As at the end of 1988-89, the Company had nine mines covering an area of 2,559·12 acres as detailed below :

Type of mine	Place	Month of registration of deed/lease deed	Estimated reserve (In lakh tonnes)	Area (In acres)	Remarks
Quartz	Mirmi, Purulia	September 1976 (Lease for 20 years)	Not yet surveyed	30·00	—
Felspar	(a) Palma, Purulia	September 1977 (Lease for 20 years)	0·20	518·86	—
	(b) Ambari, Purulia	April 1978 (Lease for 20 years)	0·20	132·62	—
Silica Sand	Kelesota, Purulia	September 1977 (Lease for 20 years)	30	189·00	—
Black Stone	Pachami-Hatgacha, Birbhum	January 1978 (Out right purchase)	40,000 (112 million cum)	620·00	—
Clay (Fire)	Malti, Purulia	Not yet executed	Not yet surveyed	344·00	Temporary working permission was taken in June 1980 from the State Government
Clay (White)	Kharidha, Purulia	Not yet executed	Not yet surveyed	329·05	-do-
Granite	Bero, Purulia	-do-	-do-	372·59	-do-
Rock phosphate	Beldih, Purulia	April 1975 (Out right purchase)	45	23·00	—
			Total:	2,559·12	

Of the above, seven mines of quartz, felspar, silica sand, clay and granite with an aggregate area of 1916·12 acres remained idle since their take-over. As at 31st March 1989, the Company had a liability of Rs. 2·82 lakhs towards ground rent for these mines.

2B.7 Performance analysis

2B.7.1 *Mining activities*

The mining activities of the Company were mainly confined to extracting stone boulders from Pachami-Hatgacha stone quarry in Birbhum district and rock phosphate from the mine at Beldih in Purulia district.

2B.7.1.1 *Stone boulders*

The estimated reserve of 112 million cum of stone boulders spread over 620 acres. The Company did not work out the relative economics of surface and pit mining but went in for the apparently costlier latter method. At present, it is mining boulders at a depth of 30 metres in one pit and 24 metres in another.

2B.7.1.2 *Production of stone chips*

According to a projection made in 1985, the break-even level in terms of volume was assessed at 37,000 cum in three shifts per annum. The plant had an installed capacity of 16,000 cum per shift per annum. The actual production, however, fell far short of the installed capacity as would be evident from the following table:

	1984-85	1985-86	1986-87	1987-88	1988-89
			(cubic metres)		
Capacity (in one shift) ..	16,000	16,000	16,000	16,000	16,000
Target	18,000	12,000	12,000	15,000	20,000
Production (in one shift) ..	5,965	7,434	2,522	6,814	10,186
Sale	6,276	6,090	3,577	7,709	6,828
Percentage of production:					
(*i*) to installed capacity ..	37	46	16	43	64
(*ii*) to target	33	62	21	45	51
Percentage of sale:					
(*iii*) to capacity ..	39	38	22	48	43
(*iv*) to target	35	50	30	51	34

A test-check conducted in Audit in July 1989 revealed that against 2,295 hours available for production of stone chips during 1988-89, the Company could utilise only 901 hours (39 *per cent*) for production. The low plant utilisation was due to the following:

		Loss of production hours
(*i*)	Mechanical break-down	252
(*ii*)	Electrical break-down	56
(*iii*)	Haulage break-down	242
(*iv*)	Bunker filling	37
(*v*)	Boot cleaning	242
(*vi*)	Boulder shortage	269
(*vii*)	Other reasons	296
	Total: ..	1,394

Underutilisation of capacity was attributed by the Company to some inherent defects in the stone crushing plant at Pachami-Hatgacha Stone Project for which about 5,235 cum of stone chips could not be crushed per annum (as estimated in November 1987).

Records did not show that the Company had undertaken preventive/running repairs to avoid high incidence of loss of production hours due to mechanical, electrical, haulage, etc. break-downs. Reasons for loss of 269 production hours in 1988-89 due to boulder shortage was also not explained by the Management.

According to Management, the shortfall in production was due to unsatisfactory sale of stone chips resulting in sizeable accumulation of stock.

2B.7.1.3 *Non-utilisation of stone crushers*

For augmenting the production capacity, the Company obtained in April 1982 two more crushers with annual capacity of 18,000 cum from the Public Works Department at a cost of Rs. 3·26 lakhs out of which Rs. 1·76 lakhs were yet to be paid for (July 1989). The crushers were given on 30th September 1982 in good working condition to a private firm for installation near Pachami plant for crushing of the Company's stone materials of minimum 0·11 lakh cum per year or give minimum rental charge of Rs. 0·26 lakh per quarter in lieu from 31st December 1982 as per agreement entered into in September 1982. The Company neither got any of its stone boulders crushed by the firm for reasons not on record, nor realised rent of Rs. 2·60 lakhs for ten quarters from 31st December 1982 to 30 June 1985. The crushers were taken back between August and September 1985 by the Company. No action was taken by the Company to recover the rent along with value of spares not returned amounting to Rs. 0·23 lakh as also rental during the initial period of three months from 30th September 1982 to 30th December 1982 allowed for commissioning of the crushers. The Company also did not insist upon the recovery of Rs. 0·26 lakh per quarter for the notice period of six months from June 1985 to December 1985 necessary in terms of the contract with the firm. These two crushers remained idle up to November 1988 and one of them was installed in December 1988 by the Company at a cost of Rs. 0·64 lakh while the other remained unutilised.

2B.7.2 *Rock phosphate*

The agronomic suitability of rock phosphate was first approved by the Indian Council of Agricultural Research in January 1978 for direct application as fertilizer in acidic soil. It is raised from Beldih mine and carried to the Company's grinding factory at Rangadih (Purulia) at a distance of about 16 kms for processing as "Purulia phos" (brand name) into three grades, viz. high grade containing 30 *per cent* and above of phosphorus pentoxide (P_2O_5), medium grade containing 23 to 25 *per cent* of phosphorous pentoxide and low grade containing 18 to 20 *per cent* of phosphorus pentoxide. The factory shed and two mills of the plant at Rangadih were purchased in May 1983 at a cost of Rs. 8·01 lakhs from Sadhana Enterprise India (Pvt.) Limited, New Delhi.

Out of the Company's holding of 23 acres of land for mining rock phosphate, the operations were confined to a meagre area of 3·47 acres only. The following table indicates the quantities of rock phosphate and overburden raised manually during the five years up to 1988-89:

Year	Rock phosphate raised	Overburden raised	Ratio of production to overburden
	(cubic metres)		
1984-85	8,934	22,160	1 : 2·48
1985-86	6,467	19,290	1 : 2·98
1986-87	3,521	28,588	1 : 8·12
1987-88	6,334	23,147	1 : 3·65
1988-89	6,831	22,212	1 : 3·25

Reasons for the increasing trend of proportion of overburden and also its steep increase in 1986-87 have not been analysed and investigated.

The Committee on Public Undertakings in their 25th Report presented to the Legislature in May 1988 recommended that "the Department/Management should chalk out a phased programme for disposal of the overburden at the earliest possible time after making adequate financial provision for the same in consultation with Government".

The Department/Management did not take any action towards economic disposal of the overburden. Instead, it was allowed to accumulate to 1·29 lakhs cum as at 31st March 1989 occupying considerable area on the eastern side of the main pithead posing difficulties in mining operation.

2B.7.2.1 *Output rate*

The output *per* man shift (OMS) in raising rock phosphate during the five years up to 1988-89 was as detailed below:

Year	Quantity of rock phosphate (ROM) raised (cubic metres)	Workmen engaged	No. of man shifts operated (number in lakhs)	OMS (cubic metres)
1984-85	8,934	388	1·16	0·077
1985-86	6,467	348	1·15	0·056
1986-87	3,521	382	1·15	0·031
1987-88	6,334	382	1·15	0·055
1988-89	6,831	380	1·14	0·060

The reasons for such wide variation in output *per* man shift had not been analysed by Management. Test check in Audit, however, revealed (July 1989) that one of the reasons for low output was raising of higher proportion of overburden during mining of rock phosphate, the reasons for which were not analysed by the Company.

2B.7.2.2 *Stock of rock phosphate*

The following table indicates quantitative and financial data as to sales, delivery to grinding factory, closing stock and the stock equivalent to months' raising and sale/delivery of rock phosphate of the three grades at the end of each of the five years up to 1988-89:

Year	Raising of rock phosphate			Total sales and delivery			Actual closing stock		Closing stock in terms of months to	
	Opening Stock	Raising	Total	Sale as lump	Delivery (despatch for processing at grinding unit)	Total	Quantity	Value (Rupees in lakhs)	Raising (Months)	Sale and despatch (Months)
	(Tonnes)									
1984-85	38,711	11,790	50,501	—	8,791	8,791	41,710	54·65	42	57
1985-86	41,710	8,322	50,032	383	12,200	12,583	37,449	55·72	54	36
1986-87	37,449	4,394	41,843	446	4,742	5,188	36,655	70·39	100	85
1987-88	36,655	8,543	45,198	517	6,837	7,354	37,844	81·78	53	62
1988-89	37,844	8,449	46,293	387	9,442	9,829	36,464	82·18	52	45

The closing stock as on 31st March 1989 was not verified physically by any independent stock verifier. This was as certified by the Mines Manager of the Company.

Out of 36,464 tonnes, the Company had a stock of 30,372 tonnes of low grade pnosphate containing 18 to 20 *per cent* P_2O_5 as on 31st March 1989, the accumulation of which had started since 1977-78. The Company did not take any action so far to upgrade P_2O_5 contents of this stock by blending with higher grade of P_2O_5 raised during these years to make it marketable.

2B.7.2.3 *Production of rock phosphate*

The table below indicates the production and sale of rock phosphate during the five years up to 1988-89:

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Tonnes)		
(*a*) Installed capacity	24,000	24,000	24,000	24,000	24,000
(*b*) Target	14,000	14,000	13,000	17,500	14,000
(*c*) Break-even point*	21,250	21,250	21,250	21,250	21,250
(*d*) Production	8,334	9,868	4,983	7,064	7,673
(*e*) Sale	8,411	9,367	5,775	7,247	6,518
(*f*) Stock at the close of the year	537	1,082	290	107	1,262
(*g*) Percentage of production					
(*i*) to installed capacity	35	41	21	29	32
(*ii*) to target	60	70	38	40	55
(*iii*) to break-even point	39	46	23	33	36
(*h*) Percentage of sale					
(*i*) to capacity	35	39	24	30	27
(*ii*) to target	60	67	44	41	47
(*iii*) to break-even point	40	44	27	34	31

*The Company worked out the break-even point only in May 1985. This has been considered for all the years.

The reasons for shortfall in production against capacity and target have not been analysed by the Management. It was, however, stated by Management from time to time that the shortfall in production was due to fall in the physical attainment of sale in case of rock phosphate.

Though the Management put forward the above reasons for low productivity, it was observed in Audit (July 1989) that there was sufficient orders which the Company was not able to execute in time (paragraph 2B.13.1 *infra*).

2B.8 Trading activities

The Company was also engaged in the purchase and sale of stone chips, clay, dolomite and granite during 1979-80 to 1984-85 earning a gross profit of Rs. 1·88 lakhs on a turnover of Rs. 73·69 lakhs. Thereafter, the trading business was discontinued on the grounds of locking up of substantial amount with the agents, slow realisation of the sale proceeds and low margin in the business.

The transactions of the trading activities could not be analysed in Audit as the records relating to purchase, sales, movement, etc. seized by the State Vigilance Commission in May 1986 had not been returned so far (August 1989).

Though the trading activities of the Company had been discontinued since 1984-85, the Company did not take any step to recover Rs. 2·44 lakhs advanced up to 1983-84 to five handling agents so far (August 1989).

2B.9 Product profitability and contribution analysis

The accounts of the Company for 1988-89 have not been finalised so far (January 1990). The profitability trend as emerging from the accounts and other available data is indicated in the table below for 1984-85 to 1988-89:

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Rupees in lakhs)		
Value of production	40·11	51·12	36·89	39·45	57·44
Less: raising and processing cost of minerals	38·60	43·04	37·47	49·34	68·51
Contribution	1·51	8·08	(–) 0·58	(–) 9·89	(–)11·07
Less: establishment cost	28·86	31·94	38·57	45·38	51·91
	(–)27·35	(–)23·86	(–)39·15	(–)55·27	(–)62·98
Less: other expenses	19·08	25·82	26·40	37·92	37·59
	(–)46·43	(–)49·68	(–)65·55	(–)93·19	(–)100·57
Less: depreciation	5·28	5·04	4·43	4·30	4·67
Loss: on manufacturing activities	(–)51·71	(–)54·72	(–)69·98	(–)97·49	(–)105·24

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Rupees in lakhs)		
Credit of Central Subsidy (receipt)	13·18	14·60	9·14	7·33	32·17
Net loss on manufacturing activities	(−)38 53	(−)40·12	(−)60·84	(−)90·16	(−)73·07
Add: miscellaneous income	2·53	1·79	1·34	1·74	1·35
	(−)36 00	(−)38·33	(−)59·50	(−)88·42	(−)71·72
Add: Profit on trading activities	0·02	0·20	0 27	—	0·24
Net loss:	35·98	38·13	59·23	88·42	71·48

It would be seen from the above table that the contribution during the three years up to 1988-89 was negative. Even in 1985-86 when contribution was the highest, it could cover only 25 *per cent* of the establishment cost.

It was also observed that rise in raising and processing cost was far in excess of the rise in value of production due to low productivity during the three years up to 1988-89.

As on 31st March 1989 the accumulated loss was Rs. 358·94 lakhs representing more than 84 *per cent* of paid-up capital. The reasons for adverse working results as attributed by the Company from time to time up to 1988-89 were as under:

(*i*) lack of scope for increasing sale price against ever increasing cost, as sale price of rock phosphate is fixed by the Fertiliser Industry Co-ordination Committee under the Ministry of Chemicals and Fertilisers, Government of India,

(*ii*) fall in the physical attainment of sale in case of rock phosphate,

(*iii*) unsatisfactory sale of stone chips, and

(*iv*) sale prices of stone chips and rock phosphate were not being commensurate with the increasing cost of labour.

2B.10 **Dolomite project at Jayanti Hill**

A reserve estimated at 16·35 million tonnes of high quality dolomite (one of the basic raw materials for steel industries) was found in the Jayanti hill belt in the district of Jalpaiguri through studies conducted by Geological Survey of India during 1964 to 1970. The Company got a techno-economic feasibility report prepared by a consultancy firm in June 1974 at a cost of

Rs. 0·47 lakh which envisaged a capital investment of Rs. 246 lakhs.

Against this, with a capital investment of Rs. 13·42 lakhs, the Company extracted, between April 1975 and October 1980, 21,355 tonnes of dolomite at a cost of Rs. 5·66 lakhs out of which it sold 17,742 tonnes for Rs. 7·22 lakhs up to October 1980 earning gross profit of Rs. 1·56 lakhs.

In October 1980, a company named as North Bengal Dolomite Limited (NBDL) was incorporated in terms of a collaboration agreement with Steel Authority of India Limited on 50:50 share participation basis to ensure supply of dolomite to the nationalised steel plants. This company carried on mining operation up to 1986-87. It had an amount of Rs. 1·41 lakhs as surplus balance till 31st March 1987. It suffered a loss of Rs. 30·06 lakhs during 1987-88. Its cumulative loss was Rs. 28·65 lakhs with total paid-up capital of Rs. 24 lakhs as on 31st March 1988. The Company had also extended loan of Rs. 24·90 lakhs up to 1988-89 including Rs. 14·80 lakhs disbursed in 1988-89, the terms and conditions of which were yet to be decided (August 1989). Mining of dolomite had to be totally suspended from 1987-88 due to restrictions imposed by the Forest Department as the area of the mine falls inside the boundary of the tiger sanctuary.

2B.11 **Prospecting activities**

2B.11.1 In September 1978 the Board of Directors of the Company felt the necessity of systematic prospecting of mineral deposits of the State, particularly in three districts viz., Purulia, Birbhum and in the hills of Jalpaiguri initially on a limited scale spreading over three to four years. The position of prospecting activities conducted till 31st March 1989 is shown below:

	Felspar	Quartz	Granite	Clay	Others	Total
Expenditure up to			(Rupees in lakhs)			
1983-84						9·94
1984-85	0·94	0·08	0·04	—	0·13	1·19
1985-86	0·10	0·04	0·28	0·42	0·07	0·91
1986-87	0·01	—	—	0·17	0·03	0·21
1987-88	—	0·02	0·04	0·02	0·05	0·13
1988-89	0·08	0·04	0·01	0·78	0·09	1·00
						13·38

Though the Company spent Rs. 13·38 lakhs up to 1988-89 on prospecting activities for different minerals, no feasibility report or scheme for exploration of any of them on commercial scale except on granite has been prepared so far (August 1989). No worthwhile propsecting activity has been undertaken during the three years except in 1988-89 in regard to clay.

2B.12 **Delay in starting of granite project**

In the course of prospecting during 1975-76 for decorative stones, a number of granite blocks were made on an experimental basis at Bero and Barasani areas in Purulia. The blocks were cut by labourers brought from South India as the local people were not conversant with the technique. In 1979-80, the Company prepared a feasibility report for production of 36,000 sq.m polished and 1,200 sq.m rough blocks of granite *per* year with the indication that the project would be set up under joint sector with a capital investment of Rs. 400 lakhs. The joint sector project did not come up. The Board of Directos of the Company decided in February 1982 that the old feasibility report be got updated by MECON and the Company proposed to take up the granite project by itself in order to reap the entire profit of this remunerative mineral.

The feasibility report, got prepared in January 1983 by MECON, envisaged, *inter alia*, that there was a reserve of about 30·1 million cum of granite in three districts of Purulia, Bankura and Birbhum. As per the report, the project cost was Rs. 737 lakhs and its implementation would be in two phases and the same would be viable from the year of production with estimated turnover of Rs. 268 lakhs. The Board approved (August 1985) the project and sent the same to Government in March 1988 with the proposal to again set up a joint sector venture for exploration of the mineral. The decision of Government was awaited (August 1989).

2B.13 **Sales performance**

2B.13.1 *Rock phosphate*

Up to 1980-81, the marketing of rock phosphate was entrusted to Sadhana Enterprise Private Limited in terms of an agreement made in June 1975, according to which the net profit would be shared equally. The agent was required to grind and market rock phosphate at its factory at Rangadih, Purulia.

The turnover and net profit during the collaboration period were as under:

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Turnover						
(*i*) Quantity (Tonnes)	3,092	14,777	14,255	12,612	9,365	8,311
(*ii*) Value (Rupees in lakhs)	16·90	54·60	48·78	45·26	35·88	35·05
(*iii*) Company's share of net profit (50 *per cent*) (Rupees in lakhs)	3·21	8·68	3·67	3·60	1·55	1 02

Although the Company earned its share of profit amounting to Rs. 21·73 lakhs up to 1980-81, it discontinued (30th April 1983) the agreement on the ground that the firm was interested in marketing only high grade rock phosphate.

The table below indicates the position of sale orders received, sale against target of sale and actual production during the five years up to 1988-89:

	1984-85	1985-86	1986-87	1987-88	1988-89
			(tonnes)		
(*i*) Sale order in hand	12,735	17,160	7,793	10,110	12,648
(*ii*) Target of sales	14,000	14,000	13,000	17,500	14,000
(*iii*) Production	8,334	9,868	4,983	7,064	7,673
(*iv*) Opening stock	614	581*	1,082	290	107
Total	8,948	10,449	6,065	7,354	7,780
(*v*) Sales	8,411	9,367	5,775	7,247	6,518
			(*per cent*)		
(*vi*) Percentage of sales to sales order	66	55	74	72	52
(*vii*) Percentage of sales to target	60	67	44	41	47

*After adjustment of 44 tonnes omitted from last year's closing stock.

It is also evident from the above that in spite of sufficient orders in hand, the Company could not execute a considerable portion of them during all the 5 years up to 1988-89 as the level of production was low. The Company had also started receiving

(February 1984) orders for distribution of rock phosphate from the Ministry of Chemicals and Fertilizers, Government of India under Essential Commodities Act, 1955.

Government of India fixed (February 1984) the consumer price of rock phosphate at Rs. 3 *per* kg of nutrient and the same was revised to Rs. 3·75 *per* kg from January 1988. The prices of different grades were as under:

	Price with effect from	
	9th February 1984 to 31st December 1987	1st January 1988 to date
	(Rupees per tonne)	
A. High grade	900	1,125
B. Medium grade	690	862
C. Low grade	540	675

The above prices were the maximum chargeable, the Company had to meet therefrom dealer's margin between Rs. 125 and Rs. 70, field publicity/promotional support expenses between Rs. 15 and Rs. 10 *per* tonne and railway freight charges up to dealer's godown.

The table below would reveal that the net sales realisation was much below the cost of production:

	1984-85	1985-86	1986-87	1987-88	1988-89
(*i*) Quantity sold (tonnes)	8,411	9,367	5,775	7,247	6,518
(*ii*) Value of sales including subsidy (Rupees in lakhs)	37·70	54 89	55·33	67 93	23 43
(*iii*) Average sales realisation (Net) (Rupees per tonne)	448	586	958	937	359
(*iv*) Average cost of production (Rupees per tonne)	886	934	1,660	1,408	1,500
(*v*) Deficit (Rupees per tonne)	438	348	702	471	1,141
(*vi*) Absorption of cost of production (*per cent*)	51	63	58	67	24

In course of Audit the following deficiencies were noticed:

(*i*) The Company sustained a loss of Rs. 186·22 lakhs during 1984-85 to 1988-89 even after receipt of subsidy on sale of rock phosphate due to high cost of production.

(*ii*) Though the Company has a Marketing Department headed by a Marketing Manager with one deputy manager and three sales officers under him, no sales promotion campaign was organised by the Company during any of the 5 years up to 1988-89 and was left entirely to its dealers who were paid Rs. 10 to Rs. 15 *per* tonne sold as sales promotion expenses mainly for field publicity. There is no record to indicate that the Company had evolved a mechanism to satisfy itself about the proper utilisation of promotional expenses incurred by the dealers.

(*iii*) Formal agreements for sales were not made with the dealers. Only delivery orders were issued against requirements intimated by the dealers. Test check of records of the Company for 1988-89 revealed that though the dealers placed demand for 7,147 tonnes of rock phosphate for delivery, the Company could supply only 2,570 tonnes leaving a back-log of 4,577 tonnes valued at Rs. 16·32 lakhs during the year.

2B.13.2 *Stone materials*

The main objective in setting-up of the Pachami-Hatgachha stone project in the district of Birbhum was to produce stone chips at cheaper cost to meet partial demand to the extent of about 2·2 million cum *per* year from Government Departments in Calcutta and its neighbourhood. The Company sells its stone materials direct to consumers. The following table indicates the total sales compared to capacity and production (on single-shift basis) and sales to Government departments since inception to 1988-89:

Year	Capacity	Production	Percentage of production to capacity	Sales target	Sale	Percentage of sales to sales targets	Sale to Government Departments	Percentage of sale to Government Departments to total sale
	(cubic metres)							
1981-82	16,000	7,277	45	Not fixed	3,804	—	Nil	Nil
1982-83	16,000	8,716	54	,,	11,615	—	40	0·3
1983-84	16,000	2,769	17	,,	3,667	—	40	1·1
1984-85	16,000	5,965	37	18,000	6,276	35	147	2·3
1985-86	16,000	7,434	46	12,000	6,090	50	1,156	19·0
1986-87	16,000	2,522	16	12,000	3,577	30	1,444	40·4
1987-88	16,000	6,814	43	15,000	7,709	51	2,015	26·1
1988-89	16,000	10,186	64	20,000	6,828	34	4,140	60·6

The Company's supply so far to Government Departments was far short of the quantities aimed. The Company did not take any action to increase its production by increasing the number of crushing shifts or by installing more crushers so that the supply to Government Departments could be increased.

2B.13.2.1 *Transportation of stone materials from crushing plant*

According to Project Formulation Committee of the State Government, the demand for stone materials from Government Departments in Calcutta and its neighbourhood areas is estimated to be 2·2 million cum *per* year. As against this, the availability in 1977 was about 25 *per cent* to 30 *per cent* of the above requirement from Pakur (Bihar) and other areas leaving a wide gap between demand and supply. The transportation cost of stone chips/materials by trucks from Panchami-Hatgachha Stone Projects is too high and around Rs. 48 *per* 100 cft from Pachami area to Calcutta. As such, it was felt in 1973-74 that a railway siding be constructed linking the project with the nearest Mallarpur Railway Station for movement of stone materials by rail wagons whereby transportation cost would be reduced by Rs. 15 *per* 100 cft. At the behest of the Company, the Eastern Railway executed in 1977, survey work for studying the feasibility of constructing a 15 km long siding from Mallarpur Rail Station to the mine-head at a cost of Rs. 2·50 lakhs paid by the State Government and submitted (August 1978) the survey report indicating the total cost of construction at Rs. 3·50 crores. As payment of this large sum of money was beyond the capacity of the Company, the matter was shelved at the Company's level but was taken up by the State Government with Railway Ministry in December 1980. The proposal was agreed to by the Railway Ministry subject to financing by the State Government.

Meanwhile, the Standing Advisory Committee on Government companies recommended in December 1980 that the point should be pursued and the State Government might examine whether as a developmental measure, the expenses of railway yard could be shared by State Government and Railway Board. The Cabinet Sub-committee on Industries of the State Government also agreed in November 1981 that the State Government would pursue the proposal for the railway siding link from the pit-head to Mallarpur Railway Station (Birbhum) but there were no further developments (January 1990).

Due to non-construction of the railway siding line/truck link from Mallarpur Railway Station to Pachami-Hatgachha Stone Project, the large scale mining and crushing of stone have not been undertaken resulting in non-development of the areas mostly inhabited by scheduled caste and scheduled tribe communities.

2B.13.2.2 *Delay in supply of stone chips*

In October 1988, the Company obtained an order for supply of 8,500 cum of stone chips from National Projects Construction Corporation Limited (NPCCL) for Mejia Thermal Power Project of Damodar Valley Corporation (DVC) at Rs. 15·30 lakhs. As per terms of the order, the entire quantity was to be supplied by 31st March 1989. The Company could supply 2,639·56 cum of stone chips valuing Rs. 4·89 lakhs to NPCCL up to March 1989 by purchasing 1,789 cum of stone chips from outside at a cost of Rs. 3·02 lakhs and the balance 850·56 cum valued at Rs. 1·53 lakhs from its own production. The reasons for failure of the Company to supply balance 5,860·44 cum of stone chips within 31st March 1989 were not on record. Had the Company achieved a production of 75 *per cent* of its single-shift capacity of 16,000 cum, there would not have been any difficulty in supplying the entire ordered quantity in time but the production during 1988-89 was 8,560 cum i.e. 53·5 *per cent* of its single-shift capacity.

2B.14 **Sundry debtors**

The Company extends credit facilities to its customers in public sector but no specific period for such facilities was indicated in the respective sale orders. Private sector customers are required to open letters of credit for value of supplies. The following table indicates the position of sale, book debts, book debts in terms of months' sales, debts unsecured and considered good, unsecured and considered doubtful and provision for doubtful debts at the end of each of the five years up to 1988-89:

Year	Sales during the year	Gross book debts at the end of	Book debts in terms of months' sales	Debts unsecured and considered good	Unsecured and considered doubtful	Provision for doubtful debts	Net book debts at the end of the year
	(Rupees in lakhs)			(Rupees in lakhs)			
1984-85	32·97	19·01	6·92	11·98	7·03	1·78	17·23
1985-86	38·12	21·59	6·80	14·55	7·03	1·78	19·81
1986-87	27·10	20·47	9·06	13·44	7·03	1·78	18·69
1987-88	35·38	24·58	8·34	17·55	7·03	1·78	22·80
1988-89	37·32	32 11	10·32	24·06	8·05	1·78	30·33

The above table showed that the book debts were gradually increasing since 1987-88. The Company did not analyse the reasons for such an increasing trend in book debts. The Company since 1984-85 continued with a doubtful debt of Rs. 7·03 lakhs up to 1987-88 against which it had provided Rs. 1·78 lakhs. Thereafter, the Company did neither realise any amount against the doubtful debts nor make any further provision thereafter. Although no credit facilities were to be extended to private parties, the Company effected supplies to some private parties without opening letters of credit resulting in accumulation of book debts of Rs. 10·83 lakhs from them (65 parties) up to 31st March 1989.

2B.15 **Accounts manual and internal audit**

The Company has not drawn up any manual laying down the detailed procedure for maintenance and compilation of accounts, delegation of financial powers to various officers (except to the Chairman-cum-Managing Director), etc.

The Company has not also defined the scope and responsibility of the Internal Audit Cell representing only by one audit officer so far (July 1989). It was noticed in Audit that he was mainly entrusted with the task of pre-checking of suppliers'/contractors' bills for payment. No periodical inspection of any unit or different sections of head office was conducted.

2B.16 **Other points of interest**

2B.16.1 *Distress sale of stone chips*

Upon the report of the Management of the Company its Board of Directors agreed in April 1982 to sell of old stock of stone chips (2,672 cum) at reduced price. Actually 5,479·43 cum of stone chips were sold at reduced rates against 2,672 cum during 1982-83 to 1985-86 resulting in loss of revenue of Rs. 0·58 lakh on 2,807·43 cum stone chips without obtaining sanction of the Board. The reasons for sale of excess quantity of stone chips at reduced rates were also not on record.

2B.16.2 *Delay in installation of haulage system*

To achieve a production target of 14,000 tonnes of rock phosphate per year, the Company purchased one direct haulage machine in December 1986 at total cost of Rs. 2·45 lakhs from

Jardine Henderson Limited, Calcutta for use at Beldih mine. But no steps have been taken to install and commission the haulage system, besides purchasing the rail and other accessories worth Rs. 1·36 lakhs, although the warranty period of the haulage system was over. It had also paid Rs. 0·10 lakh to WBSEB in November 1987 for service connection charges. All these machinery remained idle for failure to commission the haulage system so far (July 1989).

2B.16.3 *Inordinate delay in installation of diesel generating set*

The Company purchased in December 1985 one stand-by diesel generating set of 110 KVA at a cost of Rs. 1·73 lakhs for accelerating its production at rock phosphate grinding factory at Rangadih, Purulia to overcome daily loadshedding between 6 p.m. and 10 p.m. The set was commissioned in March 1989 for commercial run by incurring installation cost of Rs. 0·73 lakh after making inordinate delay of about three years without assigning any reason, resulting in loss of production of rock phosphate of about 4,000 tonnes per year on the basis of the installed capacity of the plant. A further scrutiny of the connected records for the generating set also revealed that the Company did not claim Rs. 0 62 lakh as subsidy from West Bengal Industrial Development Corporation Limited which was authorised to grant it at the rate of 25 *per cent* of capital cost of Rs. 2·46 lakhs invested in backward district of the State as per West Bengal Inceintve Scheme, 1983.

2B.16.4 *Idle plant and machinery*

A quartz crushing plant with a production capacity of 6,000 tonnes per year, costing Rs. 2·62 lakhs was acquired in May 1983 from Sadhana Enterprise, New Delhi from whom rock phosphate grinding plant and factory were also purchased. This quartz crushing plant could not be utilised so far (July 1989) due to non-working of the mine at Mirmi.

2B.16.5 *Sales tax matters*

The Company defaulted in payment of West Bengal Sales Tax (WBST) and Central Sales Tax (CST) amounting to Rs. 4·43 lakhs for the period from 1983-84 to 1987-88.

(*i*) After payment of Rs. 0·87 lakh up to July 1989, the Company requested the sales tax authority for payment of the remaining arrear tax in eight quarterly instalments of Rs.

0·44 lakh each. The sales tax authority accepted (September 1989) the payment of balance arrears of tax of Rs. 3·56 lakhs in eight instalments. Up to November 1989, the Company made payment of Rs. 0·89 lakh in two instalments.

(*ii*) Assessment by the State Sales Tax Department was made (June 1989) in respect of assessment years from 1977-78 to 1983-84 and notices demanding Rs. 13·66 lakhs towards sales tax for the above assessment years were issued to the Company. The Company preferred appeals against the above demands with Sales Tax Appellate Authorities. Further developments were awaited (Bugust 1989).

(*iii*) There were delays in filing sales tax returns by the Company for which the Sales Tax Authority imposed penalty of Rs. 0·35 lakh for 1978-79 to 1980-81 and for 1983-84. The reason for not filing the sales tax returns in time in spite of having a Manager (Finance) in charge of the affairs was not made available to Audit.

(*iv*) Owing to default in payment of up-to-date sales tax and non-delayed submission of sales tax returns, the Company could not obtain sales tax declaration forms and failed to submit the same to the suppliers. As a result, the Company failed to avail sales tax concession of Rs. 0·60 lakh on its purchases of Rs. 9.95 lakhs made during the period from 1978-79 to 1985-86.

These matters were reported to Management/Government in November 1989; their replies had not been received (January 1990).

2C. WEST BENGAL STATE SEED CORPORATION LIMITED

Highlights

The Company was incorporated as a wholly owned Government Company in November 1980 to take up the work of production and marketing of quality seeds and to assist Government in the overall agricultural development in the State.

During the four years up to 1988-89, it produced 26,871·90 tonnes of different seeds against targets of 39,805·00 tonnes. In the absence of year-wise classified records, the production of foundation seeds from breeder seeds and quality seeds from foundation seeds could not be ascertained in Audit. The Company had not also analy-

sed its performances achieved during the years under review.

Without proper demand and market study, the Company purchased 1010·99 tonnes of jute seeds of which only 613·24 tonnes could be sold including 428·03 tonnes sold at a distress price. There was a process loss of 199·54 tonnes.A quantity of 261·07 tonnes had to be dumped in compost heaps. All these, culminated in a loss of Rs. 89·92 lakhs.

A sum of Rs. 7·10 lakhs paid to National Seeds Corporation Ltd. in excess of supply remained unrealised since July 1983.

In the absence of compiled records the extent of subsidy claimed and received by the Company under centrally sponsored special rice production scheme and special food production scheme could not be ascertained in Audit.

The Company received advances of Rs. 777·95 lakhs from Government up to 31st March 1989 for procurement and distribution of seeds up to block level as agent of the Government to fulfil certain schemes like distribution of minikits, etc. The Company could furnish expenditure statement for Rs. 347·35 lakhs only to Government up to March 1989.

The Company had accumulated a loss of Rs. 112·68 lakhs up to 1985-86, while during the three years up to 1988-89 it earned profit of Rs. 24·88 lakhs, Rs. 87·56 lakhs and Rs. 168·80 lakhs respectively according to provisional accounts.

2C.1 **Introduction**

The Company was incorporated in November 1980 as a wholly owned Government company to engage in production and marketing of quality seeds and to assist Government in its efforts for agricultural development.

2C.2 **Objects**

The main objects of the Company are to:

—produce certified seeds of all kinds and varieties,

—carry on business as seed merchants,

—promote the seed industry in a way that will improve the economy of the farmers,

—own or take on rent, operate farm machinery, seed processing, storage and transportation facilities, and
—implement, if necessary, the State seeds project forming part of National Seed Programme.

The Company has so far confined its activities to the production and sale of seeds.

2C.3 **Scope of Audit**

A review of the working of the Company was conducted by Audit between June and September 1989 and salient points emerging therefrom are discussed in the succeeding paragraphs.

2C.4 **Organisational set-up**

The management of the Company is vested in a Board of Directors headed by a Chairman. The Managing Director is the chief executive of the Company who manages its day-to-day affairs. It has two regional offices at Burdwan and Malda and eight district units. As on 31st March 1989, the Board of Directors consisted of eight members including the Chairman.

2C.5 **Funding**

2C.5.1 As against the authorised capital of Rs. 500 lakhs divided into five lakh equity shares of Rs. 100 each, the paid-up capital of the Company was Rs. 250 lakhs, as on 31st March 1989.

2C.5.2 *Borrowings*

Between December 1982 and March 1989, the Company obtained short-term loans from Government, repayable within six months, aggregating Rs. 2,169 lakhs including Rs. 50 lakhs received in December 1982 initially as advance but converted (March 1983) as short-term loan for procurement and distribution of quality seeds.

The Company, however, repaid Rs. 1,838·36 lakhs from time to time up to March 1989. It had also paid Rs. 19 lakhs against outstanding interest of Rs. 98·39 lakhs (including penal interest of Rs. 20·24 lakhs) up to 31st March 1989. Further test-check revealed that there was delay in repayment of instalments of principal in respect of 8 loans received during December 1982 to March 1988 ranging from 1½ months to 5½ years resulting in avoidable accumulation of penal interest of Rs. 20·24 lakhs up to March 1989 and loss of Rs. 1 lakh as rebate for timely repayment although it had funds amounting to Rs.

119·48 lakhs and Rs. 143·08 lakhs with it during November 1987 and February 1989 to discharge the liabilities in time. Total outstanding loans as on 31st March 1989 were Rs. 330·64 lakhs of which Rs. 10·64 lakhs were overdue on that date.

2C.6 **Production performance**

2C.6.1 The Company procures breeder seeds from different Research Institutions and Agricultural Universities and produces foundation seeds therefrom at Government farms. Foundation seeds are used further to produce quality seeds at Government farms as also on land owned by the Company's registered growers. The seeds are chemically processed by the Company and got certified by the certification agency of State Government before sale to farmers. In the event of shortfall in the production of seeds, these are purchased by the Company mainly from the public sector units.

The Company fixes its production targets of quality seeds based on the area available for cultivation in Government farms and lands of registered growers and on the programme of seed distribution initiated by the Department of Agriculture.

It had neither maintained any year-wise classified record of procurement of breeder seeds from Research Institutes/Universities and actual production of foundation seeds out of breeder seeds and production of quality seeds from foundation seeds, nor analysed the performance achieved during any of the years under review.

The Company was engaged in the production and sale of foundation and certified seeds of 18 verieties. During the four years up to 1988-89, the Company procured 26,872 tonnes of different seeds against targets of 39,806 tonnes in the aggregate. The reasons for shortfall were, however, not on record.

The table below indicates the achievements vis-a-vis targets of production of foundation and certified seeds of four main varieties during the four years up to 1988-89:

Name of seed	1985-86		1986-87		1987-88		1988-89	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	(tonnes)							
Paddy ..	1,854	3,016	6,080	4,060	7,954	4,208	10,898	7,500
Wheat ..	1,777	899	2,272	1,122	772	25	1,507	130
Mustard ..	524	181	445	181	607	370	680	615
Potato ..	—	—	80	494	1,100	800	752	1,600

As stated earlier, the registered growers are to produce quality seeds from foundation seed supplied by the Company and to sell the same to the latter. The reasons for shortfall as revealed in test check by Audit were (*i*) reluctance on the part of the registered growers to sell their entire yield to the Company as the procurement price was less than the market price and (*ii*) non-procurement of quality seed by the Company from registered seed growers against supply of foundation seeds.

In three district units, the registered growers were supplied with 29·79 tonnes of foundation seeds (paddy) for production of 2,253·73 tonnes of quality seeds during 1988-89 but the Company did neither ascertain how much quantity of seeds was produced by the growers nor put on record the reasons for not procuring the produced quantity from the growers. In case a registered grower did not supply quality seed, the Company was to blacklist the grower. The Company did not, however, blacklist any of them so far (September 1989).

The reasons for shortfall as attributed by the Management of one of the district units (Malda) were as under:

(*i*) serious monetary problem of the growers who were marginal farmers, and

(*ii*) ignorance and lack of interest of the farmers in seed production.

2C.6.2 The Company purchased certified seeds from other sources also. The table below indicates the purchases made during 1985-86 and 1986-87:

		1985-86	1986-87
		(tonnes)	
Wheat ..	..	38·35	313·8
Paddy ..	..	36·31	1,273·2
Jute ..	..	98·02	—
Mustard ..	..	—	16·3
Moong ..	..	—	87·4
Cauliflower	..	—	0·2
Ground nut	..	—	120·3
		172·68	1,811·2

The quantitative details in respect of purchases for 1987-88 and 1988-89 were not available due to non-compilation of purchase ledgers and other relevant records so far (September 1989).

2C.6.2.1. *Injudicious procurement of jute seeds*

The State has to depend upon outside supply of jute seeds, even though it is the largest grower of raw jute. Based on the suggestion of the Government of India in June 1985 for intensification of production of jute seeds in the State, a plan was drawn up by the Company in July 1985 which was also approved by Government, for growing jute seeds of about 200 tonnes within the State and importing 600 tonnes from outside the State. Compared to the trend in supply of seeds by the Company ranging from 55 tonnes to 208 tonnes during the preceding three years (1982-83 to 1984-85), the proposal to market 800 tonnes was very high but the proposed quantity was not backed by any demand study and definite market plan.

During 1985-86, the Company procured 996·24 tonnes of jute seeds mostly from outside the State at an average price of Rs. 10,458 per tonne. It could, however, sell only 64·65 tonnes during 1985-86 at an average price of Rs. 9,311 per tonne. Since almost the entire procurement remained in stock at the end of 1985-86, it procured only 14·75 tonnes jute seeds during 1986-87 at an average price of Rs. 12,612 per tonne. In the menatime, because of bumper crop of raw jute in 1985-86, there was slump in the jute market and also drastic reduction in the area under cultivation. The selling price had, therefore, to be reduced substantially and even then it could sell only 120·56 tonnes during 1986-87.

The stock remaining unsold at the end of 1986-87 was 869·64 tonnes valuing Rs. 92·43 lakhs after taking into account the processing loss of about 19 tonnes during 1985-86 although no norms for processing loss have been fixed by the Company. The entire stock was declared (May 1987) by the Certifying Authority "not recommended" for sale as seed. The Company then decided in June 1987 to resort to distress sale and accordingly, sold 428·03 tonnes for Rs. 2·51 lakhs after September 1989. Out of the balance quantity of 441·61 tonnes, 180·54 tonnes valued Rs. 19·19 lakhs were accounted for in the provisional accounts for 1986-87 as loss and the balance stock of 261·07 tonnes valued Rs. 70·73 lakhs was dumped in compost heaps. The Company, thus, sustained a loss of Rs. 89·92 lakhs, apart from the loss on account of cost of storage, revalidation, incidental expenses and transport charges on account of injudicious purchase of jute seeds much in excess of what the past selling trend dictated without backing it up by appropriate marketing plan.

The Management attributed (September 1988) the difficulties in marketing to:

—rapid fall in jute price in the market;
—non-assessment of demand of jute seeds in the market beforehand;
—lack of the Company's infrastructural facilities for sale;
—availability of quality seeds in the market at cheaper price; and
—lack of control over revision of the selling price by the Company as the same was determined by Government.

The Board of Directors of the Company constituted in September 1988 a three-member Committee and Government also formed in December 1988 a one-man Committee to investigate into the case with direction to submit a report within sixty days from the date of the order. The reports were awaited (September 1989).

2C.6.2.1.2 *Advances lying unadjusted*

From time to time, the Company had been making advance payments to the National Seeds Corporation Ltd., a Government of India enterprise, for supply of seeds. The accumulated advances for purchase of seeds remaining unadjusted as on 31st March 1989 and 12th September 1989 amounted to Rs. 270·08 lakhs and Rs. 375·79 lakhs respectively. In August 1983, the Company reconciled the accounts with the suppliers when it was revealed that Rs. 7·10 lakhs were paid in excess of supplies up to July 1983 but no follow-up action had been taken so far (September 1989) to adjust the amount against subsequent supplies. No reconciliation for the subsequent period had been undertaken.

2C.6.3 *Subsidy*

2C.6.3.1 As per centrally sponsored special rice production programme (SRPP) and special food production programme during Kharif 1988 (SFPP), the Company was entrusted with supplying of certified paddy and wheat seeds to different blocks in accordance with the programme approved by the State Government. According to the approved programme, the Company was directed to supply wheat and boro paddy seeds to dealers at a subsidy of Rs. 2 and Rs. 1·50 per kg respectively. The subsidy was to be paid to the Company by the Principal Agricultural Officer of the concerned district. On the basis of the programme for 1988-89, wheat seeds of 200 tonnes and boro paddy seeds of 650 tonnes were to be supplied. Actual sale and subsidy claimed and received therefor could not, however, be ascertained due to non-production of relevant records.

2C.6.3.2 *Non-compliance of distribution as per special Jute Development Programme*

The Company was entrusted with the supply of certified jute seeds to the farmers of certain selected districts at subsidised rates under the Central sector special jute agricultural development programme during 1987-88 and 1988-89 at a subsidy of Rs. 5 per kg. According to the orders of Government, subsidy was to be paid to the Company on the total quantity of jute seeds supplied to the farmers at the approved subsidised rates. As against the requirement of 7·22 lakh kgs and 5·26 lakh kgs of seeds during 1987-88 and 1988-89, respectively, the Company could supply only 4·12 lakh kgs and 3·58 lakh kgs. Reasons for non-fulfilment of the requirements as per programme were not on record.

2C.6.3.3 *Agency function*

The Company was also entrusted with the work of procurement and distribution of certified seeds on behalf of Government against different schemes viz, distribution of minikits to flood and cyclone affected districts, special paddy production programme, diversification of cropping pattern, etc. since inception up to 1988-89. The Company had received advances aggregating Rs. 777·95 lakhs up to 31st March 1989 from Government for the implementation of the schemes. As per the orders of Government, the Company was to supply minikits of seeds and fertilizers, etc. up to the selected block level after which the same were to be distributed by Government to the farmers. The Company had to obtain certificates from Principal Agricultural Officers concerned for the purpose of adjustment of advances against cost of procurement and distribution.

In most of the cases, those certificates were wanting. The Company could send expenditure statement for Rs. 347·55 lakhs in support of utilisation of advance so far (September 1989) leaving Rs. 430·40 lakhs awaiting adjustment/refund.

2C.7 **Compilation of Accounts**

The Company had not prepared any accounts manual laying down rules, procedures and policies for accountal of transactions. There was considerable delay in preparing the accounts. Although it had a full-fledged accounting organisation which prepared its annual accounts up to 1984-85 independent of any outside assistance, the Company appointed a firm of Chartered Accountants in January 1989 for preparation of its accounts for 1985-86 and 1986-87 at a fee of Rs. 0·20 lakh and Rs. 0·25 lakh respectively. The reasons for failure to compile the annual accounts by the accounts organisation of the Company were, however, not on record. There was also considerable delay in presenting the accounts in the annual general meeting of several years as would appear from the following:

Year of accounts	Date of submission of accounts to C & AG's organisation	Due date of presentation in Annual General Meeting	Actual date of presentation in Annual General Meeting
1980-81	5th October 1983	30th September 1981	26th September 1983
1981-82	21st August 1984	30th September 1982	26th September 1984
1982-83	20th January 1986	30th September 1983	16th May 1986
1983-84	1st September 1987	30th September 1984	25th September 1987
1984-85	9th August 1988	30th September 1985	27th September 1988
1985-86	20th June 1989	30th September 1986	13th July 1989

The delay in finalisation of accounts led to delay in filing of income tax returns attracting penalty vide para 2C.12.3 *infra.*

2C.8 **Working results**

As at the end of March 1986 up to which annual accounts were finalised, the accumulated loss of the Company was Rs. 112·68 lakhs and during 1986-87 to 1988-89 (based on provisional accounts) it earned net profit of Rs. 281·24 lakhs as would be evident from the following table:

Income	1986-87	1987-88	1988-89
		(Rupees in lakhs)	
(*a*) Sale of seeds	368·51	810·23	860·14
(*b*) Others	44·35	3·21	12·36
(*c*) Increase/decrease in stock	46·85	(−) 8·76	110·72
Total(A)	459 71	804·68	983·22

Expenditure	1986-87	1987-88	1988-89
		(Rupees in lakhs)	
(d) Production and purchase of seeds ..	288 05	561 90	624 03
(e) Employees' cost	24·25	30 68	36·67
(f) Interest on loan . ..	10·72	15·21	28·78
(g) Others	111 81	109·33	124·94
Total(B)	434 83	717·12	814·42
Profit (+)/Loss (−) (A−B)	24·88	87·56	168 80

2C.9 **Pricing policy**

2C.9.1 One of the main objectives of the Company is to provide and make available to farmers sufficient quatities of certified seeds at reasonable rates. In arriving at reasonable prices, prices need normally be fixed on the basis of cost plus reasonable profit margin. Procurement prices of seeds are fixed at district levels by the Price Fixation Committee (PFC) constituted by Government based on prevailing market price with a bonus of 20 *per cent*. The selling prices are, however, fixed by the Company. In August 1988 the Company decided that the procurement prices of any seed from registered growers along with bonus paid should not generally exceed 50 *per cent* of its retail sale price. It further decided in September 1988 that as the farmers often do not supply the stock when the prices fixed up by PFC is below their expectations, the Company could also refuse to lift stock, when prices appear to be uneconomic.

2C.9.2 The financial results of the Company in recent years are looking up as revealed by the provisional accounts of the last three years. There was a steep increase of profit in 1988-89. This was mainly because of the selling price of the seeds sold by the Company is 100 *per cent* over the purchase price (including margin of 20 *per cent* allowed to growers) which takes care of all the expenses for providing seed at the doorstep of the buyer. In the absence of cost data, the resonableness or otherwise of price fixation with a loading of one hundred *per cent* could not be ascertained in Audit. The Company could not also produce any data to show how the prices charged by it compared with the prevailing market prices. However, the fact that the Company has been able to sell most of its seeds is indicative of the fact that the prices charged by the Company are competitive. Thus, while the Company is able to run a profitable business due to the prevailing market condition, it is not clear to what extent the objective of providing incentive either to growers of the seeds or to be farmers purchasing the seed is being achieved.

The Company has been allowed a margin of around Rs. 2·50 *per* kg on the supply of seeds under the minikit schemes. While the selling price of paddy seeds during 1988-89 was Rs. 450 *per* quintal, the price receivable by the Company for the minikits supplied by it to the Government varied between Rs. 650 to Rs. 700 *per* quintal. The actual expenditure on preparing minikits could not be ascertained in Audit as no separate account is kept of this activity but the margin is obviously high. This has resulted in larger profits to the Company while pushing of the cost of Government's minikts programmes.

2C.9.3 **Sales performance**

(*a*) The Company sells its seeds to Government, farmers and registered growers from the district units and to private dealers registered with the Company.

The Company did not fix any sales targets during any of the three years under review. Moreover, the district units did not furnish periodical returns of sales, etc. to head office of the Company regularly. As a result, the particulars of actual sale of various seeds to different categories of customers, viz. Government, dealers, registered growers, etc. could not be verified in Audit. It could not also be explained by the Management as to how, in the absence of such vital information, control over the district units was being exercised.

In respect of distribution of seeds of four main varieties, the following table indicates the Company's contribution to the State during the three years up to 1988-89:

	1986-87		1987-88		1988-89	
	State	Company	State	Company (tonnes)	State	Company
Paddy	10,189	3,929	12,000	6,579	13,977	7,028
Wheat	9,065	1,430	7,000	1,575	7072	1,037
Mustard	280	239	400	337	367	358
Potato	30,000	69	30,000	490	30,000	800
Aggregate of 18 varieties	52,288	6,588	53,103	10,757	55,030	10,537
			(per cent)			
Percentage of Company's sale to total sale in the State	12·6		20·3		19·2	

All the figures are provisional.

In order to strengthen the marketing outfit and develop the marketing infrastructure, the Board of Directors issued necessary directives in October 1986 for collection of basic market information e.g. (*i*) market of different seeds in the State (*ii*) the important locations where sizeable seed transactions take place (*iii*) the important dealers who deal in seeds at different markets and also the source from where the dealers obtain the seed. But adequate action in this regard was not taken by the Management so far. The Board also did not follow up the implementation of its decision so far (September 1989). However, the Company initiated (December 1987) the following steps for popularising its products:

(*i*) by display advertisement in popular dailies of Bengali and other regional languages,

(*ii*) spot advertisement in Bengali through All India Radio, Calcutta under rural/farm programme.

(*iii*) by distribution of pamphlets, display of posters and festoons and

(*iv*) through meetings with registered dealers and growers at periodical intervals.

The Company did not, however, make any analysis of the effect of these sales campaigns on its sales during any of the years under review.

(*b*) The certified seeds are sold within the period of their remaining viable, as otherwise their germination capabilities are liable to deteriorate. The Company had not maintained its stock registers in a way so as to facilitate identification of physical balance with reference to the certification labels as to the period to which the stock relates, revalidation, condition, etc. It disposed of seeds in the following cases as non-seed, sub-standard and not recommended (NR) seeds, as these could not be considered as certified seeds due to their expiry of date of certification/revalidation.

(*i*) In October 1986 the Company procured 290 tonnes and 246·50 tonnes of paddy seeds (IET 5,656) for its Burdwan and Murshidabad units respectively at the rate of Rs. 2,540 and Rs. 2,815 *per* tonne respectively inclusive of cost of transportation and storage. Out of the said quantities, 78 tonnes at Burdwan and 102 tonnes at Murshidabad could not, however, be distributed during the sowing season of 1986-87 and were rendered surplus due to lack of adequate demand from the farmers and these were disposed of during September 1987 to January 1988 in auction for Rs. 3·85 lakhs as sub-standard seeds incurring a loss of Rs. 1·01 lakhs.

(*ii*) A quantity of 643·20 quintals of paddy seeds (IET 1,444) were procured in July 1986 for the kharif season while the season itself started from May 1986. The seed was valid from April to September 1986. Out of the above, 440 quintals were declared sub-standard due to delayed procurement and lack of demand and 420 quintals therefrom were sold in auction sustaining a loss of Rs. 0·72 lakh. There was a shortage of 20 quintals involving Rs. 0·07 lakh. The loss of Rs. 0·79 lakh was sustained due to late purchase of seeds for distribution.

(*iii*) A quantity of 1,840·48 quintals of paddy seeds of IET 1,444 variety was procured in March 1988 from the registered growers of Raiganj unit at a cost of Rs. 4·91 lakhs. The seeds were not got certified soon. However, it was only in November 1988, they were got inspected by the certifying agency which declared the seeds as 'not recommended' for having lost its germination capacity and a quantity of 1,787·35 quintals was sold in auction for Rs. 3·84 lakhs leaving 53·13 quintals (value: Rs. 0·16 lakh) which was shown as processing loss. Thus, there was a loss of Rs. 1·07 lakhs for failure on the part of the Management in getting the seeds certified immediately on procurement and sale within the seeds' validity period of nine months. In the instant case bonus at the rate of 44 *per* quintal which is to be paid only after certification was also paid because of delay in certification. Thus an avoidable expenditure of Rs. 0·81 lakh was incurred on bonus due to inordinate delay in certification. The Company has not determined whether the loss was due to procurement of sub-standard seeds or due to any fault in storing arrangements.

(*iv*) Cauliflower seeds weighing 200 kgs procured in June 1986 at a cost of Rs. 0·26 lakh and issued to different district units were returned as they were "not recommended". A quantity of 142·7 kgs could be sold in September 1988 for Rs. 0·01 lakh. This resulted in a loss of Rs. 0·25 lakh.

(*v*) Wheat seeds weighing 1,250·90 quintals procured during 1988-89 at a cost of Rs. 3·64 lakhs became "not recommended" due to loss of required germination percentage and excess moisture content, out of which 1,210·92 quintals were sold in auction at Rs. 3·18 lakhs thereby resulting in a loss of Rs. 0·46 lakh.

2C.9.4 *Sundry debtors*

The table below indicates the volume of book debts and sales at the close of each year during the seven years up to 1988-89.

Year		Book debts	Sales	Book debts in terms of months' sales
		(Rupees in lakhs)		
1982-83	..	16·45	80·50	2·45
1983-84	..	45·45	171·24	3·19
1984-85	..	121·66	215·31	6 78
1985-86	..	76 34	277 60	3·30
1986-87	..	138·28	424·38	3·91
1987-88*	..	176·09	810·23	2·61
1988-89*	..	NA	860·64	—

Age-wise analysis of debts outstanding was not available, nor was confirmation of balances from debtors obtained. The records relating to particulars of debtors outstanding as on 31st March 1989 has not been compiled so far (September 1989).

2C.10 **Inventory Control**

The table below indicates the comparative position of inventory and its distribution at the close of each of the seven years up to 1988-89.

	1982-83	1983-84	1984-85	1985-86	1986-87*	1987-88*	1988-89*
				(Rupees in lakhs)			
(*i*) Closing balance of stores	1·99	1·83	10·95	23·72	19·77	9·50	27·64
(*ii*) Closing stock in trade	4 12	9·61	25·67	49 29	94 54	87·38	141·83
(*iii*) Consumption of stores	1·23	6·65	13·15	20·62	19·61	29·17	36 33
(*iv*) Sales	80 50	171·24	215 31	277·60	424·38	810·23	860·14
				(Months)			
(*v*) Stores in terms of months' consumption	19·4	3·3	10	13·8	12·1	3·9	9·1
(*vi*) Closing stock in trade in terms of months' sales	0·6	0·7	1·4	2·1	2·7	1·3	2·0

*Figures are provisional

The following deficiencies were noticed during audit of stores records and accounts:

(*i*) The Company did not prepare any stores manual laying down procedure of accounting of stores.

(*ii*) The minimum, maximum and re-ordering levels of stores materials were not fixed.

(*iii*) Instances of injudicious purchases of bags of various sizes and specification without proper assessment of requirement were noticed in course of test check of stores records of Burdwan unit for the period from 1986-87 to 1988-89 which resulted in damages amounting to Rs. 0·38 lakh due to overstocking.

Entries of receipts, issues and balances were not carried out regularly in the store record since 1986-87.

(*iv*) Priced stores ledgers were not maintained.

(*v*) Entries in store records were made not based on SRVS but on payment vouchers.

(*vi*) Issues were made without proper requisitions.

(*vii*) The Company has not maintained any record to show full particulars including quantitative details and situations of its fixed assets, which have not been physically verified since inception.

2C.11 **Internal audit**

The Company had no internal audit wing since inception up to December 1984. It, however, appointed in January 1985 an assistant on daily rate basis who was entrusted with the work of internal audit as *per* programmes approved by the Managing Director of the Company. The internal auditor covered mainly the stores and cash transactions of the Company's head office and district units but major areas viz., purchase, production, sale, adjustment of advances etc. were left uncovered.

2C.12 **Other points of interest**

2C.12.1 *Injudicious purchase of machines*

Two hand printing machines and one hand embossing machine were purchased for use in Burdwan and Malda districts in June 1987 at a cost of Rs. 0·24 lakh to print requisite quality particulars on generalised seed tagging cards to be tagged to seed packets and avoid purchasing of crop-wise cards from the market without assessing the cost benefit ratio. Two more hand printing machines and two embossing machines costing Rs. 0·38 lakh were also purchased in January 1988 for use in Nadia and Midnapur districts. The machines have not been put to use (October 1989) owing to non-engagement of requisite staff and purchase of crop-wise cards is continuing.

2C.12.2 *Payment of transport charges*

Without inviting tenders, the Company placed two orders in July 1988 on Andhra Pradesh State Seed Development Corporation Limited for the Supply of 3·52 lakh pieces of coconuts at Rs. 3·50 *per* piece ex-seller's godown plus transport charges at the rate of Rs. 4,000 *per* truck each (approximate) carrying 8,000 nuts. When the rate of transportation quoted was approximate, the Company did not negotiate for an absolute rate or make its own arrangement for the transportation. It had to pay whatever was claimed by the seller. The firm supplied 3·30 lakh nuts in 33 trucks and claimed in August 1988 Rs. 2·81 lakhs being transport charges at Rs. 8,500 *per* truck which was paid by the Company in December 1988. The reasonableness of the rate paid for was not susceptible of check.

2C.12.3 *Payment of interest on income tax due to delay in filing return*

The Company failed to file return of income with the income tax authority within the period prescribed in the relevant sections of the Income tax Act, 1961 and also to submit statement or estimate of advance tax. This attracted application of provisions of Section 139(8) and Section 217 of the Income Tax Act, and the Company had to pay interest of Rs. 7·52 lakhs for the assessment years 1982-83 to 1984-85. Besides, the delay in submission of return had also rendered the chances of carry forward of losses sustained during the assessment years 1985-86 and 1986-87 remote. The Company mentioned that delay was due to non-completion of audit of the accounts of the Company by the Comptroller and Auditor General of India. It would, however, be evident from paragraph 2C.7 *supra* that there was delay in preparation of accounts of all the years since inception up to 1985-86 for which accounts for subsequent period could not be finalised so far (September 1989). In fact, because of its organisational inadequacy it had to appoint a firm of Chartered Accountants to compile its accounts for 1985-86 and 1986-87.

The Company, however, appealed in March 1989 for waiver of interest on income tax charged under Section 139(8) and Section 21 of the Act. The decision is awaited (September 1989).

These matters were reported to Management and Government in December 1989; their replies had not been received (January 1990).

2D. WEST BENGAL TOURISM DEVELOPMENT CORPORATION LIMITED

Highlights

The Company was incorporated in April 1974 to develop tourism in the State mainly with assistance from financial institutions. The activities of the Company were limited to operation of tourist lodges and conducting certain tours mainly with Government assistance.

Owing to lack of proper planning, the Company failed to utilise even half of the interest-free advances of Rs. 247·95 lakhs received from Government since inception for construction of new tourist lodges and maintenance of existing ones. On the other hand Rs. 101·07 lakhs of the advances were diverted for working capital needs.

Seven lodges were transferred by Government to the Company between December 1976 and March 1989 treating their value as equity and loan in equal proportion but their valuation had not yet been finalised (July 1989).

The Company incurred losses since inception. Its accumulated loss as on 31st March 1987 was Rs. 166·52 lakhs which exceeded the paid-up capital of Rs. 146·56 lakhs.

The percentage of average occupancy in the tourist lodges varied from 21·46 to 80·22 during the five years up to 1988-89. The Company did not undertake any study to make them viable.

Because of not pricing its food articles at the Company's norm of 100 *per cent* more than the cost of raw materials, there was a loss of Rs. 64·24 lakhs on sale of food during the five years up to 1988-89.

Construction of tourist lodges at Bakkhali was delayed by 18 months and the Company had to pay Rs. 1·06 lakhs to the contractor as additional claim over and above the revised cost of Rs. 16·34 lakhs.

Because of indecision, the Company continued to incur rent on a plot of land leased in April 1975 for con-

struction of a tourist lodge. The rent incurred up to March 1989 was Rs. 1·36 lakhs.

2D.1 Introduction

West Bengal Tourism Development Corporation Limited was incorporated in April 1974 as a wholly owned Government company for executing major tourism schemes in the State in a planned manner with financial assistance from commercial banks/institutions. The main objects of the Company are developing a network of tourist transport services, tourist shopping centres, art galleries and construction, acquisition, lease, running and maintenance of hotels, motels, way-side restaurants, etc. The activities of the Company have so far been limited to the operation of lodges and conducting certain tours only.

2D.2 Organisational set-up

The management of the Company is vested in a Board of Directors which, as on 31st March 1989, consisted of nine Directors including the Chairman and the Managing Director. The Managing Director who is the chief executive is assisted by the Commercial Manager, Operational Managers and Financial Adviser in the day to day administration of the Company.

2D.3 Scope of Audit

The working of the Company was reviewed in Section II of the Report of the Comptroller and Auditor General of India for the year 1980-81 (Commercial) where its chronic operating loss was highlighted. In its Fifteenth Report presented to the Legislature in September 1985, the Committee on Public Undertakings recommended certain measures to improve the working of the Company. The results of further review covering a period of five years up to 1988-89 conducted in Audit during April to July 1989 are discussed in the succeeding paragraphs.

2D.4 Funding

2D.4.1 *Capital structure*

Against the authorised capital of Rs. 250 lakhs the paid-up capital of the Company as on 31st March 1989 was Rs 146·56 lakhs including Rs. 37·56 lakhs being 50 *per cent* value of 14 tourist lodges transferred by Government to the Company in November 1975.

Seven more lodges were also transferred by Government to the Company between December 1976 and March 1989. It was stipulated in the assets transfer orders that the value of assets so transferred to the Company would be assessed in due course and 50 *per cent* of the value would be treated as Government's contribution to equity and the remaining 50 *per cent* as loan which would be interest-free for the first five years. The loan together with the interest thereon from the 6th year onwards was to be repaid in five annual instalments. The assets have not been valued so far (July 1989). For non-assessment of value, the liability of loan and interest thereon in respect of three lodges transferred more than five years ago could not be ascertained in Audit.

2D.4.2 *Borrowings*

The Company obtained a term loan of Rs. 25 lakhs in March 1985 from West Bengal Financial Corporation for construction of a tourist lodge at Siliguri. As on 31st March 1989, an amount of Rs. 11·68 lakhs towards principal was outstanding and there were no dues of interest.

Besides, the Company obtained between February and September 1985 a short-term loan of Rs. 25 lakhs from the Great Eastern Hotel Authority to tide over its financial crisis arising out of falling revenue in its tourist lodges in Darjeeling District. As on 31st March 1989, it made default in payment of interest of Rs. 6·30 lakhs and repayment of the entire amount of principal. It was earlier stated in February 1987 by the Management that the matter of payment of interest was under negotiation with the lender. Further development was awaited (July 1989).

2D.4.3 *Utilisation of advances received from Government*

The Company also received from time to time up to March 1989 interest-free advances of Rs. 247·95 lakhs from Government for construction of new tourist lodges and maintenance of existing lodges. Of these, the Company utilised Rs. 116·26 lakhs only for the purpose for which these were meant, diverted Rs. 101·07 lakhs towards its other working capital requirements and held sizeable cash balances from time to time up to 1988-89 as would appear from the following table:

Period			Amount of advance received	Amount of advance utilised	Balance	
					Diverted	Unutilised at year end
				(Rupees in lakhs)		
Up to 1983-84	..	..	101·73	42·10	27·84	31·79
1984-85	..	..	6·65	0·61	3·38	34·45
1985-86	..	..	19·00	17·47	4·33	31·65
1986-87	..	..	45·16	20·24	8·16	48·41
1987-88	..	..	13·90	7·60	38·09	16·62
1988-89	..	..	61·51	28·24	19·27	30·62
			247·95	116·26	101·07	

Though the Company was incorporated with the object of attracting institutional finance for its projects, it was not only unable to avail of such finance but failed to utilise even half of the interest-free advance received from Government due to lack of proper planning of its activities.

An analysis of records of the Company revealed that advances of Rs. 25·32 lakhs received by it up to 1983-84 either for construction (Rs. 17·73 lakhs) or repair (Rs. 7·59 lakhs) of tourist lodges could not be utilised even up to March 1989. Non-utilisation of advances was found to be due initially to organisational deficiency and thereafter, to diversion of the funds to overcome cash loss.

The Committee on Public Undertakings (COPU) in its Fifteenth Report (September 1985) recommended that the Company should be more cautious in future in utilising the amount within the particular year. But even after this the Company failed to utilise the fund within the specific period. In 1986-87 also the Company had received Rs. 10 lakhs as advance from Government for construction of Yatrinivas at Darjeeling but the work could not be taken up so far (July 1989) due to local disturbances in the hill areas. The Company, however, utilised the advances to meet its cash deficit. The Management stated (December 1989) that the diversion of the advances to meet working losses was temporary as its liquidity position had been affected due to rising costs and disturbed conditions in the hill areas.

2D.5 **Financial position and working results**

2D.5.1 The Company finalised its accounts up to 1986-87 only while provisional accounts have been prepared for the subsequent years. The following table indicates the details of financial position of the Company for the three years up to 1988-89:

A. Liabilities	1986-87	1987-88*	1988-89*
		(Rupees in lakhs)	
(a) Paid-up capital (including deposit for schemes)	126·56	146·56	169·56
(b) Reserves & Surplus	46·50	46·50	46·50
(c) Borrowings	81·98	77·69	74·20
(d) Trade dues & other current liabilities	182·26	211·41	231·90
Total	437·30	482·16	522·16
B. Assets			
(e) Gross Block	258 41	266·91	273·92
(f) Less: Depreciation	88·32	100·92	112·32
(g) Net fixed Assets	170·09	165·99	161·60
(h) Capital works-in-progress ..	1·70	1·37	1·90
(i) Current assets, loans and advances ..	98 99	110·51	115 40
(j) Intangible assets: Accumulated loss ..	166·52	204·29	243·26
Total	437·30	482·16	522·16
Capital Employed	88·17	65·07	45·10
Net worth	6·54	(—)11·23	(—) 27·20

*Figures are provisional

2D.5.2 The Company incurred losses since inception and during the three years up to 1986-87 the losses were of the order of Rs. 26·38 lakhs, Rs. 23·58 lakhs and Rs. 30·16 lakhs respectively. The losses for 1987-88 and 1988-89, as *per* the provisional accounts, were Rs. 35·27 lakhs and Rs. 38·27 lakhs respectively. The accumulated loss as on 31st March 1989 was Rs. 243·26 lakhs against the paid-up capital of Rs. 146·56 lakhs. The losses incurred during 1984-85 to 1986-87 were attributed by the Management mainly to very low occupancy in its lodges.

2D.6 **Performance analysis**

2D.6.1 *Tourist lodges*

The following table indicates the details of the occupancy of the lodges operated by the Company for the five years up to 1988-89:

Year	Number of tourist lodges	Number of bed-days available	Bed-days occupied	Percentage of occupancy
		(In numbers)		
1984-85	22	2,50,118	1,07,267	43·4
1985-86	21	2,46,885	1,14,019	46·2
1986-87	22	2,64,990	1,04,410	39·4
1987-88	23	3,06,235	1,30,616	42·7
1988-89	26	3,41,275	1,36,835	40 1

The lodge-wise occupancy in the 26 tourist lodges during the five years up to 1988-89 are given in Annexure 5. The percentage of average occupancy varied from 21·05 (Bakreswar in 1984-85) to 80·2 (Santiniketan in 1988-89) during the five years up to March 1989. According to existing norms in hoteliering, a 50-bedded lodge with 60 *per cent* average occupancy can break-even. There were only seven lodges under the control of the Company with 50 beds and above but only the occupancy of Santiniketan Tourist lodge for the years 1987-88 and 1988-89 reached that level. The reasons for low occupancy were attributed by the Management from time to time were due to:

(*i*) locational disadvantage,
(*ii*) lack of customer awareness, i.e. advertisement and commercial exploitation thereof,
(*iii*) lack of transport facility,
(*iv*) gradual deterioration in services in many lodges,
(*v*) local disturbance and
(*vi*) uneconomic size of most of the lodges.

Out of 26 tourist lodges run by the Company 21 tourist lodges were transferred to it by the Tourist Department during November 1975 to August 1988. The Company did not undertake any study to make the lodges economically viable. Nor did it prepare any lodge-wise accounts to monitor their viability and take remedial measures. For running the 14 lodges transferred in

November 1975, Government released Rs. 37·80 lakhs to the Company as managerial grants during 1975-76 to 1978-79. But in respect of seven tourist lodges transferred subsequently, the Company did not claim any assistance from Government.

A study of operational results (excluding depreciation, interest and head office overhead) of all the lodges revealed that eight of the tourist lodges taken over from Government did meet their running expenses during the five years up to 1988-89. The four tourist lodges of hill areas which were received from Government did also not meet their running expenses due to disturbed conditions during the three years up to 1988-89. Although the number of beds in the lodges increased from 541 in 1976-77 (first full year of operation) to 935 in 1988-89, loss *per* bed during the period increased from Rs. 1,000 to Rs. 4,000.

2D.6.2 *Transport fleet*

Smooth transport facilities are regarded as an essential instrument to attract tourists. Although most of the tourist lodges were located in remote areas, the Company has not so far developed any transport service for transfer of tourists from the nearest railhead to lodges or for sight-seeing tours. The Management stated (December 1989) that the matter of transfer of transport fleet of the Tourism Department to the Company was under consideration of Government.

2D.6.3 *Contribution to overall traffic*

The Company has not made any survey of its share of the tourist traffic at various places. From the data collected by the Tourist Department about the tourist traffic at five places for nine months from July 1988 to March 1989, the share of the Company has been found to be varying from 2·9 *per cent* to 61·5 *per cent* at occupancy rates ranging between 41·6 *per cent* and 79·1 *per cent* as would appear from the following table:

Sl. No.	Name of tourist spot	Total bed-days sold	Company's share	Percentage of the Company's share to total sale	Occupancy rates of the Company's lodges
1.	Siliguri	3,79,400	11,105	2 9	41·6
2.	Berhampur	29,800	5,830	19·6	79·1
3.	Santiniketan	43,500	16,305	37 5	69·7
4.	Durgapur	50,400	3,474	6·9	52·5
5.	Visnhupur	11,300	4,742	61·5	42·0

2D.6.4 *Catering services*

Catering services in 31 tourist lodges/day centres were taken up by the Company between January 1976 and October 1988. The working results of the catering section of these lodges for the five years up to 1988-89 were as follows:

Particulars	1984-85	1985-86	1986-87	1987-88*	1988-89*
			(Rupees in lakhs)		
(*a*) Earnings	31·38	48·03	50·68	60·23	80 82
(*b*) Raw material cost	17·40	30·61	30·87	40·24	48·57
(*c*) Gross profit (*a-b*)	13·98	17·42	19·81	19·99	32·25
(*d*) Percentage of gross profit to cost of raw materials	80·34	56·91	64·17	49·68	64·52

*Figures are provisional.

According to the Company's norms (February 1979), the sale price of food items should be at 100 *per cent* more than the cost of raw materials (50 *per cent* on account of overheads and 50 *per cent* as profit). It was, however, observed from the above table that during the five years up to March 1989, sale proceeds of food had never achieved the required percentage of cost of raw materials. The main reasons for this shortfall as noticed in Audit were—

(*i*) inability of the Company to revise the prices of food in keeping with the rise in the cost of raw materials and

(*ii*) lack of control to follow proper norms for production of food articles.

Non-adherence to accepted norms resulted in shortfall of revenue to the tune of Rs. 64·24 lakhs during the five years up to 1988-89 as detailed below:

	1984-85	1985-86	1986-87	1987-88	1988-89	Total
			(Rupees in lakhs)			
(*i*) Cost of raw materials ..	17·40	30·61	30·87	40·24	48·57	167·69
(*ii*) Sale as per norm ..	34·80	61·22	61·74	80·48	97·14	335·38
(*iii*) Actual sale ..	31·38	48·03	50·68	60·23	80·82	271·14
(*iv*) Shortfall ..	3·42	13·19	11·06	20 25	16·32	64·24

In September 1981, the Company introduced the 'Portion Control' on the basis of standard consumption weight *per* person *per* meal to be followed by its lodges. According to this, weights of various ingredients of a meal and breakfast were prescribed to be followed by the kitchen in-charges.

Test check of records of eight tourist lodges for the period from 1985-86 to 1988-89 revealed that except one, none maintained the prescribed norms. Further, test check of records for April to June 1989 of six lodges revealed that the Company had suffered a loss of Rs. 0·55 lakh during the period due to consumption of ingredients in excess of the prescribed standard.

Although monthly returns are rendered by lodge Managers, no scrutiny was done at the head office with a view to exercising control over consumption of raw materials.

2D.6.5 *Conducted tours*

The Company started package tours from 1983-84 on a modest scale within and outside the State to augment its revenue and to minimise its cash loss without addition either to existing infrastructural or establishment expenses. The tours were organised by engaging travel agents. The financial results from conducted tours for the periods 1983-84 to 1988-89 were as follows:

Years	Number of trips	Receipts	Expenditure	Surplus
		(Rupees in lakhs)		
1983-84 .	3	2·80	2·11	0·69
1984-85 ..	5	4·92	4·18	0·74
1985-86 ..	4	4 90	3·99	0·91
1986-87 ..	4	2·43	2·14	0·29
1987-88 ..	Nil	Nil	Nil	Nil
1988-89 ..	4	4·02	3·62	0 40

Though the Company's net earnings were Rs. 2·63 lakhs from these conducted tours up to 1986-87, it could not arrange any such tours during 1987-88 due to lack of initiative on the part of the Company in selection of travel agents for the purpose.

2D.7 **Construction of tourist lodges**

2D.7.1 As already mentioned in paragraph 2D.4.3 *supra*, the Company was provided with funds of Rs. 247·95 lakhs as advance for construction of seven new lodges and repairs/renovation of eight tourist lodges from time to time up to 1988-89. The Company took up construction of five tourist lodges during the five years up to 1988-89 at an estimated cost of Rs. 106·84 lakhs. It could complete the works of two tourist lodges up to 31st March 1989 at a total cost of Rs. 12·40 lakhs while the construction of three tourist lodges was in progress.

2D.7.2 Important points noticed in Audit during test check of records of construction of other tourist lodges are discussed in the succeeding paragraphs.

2D.7.2.1 *Bakkhali Tourist Lodge*

A work order was placed in April 1979 on the lowest tenderer (OBER Construction Enterprises Limited, Calcutta) for construction of a tourist lodge at Bakkhali at a total cost of Rs. 12·23 lakhs including cement and steel to be supplied by the Company. Although the work was scheduled to be completed within twelve months from the date of issue of the work order, the contractor could not start work before August 1979 due to failure on the part of the management to supply cement and steel as no prior action for procurement of these materials had been taken by the Company and the completion time had to be extended from time to time up to October 1981 when actually the work was completed.

Due to some changes in specification and additions/alterations, the total revised cost of the civil works increased to Rs. 16·34 lakhs. The contractor submitted a total claim of Rs. 16·66 lakhs (July 1982) against which the Company paid Rs. 14·69 lakhs up to October 1982.

Mainly due to the delay on the part of the management for changing the specification and lay-out drawings and for delayed supply of steel and cement, the work was delayed by 18 months for which the contractor preferred (November 1982) a further claim of Rs. 8·16 lakhs in November 1982 which was settled in August 1986 for Rs. 2·71 lakhs through arbitration.

The project was, thus, delayed by 18 months and the Company had to incur an additional expenditure of Rs. 1·06 lakhs over the revised estimate for Rs. 16·34 lakhs.

2D.7.2.2 *Tourist Complex at Haldia*

In July 1978 the Board of Directors approved the project for construction of a tourist lodge at Haldia at an estimated cost of Rs. 28·40 lakhs on a plot of land admeasuring 4,046·855 sq. metres taken on lease from Calcutta Port Trust in April 1975 at a monthly rent of Rs. 809·37. Due to paucity of fund, the work of the project could not be taken up. In october 1984 the Company had reviewed the position including payment of lease rent and decided to retain the land up to the end of 1985 in the context of anticipated development of Haldia. Although COPU in their Fifteenth Report (September 1985) recommended that a firm decision be taken by the Company, it failed to take any decision (July 1989) but continued to pay the lease rent which amounted to Rs. 1·36 lakhs up to 31st March 1989. The Management stated (December 1989) that the return of the land to the Port Trust was under consideration.

2D.8 **Publicity**

The publicity technique which is the most powerful instrument to attract tourists, both domestic and foreign to the tourist spots, is in the hand of the Information and Cultural Affairs Department of Government. The Committee on Public Undertakings (COPU) in their Fifteenth Report observed that the publicity technique was very much lacking in the organisation and recommended that co-ordinated efforts need be taken by the Company and the Department to streamline the publicity activities so as to run the Company in a commercially viable way. Though the Company had considered (March 1982) the necessity of having its own publicity wing, no action had so far (July 1989) been taken. It was further observed that the leaflets published by the department were very old (pertaining to 1984-85) and do not contain up-to-date information regarding availability of communication, tariffs for rooms and food, etc.

The Company incurred an expenditure of Rs. 1·44 lakhs during the three years up to 1988-89 towards promotion of tourism by way of advertisement through various souvenirs which was very meagre.

2D.9 **Internal audit**

The Company has not so far set up an internal audit wing of its own but engaged the services of a firm of Chartered Accountants for conducting the internal audit from 1984-85 to 1988-89 at a total fee of Rs. 0·74 lakh. The internal auditors were required to verify the receipts, payments, materials control system, etc., and to submit their reports to the Managing Director twice in a year. Although the auditors submitted their reports regularly, there was no system of periodical submission of the same to the Board of Directors and for taking follow-up action thereon.

2D.10 **Purchase and stores control**

In terms of purchase procedure adopted by the Company in January 1981, there should be a Purchase Committee for each tourist lodge consisting of an officer from head office, Manager or Assistant Manager-in-Charge and an officer from local administration. The procedure prescribed was as follows:

(*i*) Controlled commodities should invariably be purchased in quantities as allotted from Government shops.

(*ii*) Quotations should be invited from local suppliers for supply of groceries, provisions and fresh supply. The quotations should be approved by the Committee and remain valid for 6 months.

Verification of records of eight lodges in Audit during May 1989 disclosed that except in the case of Mainak (Siliguri) and Digha (Midnapore) tourist lodges, neither any Purchase Committee was formed nor the above procedure followed by the lodges for reasons not on record. Also, in absence of Kitchen Consumption Registers, the extent of avoidable purchases or excess consumption over requirements could not be assessed in Audit.

2D.11 **Manpower**

The Company has not conducted any work-study to find out the requirement of staff for its lodges and head office nor has it fixed any norm for its staff requirement. Also, the manning pattern of its lodges did not show better utilisation of manpower in bigger lodges as would be evident from the fact that while the bed-staff ratio in the 58-bedded Sajnekhali tourist lodge was 19·3:1, those in the other six lodges of 50 beds and above ranged from 1·58:1 to 5·56:1. The Management stated (December 1989) that Finance Department was being moved to depute its officials for assessing manpower requirements.

These matters were reported to Government in October 1989; their replies had not been received (December 1989).

2E. WEST BENGAL FILM DEVELOPMENT CORPORATION LIMITED

Highlights

The Company was incorporated in July 1980 to secure an overall improvement of film industry in the State. Implementation and operation of colour film laboratory project has been the main activity of the Company.

In the construction of colour film laboratory complex, there had been time overrun of 2½ years and cost overrun of Rs. 101·74 lakhs (estimated) mainly due to non-availability of adequate funds. The laboratory was commissioned in October 1986 without sound recording theatre, a facility essential for film laboratory.

The execution of civil work of laboratory building was defective, rectification of which required Rs. 6·85 lakhs as estimated by the Company. Rectification has, however, not yet been taken up. No action was also taken against the contractor.

Owing to lack of timely action, the Company incurred an avoidable expenditure of Rs. 5·69 lakhs on acid resistant flooring of the process building.

Deviating from the project estimate, the entire laboratory building was centrally air-conditioned incurring an additional investment of Rs. 14·57 lakhs and higher electricity consumption.

There were deficiencies in planning and designing of the laboratory. The printing capacity vis-a-vis processing capacity was not balanced affecting the capacity utilisation. The chilling plant capacity was not adequate and needed to be doubled.

During the three years up to 1988-89, the Company could recover only 199·553 kgs of silver against 335·303 kgs recoverable, resulting in value loss of Rs. 6·15 lakhs. Besides, the Company disposed of the same silver by negotiations at lower prices than the market prices resulting in a further loss of Rs. 2·47 lakhs.

Due to delay in execution of mortgage deed for term loan the Company had to bear the liability of Rs. 6·66 lakhs towards additional interest.

The Company had been incurring losses since inception. The accumulated loss up to 1988-89 was Rs. 321·09

lakhs (provisional) representing 71·7 *per cent* of its paid-up capital.

2E.1 **Introductory**

The West Bengal Film and Sound Laboratory Corporation Limited was incorporated as a wholly owned Government Company in July 1980 to secure an overall improvement of film industry in the State by setting up a colour film laboratory at Salt Lake City, Calcutta. The name of the Company has been changed as West Bengal Film Development Corporation Limited with effect from July 1983.

2E.2 **Objects**

The main objects of the Company are :

(*i*) to establish a colour film laboratory with all allied ancillary facilities for the processing and printing colour films including sound recording and dubbing facilities and to establish editing facilities ;

(*ii*) to carry on business as distributors, buyers, sellers, merchants and dealers in cinematograph films, records, tapes and all other apparatus ;

(*iii*) to erect, construct, purchase, take on lease, hire, let out on hire or otherwise acquire or take over management of any cinema hall, building, land, etc. ;

(*iv*) to carry on business of processing colour films, recording of sound, editing and dubbing of films, etc. ;

(*v*) to carry on business of buying, selling, exporting and importing of films and also hiring of, and letting out on hire, any article, equipment or machinery or any facilities connected with the film industry ;

(*vi*) to set up a sound recording theatre with all allied and ancillary facilities including the dubbing of films into different languages ;

(*vii*) to carry on business of photography, photo mechanical process of reproduction, representation, manufacture of photographic goods and appliances, etc ; and

(*viii*) to carry on, in all parts of the world, the business of making, producing, exihibiting, renting, letting on hire and otherwise exploiting cinematograph and television films and motion pictures and films.

The Company is at present engaged in functions included at (*i*) to (*iv*) above.

2E.3 Scope of Audit

A review of the activities of the Company since its inception was conducted between April and July 1989 and salient points emerging therefrom are discussed in the succeeding paragraphs.

2E.4 Organisational set-up

The management of the Company is vested in a Board of Directors which, as on 31st March 1989, consisted of nine Directors including the Managing Director who is the chief executive of the Company. He is assisted in the day to day administration by Secretary, Chief Chemist, Chief Laboratory Technician and Chief Sound Recordist.

2E.5 Funding

The initial authorised capital of the Company was Rs. 300 lakhs divided into 30,000 equity shares of Rs. 1,000 each. The paid-up capital of the Company as on 31st March 1989 was Rs. 447·70 lakhs including share suspense of Rs. 175·13 lakhs. The Management applied for raising the authorised capital to Rs. 600 lakhs with the Registrar of Companies, Calcutta in July 1988. Further development is awaited (August 1989).

In addition, it had raised funds totalling Rs. 108·46 lakhs by way of loans from Government from time to time up to March 1989 for meeting its working capital needs and cash losses. The loans carried interest at 10·5 *per cent per* annum payable annually from the 1st anniversary of loan while the principal was to be repaid within five years starting from the sixth anniversary of their drawal. The overdue interest as on 31st March 1989 was worked out to Rs. 14·96 lakhs which was not yet paid by the Company (August 1989). The loan instalments were due for re-payment from October 1989.

The Company also obtained loan for its capital projects jointly from Industrial Development Bank of India (Rs. 179·30 lakhs) and Industrial Finance Corporation of India (Rs. 83·70 lakhs) during December 1984 to January 1987 as term loans. As *per* the terms of the joint agreement, an amount of Rs. 182·59 lakhs fell due up to 31st March 1989 (principal: Rs. 36 lakhs and interest including penal interest: Rs. 146·59 lakhs). The Company paid Rs. 35·41 lakhs towards interest on the above loan up to 31st March 1989 while no repayment of principal was made so far (August 1989).

Further, due to delay in execution of mortgage deed, in respect of the loan additional interest of Rs. 6·66 lakhs (at the rate of 1 *per cent per* annum for the period from 11th December 1985 to 2nd February 1988) also accrued up to 31st March 1989. The Company paid Rs. 1·71 lakhs between October 1985 and September 1986. There were no recorded reasons for the delay in execution of mortgage deed.

2E.6 **Project implementation**

With a view to implementing the Colour Film Laboratory Complex, the Company entered into a consultancy agreement with Ghosh, Bose and Associates (P) Limited of Calcutta in November 1981. As *per* the agreement, the consultants were to prepare Techno-Economic Feasibility Report (TEFR) and to provide advice and assistance in all matters connected with planning, designing and construction as well as services regarding procurement of plant and equipment and commissioning of the project for items other than equipment for the Laboratory and Scoring Theatre.

For their services, the consultants were to be paid Rs. 1 lakh on preparation of TEFR and Rs. 8 lakhs on rendering total consultancy services, inspection of equipment and fabricated steel items and other allied services as contained in tender specifications.

Up to March 1989, payments aggregating to Rs. 8·70 lakhs were made to the consultants.

As per the agreement, TEFR was to be prepared by December 1981 while the other works were to be completed within 36 months from the date of work order (October 1981). But actually the consultants took four months to prepare the TEFR. The other items of works entrusted to the consultants were also affected due to wrong designs and specifications (Paragraph 2E.6.4) and modifications and alterations carried out at the final stage (paragraph 2E.6.2). But in absence of any suitable clause in the agreement, the Company could not impose any penalty on the consultants for their lapses/failures which led to time and cost overrun.

2E.6.1 *Project estimates*

The original project estimate of Rs. 525·63 lakhs (April

1982) was revised from time to time. The revised project estimates prepared in April 1987 stood at Rs. 627·37 lakhs. The project was to be financed on 50:50 basis by way of share capital from Government and institutional finance. The project report was accepted in April 1982 with stipulation to complete the same within two years. But up to the end of 1983-84, only Rs. 141·57 lakhs was received from Government as equity capital and term loan of Rs. 263 lakhs was available from IDBI and IFCI in December 1984. Delayed availability of fund resulted in increased incidence of pre-opertive expenses, interest and commitment charges. Increase in the cost of the project was also due to higher incidence of import and excise duty, variations in exchange rates and modifications in the design and additional equipment required with changes in specifications of the project which were considered essential. The work is still in progress and an expenditure of Rs. 580·07 lakhs stood incurred up to March 1988.

Though the film laboratory was scheduled to be commissioned in May 1984, it was actually commissioned in October 1986 more than two years behind the schedule, that too without sound recording theatre, the most essential ancillary service.

2E.6.2 *Civil works*

2E.6.2.1 The work of construction of general building and other allied works of the laboratory complex was awarded to Mackintosh Burn Limited, Calcutta in November 1983 at an estimated cost of Rs. 91 lakhs scheduled to be completed by December 1984. The main laboratory building and office buildings were completed at a cost of Rs. 126·78 lakhs in September 1986. The delay in the execution of the construction works was due to (*i*) paucity of fund, (*ii*) non-availability of job sites and (*iii*) modifications, additions and alterations made at the final stage of construction. In June 1987, the Management observed that the civil construction work was so executed that some parts of the buildings not built on concrete columns were slowly sinking and there was leakage of water/chemicals and peeling off of plaster in places, remedying of which would require a further capital investment of Rs. 6·85 lakhs. No action was taken against the contractor.

2E.6.2.2 The order for construction of general building included the work of acid resistant flooring of Process Building to be completed at a total cost of Rs. 2·68 lakhs for 525 sqm of floor area at the rate of Rs. 510 *per* sqm. At the time of execution of work in January 1985, the consultants recommended to complete the job as *per* Indian Standards Institution (ISI) specification at the rate of Rs. 562·50 *per* sqm as quoted by the contractor which was not envisaged earlier at the time of preparation of schedule of estimates and this involved increase in cost by Rs. 0·27 lakh. The Company did not communicate its acceptance to the contractor for reasons not on record. Therefore, the contractor completed the job by September 1986 without following ISI specification at a cost of Rs. 2·58 lakhs. But soon after the commercial operation of the laboratory in October 1986, a lot of problems in the constructional works of the main building including defects in acid resistant flooring of the Process Building were noticed and the Company requested (January 1987) the contractor to rectify the defects. On refusal by the contractor to carry out the same, the matter was taken up with Government in March 1989 which also has not yielded any positive result so far (July 1989). In May 1989, the Company decided to renovate the entire flooring (505·88 sqm) by acid proof tiles and a short tender notice was floated without preparing any cost estimates and invited quotations from three firms. In May 1989, the work was entrusted to East India Terrazzo Floors who quoted the lowest rate of Rs. 1,137·50 *per* sqm which was more than double the rate orginally quoted by Mackintosh Burn Limited in January 1985 and the value of work to be done by them was Rs. 5·75 lakhs. Had the flooring job been got done as *per* the ISI specification by the original contractor at the extra cost of Rs. 0·27 lakh, the Company could have avoided the additional investment burden of Rs. 5·48 lakhs.

2E.6.2.3 Work order for acoustical treatment in the sound recording theatre was awarded (September 1986) to Indu Enterprise, the lowest tenderer, at a total cost of Rs. 13·70 lakhs against original estimate of Rs. 7·19 lakhs prepared by the consultant in May 1984. The rise in the cost of work for acoustical treatment by Rs. 6·51 lakhs was due to (*i*) failure of the consultants to envisage exact implication of the work and (*ii*) escalation of prices of inputs. The work was completed in September 1988 at a total cost of Rs. 13·72 lakhs. The following observations are made in this connection:

(*a*) As per clause 17 of the work order, an agreement was to be executed within a week from the date of order but till completion of the work, no agreement was executed.

(*b*) While sanctioning the amount, in September 1986, Government directed the Company not to release the final payment without obtaining satisfactory performance certificate from the acoustical consultants and guarantee from the project consultants and the contractor. The period of guarantee as per the agreement was six months from certified date of completion (September 1988) or up to expiry of the subsequent monsoon whichever was later. The security deposit was to be released on expiry of guarantee after due certification of satisfactory performance by the consultants. But before expiry of the guarantee period and without satisfactory performance certificate, the Company released in May 1989 all payment including security deposit of Rs. 0·70 lakh out of total security deposit of Rs. 1·37 lakhs held. One of the main reasons for delay in commissioning of the sound recording theatre was defective construction of acoustical work. In the absence of any records, expenditure incurred for rectification of the defects could not be ascertained in Audit.

(*c*) The work was scheduled to be completed by February 1987 but actually work was completed in September 1988. For non-completion of the job in time, the contractor applied (December 1988) for extension but no extension was granted (July 1989) by the Board. As *per* agreement, the contractor was liable to pay liquidated damages at the rate of 1 *per cent* of the tender value for delay of every week or part thereof up to a limit of ten *per cent*. The work was delayed over 18 months for which, liquidated damages of Rs. 1·37 lakhs was recoverable from the contractor but no liquidated damages were imposed.

2E.6.2.4 (*i*) The work of construction of Roads and Pathways was awarded to Mackintosh Burn Limited in February 1985 at a total cost of Rs. 3·94 lakhs. The work included earthwork of 1,110 cum at the rate of Rs. 12 *per* cum but the contractor actually executed 2,839·125 cum of earthwork without the approval of the Board. For execution of 1,729·125 cum of earthwork not provided for in the schedule of works, the Company had to incur avoidable expenditure of Rs. 0·21 lakh.

Increased volume of removal of spoils and earth due to extra earthwork done by the contractor was paid for in March 1986, without obtaining Board's approval, at Rs. 122·50 *per* cum in place of Rs. 26·40 *per* cum originally envisaged, causing extra expenditure of Rs. 0·99 lakh.

(*ii*) The work of construction of boundary wall with gate and temporary office was awarded to a contractor in October

1982 at a total cost of Rs. 1·90 lakhs. The work was completed and the Management took over the possession in February 1983 without any verification. Soon after taking possession of the boundary wall, a portion of the wall collapsed. The reasons for collapse of the wall were attributed by the National Test House, Alipore to (*i*) bad workmanship and (*ii*) use of sub-standard materials. The Management got 50 *per cent* of the wall rectified in October 1986 by Mackintosh Burn Limited at a total cost of Rs. 0·28 lakh and also held up payment of Rs. 0·20 lakh due to the original contractor. The remaining work of rectification is yet to be done (December 1989).

2E.6.3 *Procurement of plant and machinery*

Mention was made in Paragraph 4·4 of the Report of the Comptroller and Auditor General of India for the year 1985-86 (Commercial) regarding avoidable expenditure of Rs. 2·14 lakhs on procurement of cinematographic printing machine.

Irregularities noticed also in respect of procurement of other machinery are discussed below:

2E.6.3.1 In April 1985, the Company received an offer from Steenbech and Company, West Germany for supply of 2 editing machines at a cost of 45,690·87 DM (35 mm) and 62,081·59 DM (16/35 mm) equivalent to Rs. 2·57 lakhs and Rs. 3·48 lakhs respectively. Although there was no paucity of funds, the Company could not place order within the validity period (12th July 1985) and requested (June 1985) the firm to extend the validity period up to October 1985. The Company, ultimately, placed order in December 1985 at enhanced rate of 56,894·30 DM (equivalent to Rs. 3·19 lakhs) and 77,406·06 DM (equivalent to Rs. 4·34 lakhs) respectively as the supplier did not agree to extend the date of validity without escalation in prices. The Company received the machines in April 1986. Thus it had to incur an extra expenditure of 26,527·90 DM equivalent to Rs. 1·48 lakhs.

2E.6.3.2 The Company received Sound Recording equipment in December 1985 and kept in the laboratory building. At the time of testing of the equipment in April 1986 it was found that two crates got damaged due to seepage of water. An insurance claim was lodged (May 1987) with the Insurance Company for Rs. 10·24 lakhs. In final settlement of the claim, the Company received Rs. 6·04 lakhs (August 1987) from the Insurance Company. The Company again imported the materials (May 1988) at a cost of Rs. 11·71 lakhs resulting in loss of Rs. 5·67 lakhs due to bad storage.

2E.6.4 *Deficiencies in the project*

After commissioning of the project in October 1986, the Company has experienced certain difficulties in the operations as appraised by the Managing Director to Government in June 1987. Following this, the Board of Directors appointed in December 1987, a Facts Finding Committee to study all technical deficiencies that had cropped up during the functioning of the project. The Committee submitted its report in March 1988 which was placed before the Board in June 1988. Few of the deficiencies brought out by the Managing Director and also the Committee are discussed in the succeeding paragraphs:

2E.6.4.1 *Air-conditioning plant*

As per TEFR, the total air-conditioning load required for the complex is about 100 tonnes with the proposed location of the plant room on the ground floor of the laboratory building to obviate vibration of the compressors which may cause acoustical problems for the recording theatre. The total load of 100 tonnes was to be shared by three air-conditioners, two with 40 tonnes capacity and one with 20 tonnes capacity. As per TEFR, the estimated cost of the air-conditioning plant was Rs. 25 lakhs including Rs. 7 lakhs for two stand-by generators of 125 KVA capacity.

As against the above, the Company centrally air-conditioned the laboratory incurring Rs. 39·57 lakhs towards air-conditioning machines (Rs. 26·84 lakhs) and stand-by generator of 425 KVA capacity (Rs. 12·73 lakhs). The Facts Finding Committee observed that this type of laboratory did not require centralised air-conditioning in as much as it could not be switched off and on according to the requirements of the different sections of the laboratory to avoid unnecessary expenditure on air-conditioning.

Thus, the Company had blocked a sum of Rs. 14·57 lakhs on these assets in excess of requirements apart from increase in expenditure on power. In the absence of any data regarding rate of consumption of electric power by installations envisaged in the TEFR, the avoidable expenditure on consumption of excess electric power due to central air-conditioning system installed could not be worked out in Audit.

2E.6.4.2 *Printer machine capacity*

According to the Managing Director of the Company, most of the business is in 35 mm but there is only one printer which, even if worked in two shifts, cannot produce more than 3·5 copies of an average length of 39,632 feet feature film resulting in suspension of all other printing work like marking out of rush prints, answer prints, etc. As the processing capacity of the laboratory is on the much higher side, printing capacity should keep pace with the processing work. The total capacity of the processing machines was 1,16,800 feet *per* day. Due to low printing capacity, capacity of the processing machines installed in the laboratory could not be utilised in full. According to the Facts Finding Committee, an amount of Rs. 62 lakhs was needed to procure additional equipment but this did not include Rs. 16 lakhs required for procuring one Reduction Printer for better viability of the laboratory. The Company received (January 1989) a sum of Rs. 40 lakhs from Government for purchasing a second printing machine. The machine is yet to be purchased (September 1989).

2E.6.4.3 *Chilling plant*

According to the Managing Director, the chilling plant capacity was less than that needed for the machines due to which the colour and also black and white processor could not be operated simultaneously. The Facts Finding Committee also suggested for doubling the capacity of the chilling plant. The Management had not taken any action for improvement of the position (July 1989).

2E.7 Performance analysis

2E.7.1 The following table indicates the actual production against the installed capactiy of each machine during the three years up to 1988-89:

Particulars of Machines	1986-87 (October 1986 to March 1987)			1987-88			1988-89		
	Installed capacity	Actual production	Percentage of actual production to installed capacity	Installed capacity	Actual production	Percentage of actual production to installed capacity	Installed capacity	Actual production	percentage of actual produc-tion to installed capacity
	(Feet in lakhs)		(*per cent*)	(Feet in lakhs)		(*per cent*)	(Feet in lakhs)		(*per cent*)
Printer									
(*i*) 35 mm to 35 mm contact printer	113 70	7 08	6 2	227 41	29 27	12 9	227·41	38 74	17 0
(*ii*) 16 mm to 35 mm blow-up printer	37 90	0·81	2 1	75 80	9 04	11 9	75 80	2·53	3 3
(*iii*) 16 mm to 16 mm contact printer	113 70	1 61	1·4	227 40	2 46	1 1	227 40	2·22	1·0
Processor									
Colour									
(*i*) 16 mm/35 mm negative	38 02	5 72	15 1	76 03	9 11	12 0	76 03	11·12	14 6
(*ii*) 16 mm/35 mm positive	69 12	5 75	8 83	138 24	16 18	11 7	138 24	26 08	18 9
(*iii*) ORWO 16 mm/35 mm positive/negative	38 02	0 04	0 1	76 03	15 57	20 5	76 03	14 78	19 4
(*iv*) Black and white 16 mm/35 mm positive or sound negative	23 04	5 78	25 1	46 08	13 67	29·7	46 08	7 58	16 4

The low capacity utilisation of the machines was attributed (June 1987) by the Management to lack of adequate demand for its services. The efforts of the Company to attract more business by payment of subsidy also failed as discussed in paragraph 2E.11.

2E.7.2 As per general terms of laboratory agreement the work of a picture is to be completed within 12 months from the date of agreement. Up to March 1988, the Company received orders for printing and processing of 102 feature films, 85 documentary films and 80 advertisement films but, up to March 1989, could complete 28 feature films, 69 documentary films and 80 advertisement films. Negatives of 11 feature films and 9 documentary films were taken back by the producers. The work of the remaining films was in progress. The Management did not analyse the reasons for taking back of the negatives of the films by the producers and reasons for delay in completion of the feature films to take remedial measures.

2E.7.3 The Company got certain jobs done by outside laboratories in Madras and Bombay either on account of break-down of own machines or absence of Reduction Printing Machine. As the Company did not maintain records of machine-wise performance through log books during any of the years since inception and did not maintain any records relating to break-down hours, the justification for jobs got done through outside laboratories and extent of working hours lost could not be verified in Audit.

However, on study of the records of the Company, it was noticed that the Company incurred Rs. 3·08 lakhs up to 31st March 1989 towards travelling expenses including the expenses of the representatives of the producers for getting the jobs done at outside laboratories. Although the producers agreed to reimburse all incidental charges in respect of reduction prints, records of such expenses for the jobs and their recovery from the producers were not shown to Audit.

2E.8 **Working results**

2E.8.1 The commercial operation of the film processing activities of the Company started in October 1986. The profit and loss account of the Company for the year ending 31st March 1987 showed a net loss of Rs. 88·99 lakhs. The accumulated loss up to 1988-89 was Rs. 321·09 lakhs (provisional). Thus, 71·72 *per cent* of the capital of the Company stood already eroded.

2E.8.2 *Economic viability*

The TEFR projected its income on the basis of completed jobs the laboratory was expected to handle in successive years commencing from the first year of operation. The table below indicates the number of films expected to be completed as per TEFR and numbers of films actually completed by the laboratory:

Type of Films	No. As per TEFR	Actual	No. As per TEFR	Actual	No. As per TEFR	Actual
	1987		1988		1989	
			(Number)			
(i) Feature Films	78	15	82	11	82	13
(ii) Documentaries	64	31	67	45	67	26
(iii) Advertisement	64	40	69	44	69	53
			(Rupees in lakhs)			
(iv) Revenue	147 11	5 41	156 92	25 00	156 92	24 50

The table below indicates the actual production of prints vis-a-vis the anticipations as per TEFR:

Prints	1987 As per TEFR	1987 Actual	1988 As per TEFR	1988 Actual	1989 As per TEFR	1989 Actual
1. *Feature films*						
(a) Bengali	15		15		15	
(b) Others	8	10	8	10	8	10
(c) Hindi/Bilingual	30		30		30	
	53		53		53	
2. *Documentaries*						
(a) 16 mm/35 mm	30	20	30	20	30	22
(b) Film Division Special	10		10		10	
	40		40		40	
3. *Advertisements*						
(a) All India distribution	500	12	500	12	500	15
(b) Regional distribution	100		100		100	
	600		600		600	

While reporting the shortfall in the achievements to Government in June 1987 the Management stated that the targets fixed in the TEFR were unrealistic. Since the main source of profit in the business depends on number of prints, the wide gap in achievement affected the economic viability of the project.

2E.9 **Silver recovery and disposal**

2E.9.1 Processing of both black and white and colour films yields silver of 98 *per cent* purity as residue in the fix solution. As per TEFR, the recoverable silver is of the order of 60-70 gm *per* 1,000 feet of 35 mm black and white and colour negative and 15-20 gm *per* 1,000 feet of 35 mm black and white and colour positive. As *per* opinion of the Chief Chemist the reasonable recoverable silver from processing of 16 mm films is 50 *per cent* of 35 mm films. The table given below indicates the films processed, silver recoverable as *per* standard norms, silver actually recovered during the three years up to 1988-89:

	1986-87		1987-88		1988-89	
	Film processed (feet in lakhs)	Silver recoverable (kg)	Film processed (feet in lakhs)	Silver recoverable (kg)	Film processed (feet in lakhs)	Silver recoverable (kg)
(*i*) 35 mm BW and colour negative	5 99	35·940	9·90	59 400	12 98	77 880
(*ii*) 35 mm BW and colour positive	7 89	11 835	38·31	57 465	41 27	61 905
(*iii*) 16 mm BW and colour negative	1 79	5·370	3·85	11·550	3·08	9 240
(*iv*) 16 mm BW and colour positve	1·61	1.208	2·46	1 845	2.22	1.665
Total silver (year-wise) should have been recovered as per norms	17 28	54·353	54·52	130·260	59·55	150·690
(*v*) Actual silver recovered		20·639		107 044		71 870
(*vi*) Value recovered (Rupees in lakhs)		0·79		4·79		3 48
(*vii*) Shortfall		33·714		23·216		78·820
(*viii*) Value of shortfall (Rupees in lakhs)		1·29		1·04		3·82
(*xi*) Percentage of actual recovery to standard recovery		37·87		82·18		47·69
(*x*) Percentage of shortfall in recovery to standard recovery		62·03		17·82		52·3

Although the processing of films had substantially increased in 1988-89, the Company could not maintain the standard recovery of silver as per expectation. During the three years up to 1988-89 the Company could not recover 135.750 kg of silver valued Rs. 6.15 lakhs.

2E.9.2 A Committee consisting of Senior Accounts Officer, Accounts Officer, Senior Purchase Officer and Chief Chemist was formed in June 1987 for extraction, drying and selling of silver. It was decided by the Board in June 1987 that for selling silver at least 3 quotations should be invited from the parties dealing in silver. The Company, however, did not follow the above order for sale of silver on six occasions (sale of silver: 188.308 kg) even after June 1987. Between March 1987 and March 1989, the Company sold 199.553 kg of silver to the different parties at different rates but got the price of 191·995 kg. It was noticed from the Silver Register that the difference of 7·558 kg valued Rs. 0·31 lakh found short at the time of weighment by buyers and was due to evaporation of water from the silver. The Management did not investigate the reasons for such shortage particularly in view of the fact that silver was to be sold in dry form.

2E.9.3 As per West Bengal Financial (Sales Tax) Act, 1941, sales tax is leviable at 8 *per cent* on the sale of silver. But it was observed in Audit that sales tax amounting to Rs. 0·70 lakh was neither realised from the purchasers nor deposited to the sales tax authority.

2E.9.4 Although the silver recovered by the Company was of 98 *per cent* purity, the Company sold the silver on spot quotation on negotiation basis at much lower price resulting in loss of Rs. 2·47 lakhs as detailed below:

Date of sale	Quantity sold (kg)	Rate at which sold (per kg)	Market rate (per kg)	Difference in rates (per kg)	Defferential value (Rupees in lakhs)
			(Rupees)		
5.3.1987	11·245	3,820	4,780	960	0·11
10.8.1987	52·150	4,210	5,167	957	0·50
3.11.1987	17·300	4,755	5,796	1,041	0·18
8.3.1988	32·930	4,735	6,150	1,415	0·47
1.6.1988	15·000	4,675	6,040	1,365	0·20
22.9.1988	19·325	4,625	6,100	1,475	0·28
31.3.1989	44·045	4,998	6,650	1,652	0·73
	191·995				2·47

During discussion, the Management stated (September 1989) that they had to take recourse to the disposal of the silver by negotiation as they are not getting adequate response from the market. It was, however, noticed that the Company never advertised in the leading newspapers for such sale.

2E. 10 **Excess consumption of chemicals**

For printing and processing of films, the Company had to use different chemicals both imported and indigenous and electric power for its airconditioned laboratory and operation of machines for processing/printing. The Company has fixed norms in respect of some chemicals used in processing and printing of all kind of films. Up to 1988-89 the Company made an excess consumption of chemicals valued at Rs. 3·80 lakhs. It was also observed that consumption of high valued imported chemicals like CD-2 and CD-3 were always on the high side. The Management did not analyse the reasons for the excess consumption to take remedial action.

2E.11 **Subsidy**

2E.11.1 In February 1988, Government decided to give subsidy to the film producers as an incentive. The scheme was effective from April 1987. The subsidy was to be 50 *per cent* of the total laboratory charges payable to the Company subject to the maximum of Rs. 50,000 per film. Up to March 1989, the Company received Rs. 32 lakhs towards subsidy and could spend Rs. 2 lakhs only. In respect of Rs. 25 lakhs released up to June 1988 the Company furnished a utilisation certificate in March 1989 to the effect that the money had been utilised for the purpose for which it was sanctioned although it had actually utilised Rs. 2 lakhs only.

2E.11.2 In the case of film 'Bargad Dada' the Company submitted requisition and received (March 1988) the subsidy of Rs. 50,000 from the department although it was known to the Company that the negatives of the film were taken back by the producer of the film during November and December 1987 without processing.

2E.11.3 In case of films 'Hirer Shikal' and 'Behula' the Company received (March and August 1988) the subsidy of Rs. 1 lakh. The producers of the films had taken back the negatives of the films in April 1988 and June 1989 without processing.

The Company, however, retained the subsidy of Rs. 1·50 lakhs in respect of the above three cases without returning it to the department.

2E.12 **Other activities**

Between October 1983 and March 1989, the Company was provided with loans of Rs. 41·75 lakhs by Government for distribution and exhibition of Government films (Rs. 9 lakhs) construction and renovation of public cinema halls (Rs. 7·75 lakhs) and acquisition of Minerva cinema hall from Calcutta Municipal Corporation (Rs. 25 lakhs). The position of utilisation of the loans is discussed in succeeding paragraphs.

2E.12.1 *Distribution and exhibition of film produced by Government*

For meeting the expenditure on distribution of Government films, the loan of Rs. 9 lakhs was received in October 1983 and February 1986. The Company exhibited/distributed 22 films from August 1983 to March 1989. The Company has not prepared any separate Profit and Loss Account for the above activity entrusted to it. It was, however, observed in Audit that up to March 1989 there was an excess of expenditure (Rs. 2·05 lakhs) over the income of Rs. 10·69 lakhs (provisional). The loss would have been much greater but for the income earned in sending few films abroad and screening of some films on television. Thus, while the Company is not making any profit on this activity it has been saddled with payment of interest at the rate of 10·5 *per cent* on the loan of Rs. 9 lakhs.

2E.12.2 *Construction of cinema halls and exhibition of films in public halls*

Without going for construction of any cinema hall, the Company released an interest free loan of Rs. 5 lakhs in September 1984 to Kankaria Finance Corporation for screening Government feature films in its own cinema hall (Priya Cinema Hall) for a concession of Rs. 1,000 per week in the rental charges. The Board sanctioned the loan without considering full facts of the case and spelling out the benefits to be derived. There was no mention in the Board minutes as to how the amount of the loan had been determined and what were the considerations for making the loan interest-free. Neither any public announcement of the intention of the Company to give interest-free loan to cinema halts was made nor were any offers taken from other cinema halls.

The loanee had refunded (November 1984 to December 1988) the entire amount of Rs. 5 lakhs in 50 equal monthly instalments of Rs. 10,000 each. During the entire period of 50 months, the Company could utilise the hall for 22 weeks and, thus, could avail concession of Rs. 0·22 lakh in rental charges, but at the cost of interest of Rs. 1·26 lakhs on Government loan and stamps duty of Rs. 0·12 lakh which was borne by the Company at the time of execution of mortgage deed by the loanees. The grant of interest-free loan of Rs. 5 lakhs, thus, amounted to unauthorised financial aid to a cinema hall owner—Kankaria Finance Corporation at a net cost of Rs. 1·16 lakhs to the Company.

2E.13 **Purchase and inventory control**

2E.13.1 The Company has neither prepared any purchase manual nor prescribed any comprehensive purchase procedure so far (August 1989). It was observed in Audit that purchases had been made piecemeal, as and when indents were received from different departments as there was no system for consolidating indents periodically with a view to making bulk purchases. Purchases were made on the basis of limited tenders and that too, in most cases, on verbal enquiry without giving wide publicity to obtain materials at competitive rates. The amounts of purchases (including plant and machinery) during the three years up to 1988-89 were Rs. 214·86 lakhs, Rs. 44·15 lakhs and Rs. 53·68 lakhs (approximate) respectively. To effect local purchases the Company paid advance of Rs. 3·90 takhs in 1986-87, Rs. 4·86 lakhs in 1987-88 and Rs. 7·92 lakhs in 1988-89 to officers and staff. Due to failure to watch the rendering of accounts and refund of unspent money promptly, heavy balances were allowed to accumulate and further advances were granted even though the earlier advances remained unadjusted. The amount outstanding as on 31st March 1989 in respect of amount advanced during 1985-86 to 1988-89 worked out to Rs. 3·38 lakhs.

The Company did not maintain any purchase register and stock ledger except for chemicals. The system of preparing 'goods received notes' on receipt of materials and bin cards or other identification marks of stock for storing of materials had not yet been introduced. As such, in the absence of any scientific system of keeping of records, the justification of purchases could not be verified in Audit.

Along with main equipment like printing machines, processing machines, sound recording equipment, etc., the Company purchased spare parts and received the same along with the main equipment between September 1983 and August 1986 but no record was maintained for the spare parts purchased. In August 1987, the Company observed that lists and records of spare parts valuing Rs. 10 lakhs were not traceable. In the absence of any records the details of those spare parts, could not also be verified in Audit. The Board decided (December 1987) that the Facts Finding Committee appointed (August 1987) to go into the various problems of the Company should also extend its work to this matter. The Committee submitted its report in March 1988 but did not mention anything about the spare parts. No physical verification of stock was done at all.

2E.14 **Budgetary control**

The Company did not prepare any annual budget (capital or revenue) setting out the various objectives to be achieved up to the year 1986-87. The budget for the year 1987-88 was prepared in June 1988 but was not placed before the Board for consideration. The budget for the year 1988-89 had not been prepared at all.

2E.15 **Manpower**

(*i*) As per Techno-Economic Feasibility Report, total manpower requirement of the Company was 98 including the posts of Managing Director, Welfare and Security staff. The Company met its requirement of Welfare and Security personnel by engagement of contractors. The details of manpower requirement and men in position are given below:

	1986-87	1987-88	1988-89
1. Manpower requirement (As per TEFR excluding Welfare and Security staff)	87	87	87
2. Men in position	66	67	74

(*ii*) As per TEFR, the requirement of manpower for running the Sound Recording Theatre was 8. Although the Sound Recording Theatre had not been commissioned (July 1989) the Company filled up 7 posts during August 1985 to January 1989 resulting in idle payment of salaries and wages of Rs. 2·54 lakhs up to 31st March 1989.

(*iii*) It was also observed that the qualification and experience of the Chief Sound Recordist recruited by the Company was not at par with that mentioned in the TEFR.

(*iv*) Neither any administrative manual laying down the service rules and regulations of the Company has been prepared nor has any Service Book been opened for its staff as yet (July 1989).

(*v*) From the very date (July 1986) of handing over of the water treatment plant by Zeolite India Limited, the Company appointed the same firm for its maintenance at the rate of Rs. 3,500 per month. In March 1988, the Facts Finding Committee appointed by the Company observed that the above work could have been done by the existing maintenance staff of the Company. As per TEFR, manpower required for maintenance was 11. The Company filled up 9 posts including the post of maintenance engineer before August 1986. As per findings of the above Committee, the Company discontinued the service contract from April 1988. Thus, by engaging an agency for 20 months when the same work could have been done by its own men on roll, the Company had incurred avoidable expenditure of Rs. 0·70 lakh.

These matters were reported to the Management/Government in December 1989; their replies had not been received (December 1989).

2F. WEST BENGAL CERAMIC DEVELOPMENT CORPORATION LIMITED

Highlights

The Company was incorporated in March 1976 to take over the departmental undertaking on ceramics run by the State. Apart from production and marketing of ceramic products, the Company was envisaged to serve the nearby cottage units by supplying processed clay and extending firing facilities in its kilns as these involved considerable investment which is beyond their capacity.

The factories being very old needed modernisation and renovation estimated in the year 1979 to cost Rs. 76·55 lakhs to make them viable. In the absence of adequate funds, the scheme was not implemented. However, Government provided meagre funds of Rs. 28·85 lakhs out of which only Rs. 7·74 lakhs were spent for capital purposes while the rest was diverted for working capital needs.

The Company had to suspend its activity of serving the cottage units from 1985-86 as it could not offer economical prices to them.

The production of processed clay during the seven years up to March 1989 ranged between 0·38 and 11·5 *per cent* in factory I and 0·20 to 39·83 *per cent* in factory II. The extremely low capacity utilisation was due to unsettled dispute over fixation of status of workers inherited from Government.

Accumulated loss as on 31st March 1989 stood at Rs. 596·87 lakhs (provisional) and had exceeded 4 times the paid-up capital of the Company (Rs. 126·15 lakhs).

2F.1 **Introduction**

West Bengal Ceramic Development Corporation Limited was incorporated in March 1976 as a wholly owned Government Company with the object of carrying on business in ceramic articles and to manufacture sanitarywares, crockeries, insulators, etc. The Company started functioning from June 1976 with the taking over of West Bengal State Ceramics, a departmental undertaking of Government.

The present activities of the Company are mainly confined to operation of two factories at Belghoria and Beliaghata for manufacturing of processed clay and ceramic products from it for sale, supplying of processed clay to cottage industries and rendering firing facilities in the kilns to the cottage industrial units.

2F.2 **Organisational set-up**

The management of the Company is vested in a Board of Directors headed by a Chairman. The Board as constituted in January 1988, consisted of nine directors including the Chairman. The Managing Director is the chief executive of the Company.

2F.3 **Scope of Audit**

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1981-82 (Commercial). The Committee on Public Undertakings has not taken up the Report for discussion so far (May 1989). The activities of the Company from 1982-83 to 1988-89 were reviewed in Audit during March to May 1989 and the results are discussed in the succeeding paragraphs.

2F.4 **Funding**

2F.4.1 *Capital structure*

The authorised capital of the Company as on 31st March 1989 was Rs. 200 lakhs against which the paid-up capital was Rs. 126·15 lakhs (including share deposit of Rs. 9·42 lakhs). Out of this, a sum of Rs. 28·42 lakhs was contributed during the period from March 1988 to January 1989 for revival of productivity of the Company's two factories at Belghoria and Beliaghata with the stipulation that the amount so contributed should not be spent till project for revival of productivity is administratively approved by Government. While the administrative approval for the factory at Belghoria was obtained in December 1989, the same was awaited for the factory at Beliaghata. A sum of Rs. 13·42 lakhs was, however, diverted by the Management during March 1988 to January 1989 for meeting expenditure on pay and allowances and other fixed establishment charges.

2F.4.2 *Borrowings*

The Company also obtained loans of Rs. 410·48 lakhs from time to time up to 31st March 1989 from Government for meeting its working capital and ways and means requirements (Rs. 379·63 lakhs), for modernisation and reorganisation of existing factories (Rs. 28·85 lakhs) and for sanitaryware project (Rs. 2 lakhs).

In respect of the loans of Rs. 74·50 lakhs obtained during 1984-85 to 1986-87 and 1988-89, terms and conditions as regards to rate of interest and repayment of principal have not yet been finalised by Government (May 1989) while in the case of the remaining loans, the stipulated terms and conditions were as tabulated below:

Year	Loans having moratorium for 5 years for principal and interest	Loans having moratorium for 5 years for principal only	Loans having no moratorium	Total	Rate of interest	Repayment terms
		(Rupees in lakhs)				
Up to 1981-82	121·55	—	—	121·55	8 *per cent* with rebate of 2 *per cent* for timely payment	Within 5 years from 6th Anniversary of the loan
1982-83	33·25	—	—	33·25	-do-	-do-
1983-84	25·00	3·00	—	28·00	-do-	-do-
1984-85	7·00	—	—	7·00	10 *per cent* with 2·5 *per cent* rebate for timely payment	-do-
1985-86	—	19·87	—	19·87	-do-	-do-
1986-87	—	13·20	9·80	23·00	11·25 *per cent* with 2·5 *per cent* rebate for timely payment	-do-
1987-88	—	21·35	33·65	55·00	11·25 *per cent* to 11·75 *per cent* with 2·5 *per cent* rabate for timely payment	—
1988-89	—	48·31	—	48·31	11·75 *per cent* with 2·5 *per cent* rebate for timely payment	Within 5 years from 6th Anniversary of the loan.
	186·80	105·73	43·45	335·98		

The Company did not make any repayment of instalments of principal the amount defaulted being Rs. 47·70 lakhs as on 31st March 1989. Besides, the Company had also made defaults in payment of interest of Rs. 165·20 lakhs up to 31st March 1989 for want of funds.

2F.5 **Financial position**

The Company has finalised its accounts up to 1983-84 only. Even provisional accounts have not been prepared for the subsequent years. The table below summarises the financial position of the Company for the three years up to 1983-84:

	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
Liabilities			
(*a*) Paid-up capital	97·73	97·73	97·73
(*b*) Reserves and surplus	0·35	0·35	0·35
(*c*) Grants-in-aid	0·87	0·87	0·87
(*d*) Borrowings	121·55	154·80	182·80
(*e*) Trade dues and other current liabilities (including provisions)	27·06	39·07	57·31
	247·56	292·82	339 06
Assets			
(*f*) Gross block	73·21	75·68	75·68
(*g*) Less: depreciation	14·29	16·73	18·92
(*h*) Net fixed assets	58·92	58·95	56·76
(*i*) Current assets, loans and advances	17·96	19·70	20·49
(*j*) Intangible assets			
(*i*) Miscellaneous expenditure and development expenditure	0·85	1·06	1·09
(*ii*) Accumulated losses	169·83	213·11	260·72
	247·56	292·82	339·06
* Capital employed	50·04	39·78	20·06
** Net worth	(–)72·60	(–)116·09	(–)163 73

* Capital employed represents net fixed assets plus working capital.
** Net worth represents paid-up capital plus reserves and surplus less intangible assets.

2F.6 **Modernisation and reorganisation scheme**

As most of the vital plant and machinery of both the factories of the Company was old and in a dilapidated condition, it could not achieve viability during any of the years since its inception. The Management had elaborate discussions with Government over the above issue and submitted a proposal in December 1979 for modernisation/reorganisation scheme to Government envisaging replacement of worn out and dilapidated machineries of its two factories at an estimated cost of Rs. 76·55 lakhs. However, neither did the Company study the viability of the unit on the implementation of the scheme nor did Government insist upon an assessment of viability. Government granted Rs. 28·85 lakhs as loans from time to time from 1978-79 to 1984-85 for replacement and repair of fixed assets. The Company could spend Rs. 7·74 lakhs towards construction of shed (Rs. 1·06 lakhs), procurement of machinery (Rs. 2·58 lakhs), installation of electrical fittings (Rs. 2·37 lakhs), purchase of furniture (Rs. 0·63 lakh) and others (Rs. 1·10 lakhs) up to March 1989.

Though the Company was to modernise the factories by procurement of plant and machinery, construction of sheds etc. it had, however, spent Rs. 1·73 lakhs in procurement of furniture (Rs. 0·63 lakh) and others (Rs. 1·10 lakhs) and the balance of Rs. 21·11 lakhs was diverted to meet expenses on pay and allowances etc. Thus, the contemplated improvement in the efficiency of the factories had not been brought out.

2F.7 **Performance analysis**

2F.7.1 The Company's factories at Beliaghata and Belghoria produce processed clay and finished products like rasching ring, saddle, crockeries, insulators, ceramic balls, etc. There was no system of preparing production budgets and production was carried out as per orders received from customers.

2F.7.2 *Production of processed clay*

The table below indicates the installed capacity, actual production and percentage of capacity utilisation of the processing plants during the seven years up to 1988-89:

Year	Factory-I			Factory-II		
	Installed capacity	Production of processed clay	Percentage of capacity utilisation	Installed capacity	Production of processed clay	Percentage of capacity utilisation
	(tonnes)			(tonnes)		
1982-83	600	69·00	11·5	600	239·00	39·8
1983-84	600	34·30	5·7	600	119·00	19·8
1984-85	600	19·15	3·1	600	1·20	0·2
1985-86	600	2·30	0·4	600	24·60	4·1
1986-87	600	—	—	600	17·00	2·8
1987-88	600	—	—	600	44·00	7·3
1988-89	600	—	—	600	14·00	2·3

The data in the table indicate that the capacity utilisation of the plants ranged between 0·4 *per cent* and 11·5 *per cent* in factory I and 0·2 *per cent* and 39·8 *per cent* in factory II and in fact the utilisation had gradually fallen from 11·5 *per cent* in 1982-83 to 0·4 *per cent* in 1988-89 in factory I and 39·8 *per cent* in 1982-83 to 2·3 *per cent* in 1988-89 in factory II. Production of processed clay in factory I was totally suspended from February 1986 owing to dispute over determination of status of workers inherited by the Company from Government departmental undertaking. The matter is pending with the Government since September 1986 for a decision. The low capacity utilisation was attributed (April 1989) by the Management to absenteeism of workmen, labour unrest, loadshedding and delay in repair of plant and machinery. The Company did not maintain any record relating to utilisation of machines and assess idle machine hours analysing various causes of idleness as avoidable and unavoidable.

2F.7.3 *Production of green stock of potteries and crockeries*

Green stock articles are made into different shapes from the processed clay and thereafter the articles are fired in kilns to get the final product.

During the three years up to 1988-89 the production of green stock articles in factory II was as under:

Year	Industrial procelain	Procelain ball	Total
	(lakhs of pieces)		
1986-87	10·89	0·07	10·96
1987-88	12·75	0·24	12·99
1988-89	9·50	—	9·50

In the absence of any norm for production or fixation of annual targets the performance achieved by the factory during the three years up to March 1989 could not be assessed in Audit. The Management also had no record to show whether the production performance had been analysed at any point of time during the period under review.

2F.7.4 *Consumption of processed clay in production of green articles*

The Company uses kaolin, powdered quartz, ball clay, powdered felsper, etc. in its ball mill to produce processed clay and out of this, different green articles of ceramics are produced.

There was no production of processed clay in factory I since Febrary 1986. The table below indicates the actual consumption of processed clay as against the standard consumption in factory II during 1986-87 to 1988-89:

	1986-87	1987-88	1988-89
Actual production of finished product (number in lakh pieces)	20·39	12·83	10·35
		(tonnes)	
Standard consumption of processed clay	21·92	18·84	21·33
Actual consumption of processed clay	14·50	39·43	23·23
Excess consumption of processed clay	Nil	20·59	1·90
Consumption expressed as percentage of standard (per cent)	—	209·3	108·9

The Management did not maintain any records relating to consumption of raw materials against each category of articles produced and accounts of final production and breakages during the production process. There was, thus, no system in the Company for assessing and analysing the excess consumption of raw materials in production.

In reply to Audit enquiry, the Management stated (May 1989) that due to various problems and inherent defects, etc., and policy decision of the highest appropriate level, the production in both the factories had deteriorated and the Beliaghata unit has virtually stopped since last few years.

2F.7.5 *Kiln performance*

2F.7.5.1 *Coal fired kiln*

The Company has nine coal fired kilns in the two factories—four in factory I and five in factory II. Out of the five kilns in factory II, two kilns are not functioning since their take over by Government in 1959 from the private owner. Green stock articles are loaded on saggars* which are fed into the kiln for firing. The capacity of each kiln was not fixed. Norms as to how many times a kiln can be fired in a year have also not been fixed. As stated by the Management, a kiln of 12′ diameter can be fired 36 times in a year and a kiln of 6′ diameter can be fired 60 times in a year. The annual aggregate capacities of the kilns in the two factories in terms of number of saggars are 2,16,000 and 82,380 respectively.

The table below indicates the performance of the kilns during the seven years up to 1988-89:

Year	Factory-I			Factory-II		
	Capacity	Actual	Percentage	Capacity	Actual	Percentage
	(In terms of saggars)			(In terms of saggars)		
1982-83	2,16,000	N.A.	Nil	82,380	28,219	34·2
1983-84	2,16,000	6,595	3·1	82,380	24,466	29·7
1984-85	2,16,000	4,712	2·2	82,380	12,045	14·6
1985-86	2,16,000	1,800	0·8	82,380	11,355	13·8
1986-87	2,16,000	1,850**	0·9	82,380	4,246	5·2
1987-88	2,16,000	Nil	Nil	82,380	5,109	6·2
1988-89	2,16,000	Nil	Nil	82,380	7,151	8·7

The kiln firing activity in both the factories during the period under review was nominal due to low production of green

*Trays made of baked fire proof clay for firing green articles.

**Firing operation suspended since February 1987.

stock articles resulting out of long unsettled labour dispute as already mentioned in paragraph 2F.6 *supra.*

2F.7.5.2 *Tunnel kiln*

Mention was made in paragraph 4.04(*b*) of the Report of the Comptroller and Auditor General of India for the year 1981-82 (Commercial) about the idleness of tunnel kiln since May 1979 as the kiln could not be operated owing to non-availability of uninterrupted power supply. Although the hot line connection was obtained in April 1983 at a cost of Rs. 2·01 lakhs, the kiln could not be operated due to dispute over settlement of status of a section of the workers of the Company.

It was already known to the Management that the productivity could not be improved unless there was an amicable settlement of the dispute. Thus the decision of taking hot line connection without first settling the dispute over the status of the worker rendered further investment of Rs. 2·01 lakhs idle for six years.

2F.7.5.3 *Electric furnace*

Apart from the tunnel kiln, there are five electric furnaces, four at factory I and one at factory II. Two of these were meant for testing ceramic raw material (processed clay), while the others were for glaze firing and decoration of crockeries. Out of the remaining two electric furnaces in factory I, one with 36 KW capacity was dismantled in July 1987 for repair but not re-commissioned so far (March 1989). The electric furnace at factory II was inoperative since take over of the factory in 1959.

The performance of the fourth electric kiln of factory I during the seven years up to 1988-89 was as under:

Year	Number of firings		Percentage of utilisation
	Attainable*	Attained	
1982-83	58	12	20·7
1983-84	58	19	32·8
1984-85	58	18	31·1
1985-86	58	2	3·5
1986-87	58	Nil	Nil
1987-88	58	3	5·2
1988-89	58	Nil	Nil

*Based on performance of the kiln during 1978-79 in absence of any norm fixed by the Company.

Although uninterrupted power supply was ensured from April 1983, the reasons for low utilisation of the capacity of the furnace during any of the years under review had not been analysed by the Company.

2F.7.6 *Service to cottage industrial units*

At the time of formation of the Company, it was envisaged that the factories would supply processed clay and extend firing facilities to cottage units located nearby the factories as processing of clay and firing involved huge capital investment which was beyond their capacity.

2F.7.6.1 Although supply of processed clay to the cottage units was one of the main objectives of the Company, the service was totally suspended from 1984-85 as the cottage units were not agreeable to pay the revised price fixed by the Company from June 1983. It was noticed (April 1989) in Audit that average production up to 1982-83, when a major part of processed clay was sold to cottage units, was 247·85 tonnes which dropped abruptly to 43·45 tonnes in 1983-84 due to revision of sales price of the product from Rs. 513 per tonne to Rs. 650 per tonne which was much above the market price (Rs. 615 per tonne).

The revision of prices lacked justification as (*i*) it hardly made any impact in cutting down the losses as the Company's cost of production of Rs. 1,890 per tonne was nearly 3 times the sales price, (*ii*) it took away the facility available to the cottage industrial units compelling them to stop the purchase of clay, and (*iii*) it further increased the losses of the Company by reducing the already low capacity utilisation.

2F.7.6.2 *Firing facilities*

The particulars of utilisation of the kilns by the Company and firing facilities provided to the cottage units during the three years up to 1984-85 are detailed below:

Year	Number of saggars fired			Percentage of utilisation	
	For own production	For cottage units' production	Total	For own production	For cottage units' production
1982-83	14,517	13,702	28,219	51	49
1983-84	28,764	2,297	31,061	93	7
1984-85	16,724	33	16,757	99·8	0·2

The servicing facilities to cottage units, though one of the developmental activities of the Company to such units of the State, was withdrawn from 1985-86 as the units were not aggreeable to pay the revised (June 1985) service charges (Rs. 5·00 to Rs. 5·60 from Rs. 4·35 to Rs. 4·85 per saggar) as it was beyond their capacity to bear.

The Company realised Rs. 1·08 lakhs towards service charges for the facilities extended to the cottage units during the period under review against which the Company incurred an expenditure of Rs. 2·06 lakhs towards wage payment only. Other charges incurred on the facilities could not be assessed in Audit in the absence of necessary records for the purpose.

2F.8 **Sale of ceramic items**

2F.8.1 *Trading activities*

The Company has not fixed any targets either for purchase or sales. Orders are procured through negotiations/tenders. The customers are mainly public sector undertakings. No separate marketing wing has been established, as yet, to promote sales. In August 1988, the Board approved a proposal for market research project in ceramic industries in the State to be undertaken by the Institute of Social Welfare and Business Management at an estimated cost of Rs. 0·85 lakh and moved Government for clearance of the project and allotment of fund of Rs. 0 85 lakh in the shape of grant. The decision of Government is awaited (December 1989).

The Company during the years up to 1988-89 sold trading goods worth Rs. 10·94 lakhs against their cost price of Rs. 8·78 lakhs and earned a profit margin of around 25 *per cent* on cost.

2F.9 **Inventory control**

Maximum/minimum and reordering levels have not been fixed in respect of raw materials and spare parts by the Company so far (March 1989). No stores manual laying down stores procedures had also been compiled so far (May 1989).

The table below indicates the comparative position of the inventory and its distribution during five years up to 1988-89:

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Rupees in lakhs)		
(*a*) Raw materials including coal and fuel—					
Closing stock	1·51	1·90	1·83	1·63	1·67
Consumption during the year	0·77	0·52	0·32	0·62	0·31
Closing stock in terms of months' consumption ..	23·53	43·85	68·63	31·55	64·65
(*b*) Stores and spares—					
Closing stock	0·48	0·32	0·31	0·31	0·31
Consumption during the year	0·30	0·48	0·45	0·35	0·63
Closing stock in terms of months' consumption ..	19·20	8·00	8·00	10·63	5·90
(*c*) Finished products—					
Closing stock	2·55	2·12	1·94	1·80	2·05
Sales	2·79	3·23	2·13	1·64	1·30
Finished stock in terms of months' sales	10·97	7·88	10·93	13·17	18·92

It would be evident that stock of raw materials and stores and spares expressed in terms of months' consumption ranged between 23·53 to 68·63 and 5·90 to 19·20 respectively during the five years up to 1988-89. The stock of finished goods expressed in terms of months' sales varied from 7·88 to 18 92.

The Company did not conduct any physical verification of stores and stock since inception excepting during June 1988. Shortages of coal and other consumable stores valued Rs. 0·47 lakh and China clay valued Rs. 0.20 lakh noticed during physical verification had not been investigated and adjusted so far (March 1989).

2F.10 **Profitability analysis**

The Company did not maintain any cost records to work out the cost of various activities undertaken by it. The following table indicates the operational results of the plants, based on provisional information compiled from books of accounts of the Company, during the three years up to 1988-89:

	1986-87	1987-88	1988-89
		(Rupees in lakhs)	
(*i*) Sales*	2·13	1·64	1·30
(*ii*) Add/Deduct accretion/decretion	(−)0·18	(−)0·14	(+)0·25
(*iii*) Value of production	1·95	1·50	1·55
(*iv*) Less: consumption of raw materials, fuel and stores ..	0·77	1·87	2·13
(*v*) Less: power	1·15	1·22	1·12
(*vi*) Contributed value	0·03	(−)1·59	(−)1·70
(*vii*) Conversion expenditure—			
(*a*) Payment to and provision for employees ..	35·13	43·71	47·06
(*b*) Administration and other expenses ..	2·82	2·90	2·74
(*c*) Depreciation	1·60	1·46	1·38
(*d*) Interest	24·71	30·01	35·94
	64·26	78·08	87·12
(*viii*) Loss for the year (*vi*)—(*vii*)	64·23	79·67	88·82
(*ix*) Deduct trading profit	0·54	0·62	1·00
(*x*) Net loss	63·69	79·05	87·82

*Excludes trading sales.

It would be seen from the above table that the value of production except in the year 1986-87 did not fully cover even the cost of direct materials and the contribution value in 1986-87 covered a negligible portion of the conversion expenditure.

Remuneration paid to the work force alone was about 18, 29 and 30 times the value of production. In fact the value of production was less than even the administrative charges which were 1·45, 1·93 and 1·77 times of it.

The plant has been incurring losses since its take over and the cumulative loss up to the end of March 1981 was Rs. 125·90 lakhs which has mounted to Rs. 596·87 lakhs by March 1989 (provisional). The production was declining and losses were mounting. There was, therefore, an immediate need to put the Company on sound footing by (*i*) resolving the labour dispute (*ii*) improving the conditions of plant and machinery (*iii*) improvement of capacity utilisation and labour productivity and (*iv*) reducing financing charges. But Government had put in funds only to meet the working capital needs and ways and means advances in the shape of loans which further added to the interest burden of the Company increasing the losses. No attempt was made to increase the capacity utilisation of the Company to generate funds. Even now there is no plan to make the Company viable with the result that the entire investment made by the Government has proved wasteful.

2F.11 **Manpower analysis and productivity**

No comprehensive and scientific work study has been conducted to assess the staff requirements of the Company. No norms in terms of man hours have been fixed (May 1989). As a result there is no mechanism available to measure the efficiency and productivity of the workmen.

The table below shows the comparative position of the value added per employee and salaries and wages and other benefits per employee during the three years up to 1988-89:

	1986-87	1987-88	1988-89
Value of production (Rupees in lakhs) ..	1·95	1·50	1·55
Less: Consumption of raw materials, stores, power and fuel (Rupees in lakhs)	1·92	3 09	3 25
Value added (Rupees in lakhs)	0·03	(—)1·59	(—)1·70
Number of employees	327	322	313
Value added per employee (Rupees)	9·17	(—)493·79	(—)543·13
Salary, wages and other benefits of employees (Rupees in lakhs)	35·13	43·71	47 06
Salary, wages and other benefits per employee (Rupees)	10,743	13,575	15,035

It will be seen that value added *per* employee was grossly inadequate even to cover the salaries and wages during the three years up to 1988-89.

2F.12 **Sundry debtors**

Credit facilities are allowed and limited to Government undertakings or departments only. The amount of book debts outstanding as on 31st March 1989 amounted to Rs. 3·94 lakhs.

The Company did not analyse book debts age-wise. The confirmation of balances was not obtained from the debtors.

Although the financial position of the Company is not sound, no effective steps were taken by the Company to realise the debts.

2F.13 **Accounts**

The Company has no accounting manual. In November 1986, the Company appointed a firm of Chartered Accountants for preparation of accounting manual and other system manuals at a consolidated fee of Rs. 0·20 lakh. As per terms of reference the firm submitted (February 1987) the draft of the first chapter of the accounts manual dealing with organisation and initial accounting records for comments of the Management. The Management stated that the draft manual is under examination. No payment has, however, been made so far (May 1989). The other system manuals were to be taken up for drafting after the approval of the first chapter by the Management.

The accounts of the Company are in arrears from the year 1984-85. The accounts for 1983-84 were adopted (May 1989) by the Board of directors and the certification of the same by the auditors is awaited (December 1989).

The Management stated (May 1989) that the accounts could not be prepared for want of experienced staff.

2F.14 **Budget**

The Company did not compile any budget manual prescribing the responsibility-cum-post control centres for compilation of budget. The Company had, however, prepared annual expenditure budget indicating therein estimated amount detailing major expenditure heads like pay and allowances, wages, provident fund contribution, etc. up to 1986-87. It did not also conduct any analysis of variance of actuals against budget estimates with reasons for such variance. Since 1987-88, the Company instead of preparing detailed expenditure budget had sent fund proposals in lump sum to Government to meet inescapable expenditure like salary, wages etc.

2F.15 **Internal audit**

The Company did not compile any manual of internal audit procedure so far (May 1989). It had, however, appointed (April 1981) an Internal Audit Officer to operate its own internal audit cell. But in the absence of any internal audit cell, he served the Company as Audit Officer up to January 1986 when he left the organisation. Since his leaving the Company, no arrangement for internal audit had been made so far (May 1989).

2F.16 **Other topics of interest**

2F.16.1 *Procurement of coal through agent*

In February 1980 the Company appointed East India Corporation, Calcutta, as an agent to supply steam coal required for its two factories against its quota of coal. The agent was to collect coal permits from Coal India Limited and lift coal and deliver it to the Company on commission basis. The average annual sponsored quota sanctioned by Directorate of Movements, Government of West Bengal was 8,280 tonnes (360 wagons of 23 tonnes each). The appointment of the agent was valid for three years up to February 1983. Although no fresh agreement was executed thereafter, the Company allowed the handling agent to continue to handle coal till November 1986.

During 1982-83 to 1986-87, the Company obtained sponsored/allotted quota of 41,400 tonnes of coal against which the agent delivered only 870 tonnes and was paid for the same.

The Company did not ascertain actual lifting of coal against sponsored quota to ensure that the agent did not secure extra contractual financial benefit by drawing the balance coal for sale in the open market.

On this being pointed out in Audit in May 1982, the Company asked (September 1987) the agent to furnish actual lifting of coal against its sponsored quota but the agent expressed its inability to furnish the same on the ground that the agency had already been terminated.

These matters were reported to Management and Government in July 1989; their replies had not been received (December 1989).

CHAPTER III

REVIEWS RELATING TO STATUTORY CORPORATIONS

3. WEST BENGAL STATE ELECTRICITY BOARD

Bandel Thermal Power Station

Highlights

The power station has five units (I to V) with an installed capacity to generate 560 MW of power. The first four units with a capacity of 350 MW were installed during 1965 and 1966 while the fifth unit with 210 MW capacity was added in March 1983. The capacity of the first four units had been derated to 320 MW in 1972-73. The present rated capacity of the station is thus 530 MW.

The power generated in units I to IV varied from 24·5 to 57·7 *per cent* of the rated capacity. The four units could achieve the norm of 57 *per cent* of the derated capacity only twice during the five years (unit III in 1984-85 and unit II in 1986-87) when certain plants of the Calcutta Electric Supply Corporation Limited (CESC) could exceed the norm even after 24 and 34 years of running.

Mainly due to inability of the Board to distribute all the power generated and purchased by it which in turn was due to imbalance of transmission and distribution system, power generation had to be backed down by 505·949 MKWH in 1987-88 and 1988-89 causing a revenue loss of Rs. 28·58 crores.

Central Electricity Authority approved a renovation and modernisation scheme for units I to IV to restore their capacity to 80-82 5 MW at a cost of Rs. 33 90 crores to be completed in three years by 1987-88. The scheme was still under implementation. The expenditure incurred up to March 1989 was Rs. 7·60 crores only.

The expenditure on renovation included equipment and spares valued Rs. 2·70 crores imported on emergent basis but were not used. The burden of interest on the blocked up capital was Rs. 38·89 lakhs.

Three out of the four HP heaters procured indigenously at a cost of Rs. 1·06 crores as a part of renova-

tion programme were commissioned after delay of 22 months. The delay resulted in excess consumption of heat valued Rs. 184.64 lakhs.

The forced outages in units I to IV taken together varied between 2,564 and 7,611 hours and those of unit V varied between 295 and 2,039 hours resulting in a revenue loss of Rs. 78·78 crores. The boiler tube leakage was the main reason, accounting for 82 *per cent* of the forced outages of units I to IV and 13 *per cent* of unit V.

There was excess consumption of coal and oil valued Rs. 51·89 crores over the Board's norms mainly due to tube leakages and low thermal efficiency.

The coal supplied to the Board by Coal India Limited was of inferior quality causing loss of heat value. The loss suffered by the Board on this account amounted to Rs. 1 58 crores.

Inefficient working of the coal handling plant resulted in payment of demurrage charges of Rs. 2·89 crores on unloading of coal but no remedial action was taken by the Board.

Incidence of surcharge of 5 *per cent* towards freight charges for coal at destination could have been avoided by opening a fund account with the Railways equal to 10 days' freight charges. The Board lost a saving of Rs. 1·45 crores on this account.

The boilers were overhauled once in 16 to 32 months against the norm of annual overhaul and only 40 *per cent* of the turbo generator sets were overhauled against the prescribed target of 100 *per cent*.

No attempt was made to ascertain the actual manpower needs till 1988-89 when a committee found out that the generating station needs 1,865 persons to run instead of 2,275 to 2,493 employed during 1984-85 to 1988-89. Excess expenditure on this account during the five years up to 1988-89 was Rs. 4·84 crores.

3.1 **Introduction**

Bandel Thermal Power Station has five generating units with a total designed capacity of 560 MW. Out of these, Units I to IV with a capacity of 350 MW (Cost: Rs. 3,573 lakhs) were installed during 1965 and 1966. The fitth Unit with a capacity of 210 MW was commissioned in March 1983 at a revised (February 1984) estimated cost of Rs. 9,951 lakhs against which an expenditure of Rs. 12,066 lakhs was incurred up to 31st March 1989. The installed capacity of the four old units had been derated to 80 MW each in 1972-73 and thus the rated capacity of the Power Station is 530 MW.

3.1.1 *Scope of Audit*

The working of the first four units and the fifth unit of the Power Station was reviewed in the Reports of the Comptroller and Auditor General of India for the years 1979-80 and 1986-87 (Commercial) respectively which are yet to be considered by the Committee on Public Undertakings (August 1989). The results of a further review conducted in Audit (April-July 1989) covering mainly the period of five years up to 1988-89 are discussed in the succeeding paragraphs.

3.1.2 *Operational performance*

3.1.2.1 The Power Station had 32·96 *per cent* to 44·66 *per cent* of the total generating capacity of the Board during the period from 1984-85 to 1987-88, while it contributed 50·02 *per cent* to 65·92 *per cent* of total generation of the Board during the above period. The following table indicates the units generated, actual generation in Kwh per KW of derated capacity, etc., during the five years up to 1988-89:

	1984-85	1985-86	1986-87	1987-88	1988-89
			(MW)		
(*i*) Installed capacity as per designers					
Unit-I	87·5	87·5	87·5	87·5	87·5
Unit-II	87·5	87·5	87·5	87·5	87·5
Unit-III	87·5	87·5	87·5	87·5	87·5
Unit-IV	87·5	87·5	87·5	87·5	87·5
Total	350·0	350·0	350·0	350·0	350·0
Unit-V	210·0	210·0	210·0	210·0	210·0
Grand total	560·0	560·0	560·0	560·0	560·0

	1984-85	1985-86	1986-87	1987-88	1988-89
			(MW)		
(ii) Derated Capacity					
Unit-I	80·0	80·0	80·0	80·0	80·0
Unit-II	80·0	80·0	80·0	80·0	80·0
Unit-III	80·0	80·0	80·0	80·0	80·0
Unit-IV	80·0	80·0	80·0	80·0	80·0
Total	320·0	320·0	320·0	320·0	320·0
Unit-V	210·0	210·0	210·0	210·0	210·0
Grnad Total	530·0	530·0	530·0	530 0	530·0
			(Hours)		
(iii) Hours available for operation per unit	8,760	8,760	8,760	8,778	8,760
(iv) Actual running hours					
Unit-I	3,264	7,309	5,628	8,001	6,581
Unit-II	7,698	5,553	8,369	7,809	6,323
Unit-III	8,147	5,192	8,336	5,750	7,901
Unit-IV	6,072	8,077	5,275	7,575	6,571
Total	25,181	26,131	27,608	29,135	27,376
Unit-V	6,657	6,721	7,617	5,894	7,939
(v) Plant availability factor			(Percentage)		
Unit-I	37·2	83·4	64·2	91·1	75·1
Unit-II	87·9	63·4	95·5	89·0	72·2
Unit-III	93·0	59 3	95·2	65·5	90·2
Unit-IV	69·3	92·2	60·2	86·3	75·0
Total	71·9	74·6	78·8	83·0	78·1
Unit-V	76·0	76·7	86·95	67·1	90·6
(vi) Possible generation in the honrs actually workedat derated capacity			(Mkwh		
Unit-I	261·120	584·720	450·240	640·080	526·480
Unit-II	615·840	444·240	669·520	624·720	505·840
Unit-III	651·760	415·360	666·880	460·000	632·080
Unit-IV	485·760	646·160	422·000	606·000	525·680
Total	2,014·480	2,090·480	2,208 640	2,330·800	2,190·080
Unit-V	1,397·970	1,411·410	1,599·570	1,237·740	1,667·190

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Mkwh)		
(*vii*) Actual generation gross					
Unit-I	171·800	344·100	279·350	362·340	295·330
Unit-II	351·050	270·130	404·400	349 900	272·900
Unit-III	403·440	243·830	387·780	260·090	336·280
Unit-IV	256·960	390·360	204·490	331·300	288·200
Total	1,183·250	1,248·420	1,276·020	1,303·630	1,192·710
Unit-V	1,064·449	1,129·832	1,290·442	1,002·212	1,310·234
(*viii*) Shortfall in generation (compared to possible generation)					
Unit-I	89·320	240·620	170·890	277·740	231·150
Unit-II	264·790	174·110	265·120	274·820	232·940
Unit-III	248·320	171·530	279·100	199·910	295·800
Unit-IV	228·800	255·800	217·510	274·700	237·480
Unit-V	333·521	281·578	309·128	235·528	356·956
(*ix*) Percentage of shortfall compared to possible generation					
			(Percentage)		
Unit-I	34·2	41·1	38·0	43·4	43·9
Unit-II	43·0	39·2	39·6	44·0	46·0
Unit-III	38·1	41·3	41·9	43·5	46·8
Unit-IV	47·1	39·6	51·5	45 3	45·2
Unit-V	23·9	20·0	19·3	19·0	21·4
(*x*) Actual generation per KW of derated capacity			(Kwh)		
Unit-I	2,148	4,301	3,492	4,529	3,692
Unit-II	4,388	3,377	5,055	4,374	3,411
Unit-III	5,043	3,048	4,847	3,252	4,204
Unit-IV	3,212	4,880	2,556	4,141	3,603
Unit-V	5,069	5,380	6,145	4,773	6,239

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Percentage)		
(*xi*) Plant load factor (Percentage of gross generation to generation at designed capacity)					
Unit-I	22·4	44·9	36·4	47·2	38·5
Unit-II	45·8	35·2	52·8	45 6	35·6
Unit-III	52·6	31·8	50·6	33·9	43·9
Unit-IV	33·5	50·9	26·7	43·1	37·6
Unit-V	57·9	61·4	70·1	54·4	71·2
(*xii*) Plant load factor (percentage of gross generation to the generation at derated capacity)					
Unit-I	24·5	49·1	39·9	51·7	42·1
Unit-II	50·1	38·5	57·7	49·8	38·9
Unit-III	57·6	34·8	55·3	37·0	48·0
Unit-IV	36·7	55·7	29·3	47·1	41·1
Unit-V	57·9	61·4	70·1	54·4	71·2

3.1.2.2 The following points emerge in this connection:

(*i*) Poor performance of the old units (I to IV) was attributable to the planning of generation adopted by the Power Station Management involving generation in Unit V to the maximum extent possible and then generating the balance quantum of power required for meeting the demand in the system by old units.

Though such planning yielded better results from Unit V, the difference in cost of generation due to operation of old units at persistent low load and adverse effect, if any, on the health of the new unit due to operation at high load were not analysed and placed on record to ascertain the justifiability of the planning.

(*ii*) One parameter for measuring the efficiency of the power system is generation of power in Kwh per KW of installed capacity. The accepted norm of generation is 5,000 Kwh of power *per* KW of installed/derated capacity i.e., 57 *per cent* of the installed/derated capacity. During all the five years up to 1988-89 exeept Unit V, commissioned six years ago, generation of only one unit (Unit III) in 1984-85 and another unit (Unit II) in 1986-87 could reach the accepted norm.

Although the Management contended in June 1989, *inter alia*, that in the absence of any stand-by pulverising mill it might not be possible to have a generation of 5,000 Kwh *per* KW capacity all the time from the units, the provision of a stand-by pulverising mill has not been identified by Central Electricity Authority (CEA) as an item of the Renovation and Modernisation (R&M) programme. Besides, Unit II in 1986-87 and Unit III in 1984-85 could achieve the norm without any additional pulverising mill.

(*iii*) Kulkarni Committee, set up by the Government of India for suggesting ways and means for improving generation in power houses, had recommended (April 1975) that the generating units should be available for operation up to 80 to 85 *per cent* of the total hours during the year, the rest of the time being utilised for maintenance and overhaul of the plant. Rajadhyaksha Committee in its Report of September 1980 also considered 80 *per cent* plant availability to be reasonable after providing the balance towards planned maintenance and forced outages.

As already indicated in the table above, the actual plant availability was below the norm in 1984-85 (Units I,IV and V), 1985-86 (Units II,III and V), 1986-87 (Units I and IV), 1987-88 (Units III and V) and 1988-89 (Units I,II,IV and V). The main reasons for the low percentage of plant availability were longer periods taken in annual overhauls compared to norms, tube leakages, mechanical and electrical failures, etc., during the period from 1984-85 to 1988-89 as indicated in the table below:

	1984-85	1985-86	1986-87	1987-88	1988-89
			(Hours)		
A. *Internal*					
(*i*) Overhauling	3,671	5,072	4,794	4,287	4,799
(*ii*) Short maintenance	238	277	74	707	162
(*iii*) Shortage of fuel	76	—	—	—	201
(*iv*) Tube leakages	7,579	2,939	2,165	2,184	1,962
(*v*) Mechanical failure	299	2,077	1,298	711	1,032
(*vi*) Electrical failure	99	407	244	929	329
B. *External*					
(*i*) Grid failure	—	17	—	—	—
(*ii*) System low demand	—	59	—	43	—
Total	11,962	10,948	8,575	8,861	8,485

The Power Station Management stated (June 1989), *inter alia,* that "while certain ailments may be removed by taking certain measures, it is not possible to have vastly improved PLF from the four older units any more".

This view of the Management runs counter to the observations made by the Committee on Public Undertakings (COPU) in their Eleventh Report presented to the Legislative Assembly on 20th April 1981 comparing the preformance of the Mulajore Power Station (MPS) and New Cossipore Power Plant (NCPP) of Calcutta Electric Supply Corporation Limited (CESC) installed in 1939-40 and 1949-50 respectively. According to the report, those Power Stations were giving satisfactory performance even after 30/40 years of operation mainly due to proper maintenance. During 1976-77, the capacity utilisation of MPS and NCPP of CESC Limited were 59 40 *per cent* 60·58 *per cent* respectively, whereas corresponding capacity utilisation of the Power Station was 49·93 *per cent* during that year though the Power Station was only 11 years' old at that time.

The Mechanical Engineer, U. S. Agency for International Development (USAID) opined in July 1971 that the Power Station Management gambled with major failure and correspondingly, excessive damages and repairs had to be undertaken due to non-adherence to the schedule of annual overhauling. COPU, in view of the opinion of the USAID Engineer, recommended timely overhauling of the units in future.

But the Power Station Management did not adhere to the overhauling schedule as discussed in paragraph 3·15·1 *infra.*

(*iv*) During the five years up to 1988-89, the Power Station generated 12,001·199 Mkwh against possible generation of 18,148 360 Mkwh in available hours. The auxiliary consumption on an average during this period was 8·5 *per cent* of actual generation. Had the Power Station been able to generate 18,148·360 Mkwh, there would have been auxiliary consumption of 1,542·611 Mkwh leaving 16,605·749 Mkwh for evacuation to grid. Actually 10,980·507 Mkwh of power was sent to grid resulting in shortfall in generation of 5,625·242 Mkwh valued at Rs. 24,368·85 lakhs.

(*v*) Considering the poor preformance, the Central Electicity Authority and the Planning Commission approved in March/May 1985 a scheme for renovation and modernisation (R&M) of the Units I-IV at an estimated cost of Rs. 3,390 lakhs. The R&M work programmes were to be carried out between 1985-86 and 1987-88 covering the "core activities having direct impact on the imporvement of Plant Load Factor and optimal operation of generating units". The Board, however, failed to implement the scheme within the target date as discussed in para 3·2 *infra.*

3.1.2.3 *Backing down*

One of the major constraints responsible for low generation was stated to be lower demand on the system. This was due to imbalance in the transmission and distribution system mainly on account of delay in taking-up/completion of transmission and distribution projects and augmentation of existing sub-station transformer capacities to match the capacity of the generating unit vide paragraph 3A.6 of the Report of the Comptroller and Auditor General of India for the year 1987-88 (Commercial) on transmission and distribution system. Due to the indadequate transmission and distribution network and also in view of the committed purchase of power from West Bengal Power Development Corporation Limited, Damodar Valley Corporation, Natioanl Thermal Power Corporation Limited, National Hydel Power Corporation Limited and The Durgapur Projects Limited, the Board had to resort to the backing down of generation.

But, the Board did not maintain any record relating to the quantum of power backed down up to 1986-87. However, during 1987-88 and 1988-89, the generation in the entire Board was backed down to the extent of 391·637 Mkwh and 195·492 Mkwh respectively. Out of the above, the Power Station backed down 323·517 Mkwh and 182·432 Mkwh during 1987-88 and 1988-89 resulting in loss of revenue to the tune of Rs. 1,743·10 lakhs and Rs. 1,114·84 lakhs respectively.

3.1.3 *Consumption of fuel*

3.1.3.1 *Coal*

In respect of consumption of coal, the Board fixed a norm in July 1983 of 0·450 kg *per* kwh of energy generated. The data as to total energy generated, total consumption of coal, consumption in excess of norm together with the value during the five years up to 1988-89 is tabulated in Annexure 6. It may be seen therefrom that the percentage of excess consumption of coal varied between 7·33 and 12·22 in respect of Units I to IV and between 9·78 and 15.56 in respect of Unit V involving excess consumption of 5·82 lakh tonnes of coal valued at Rs. 2,431·61 lakhs.

The excess consumption was despite usage of coal with calorific value higher than the designed specification of the boilers and was due to lower capacity utilisation of the generating units arising out of defects in the plant, indequate transmission and distribution network and committed purchase of power from other power generating agencies. The Board, however, did not analyse the reasons for higher consumption of coal with desired calorific value.

3.1.3.2 *Light diesel oil*

In coal fired boilers, oil support is required for initial firing of boiler and maintaining the flames at the required pressure in the boilers. In July 1983, the Board had prescribed the norm of 0·0076 litre of oil consumption *per* Kwh of energy generated. The data of unit-wise actual consumption of oil, excess consumption of oil compared to norm, together with value during the five years up to 1988-89 is given in Annexure 7. It may be seen therefrom that the value of excess consumption of oil amounted to Rs. 2,757·35 lakhs.

The Power Station Management attributed (June 1989) the excess consumption to poor quality of coal.

The contention of the Management is not tenable in view of the fact that the average calorific value of coal received did not show any downward trend. Moreover, the rate of consumption of LDO *per* Kwh did not have any direct relation with the quality of coal which would be evident from the fact that the rate of consumption of LDO *per* Kwh was the lowest in 1986-87 when the average calorific value of coal was also the lowest (4935 K cal/Kg).

3.1.4 *Thermal efficiency*

The thermal efficiency of a plant is an index which measures the efficiency of conversion of thermal energy to electrical energy. According to the Management (April 1988), the designed heat rate of the turbines of Unit I to IV of the Power Station is 2,116.6 K Cal/Kwh and considering the reported boiler efficiency at 0·885 and generator efficiency at 0·97, the actual heat rate was ascertained at 2,465·6 K Cal/Kwh. With this parameter of energy input, the thermal efficiency was expected to be 34·88 *per cent*. For the fifth unit, the turbine heat rate is 2,062 K Cal/Kwh, the boiler efficiency is 0·866 and generator efficiency is 0·97. Thus the design heat rate for that unit is 2,454·7 K Cal/Kwh i.e., thermal efficiency at 35·03 *per cent.* However, none of the units of the Power Station was able to achieve this norm during the five years up to 1988-89 as indicated below:

Particulars	Unit	1984-85	1985-86	1986-87	1987-88	1988-89
1. Consumption						
(*a*) Coal (Kg/Kwh)	I	0 49	0·48	0·50	0·49	0·51
	II	0·49	0·49	0·51	0·50	0·50
	III	0·49	0·48	0·50	0·49	0·50
	IV	0·48	0·49	0·48	0 49	0·51
	V	0·50	0·49	0·51	0·50	0·52
(*b*) Oil (Kg/Kwh)	I	0·012555	0·01595	0·009864	0·015039	0·016263
	II	0 013797	0·012366	0 008955	0·012366	0·018801
	III	0·013932	0·016146	0·012277	0·015345	0·016686
	IV	0·015948	0·014400	0·019071	0·018936	0 018468
	V	0·01431	0·11817	0·00882	0·013887	0·011052
2. Heat value						
(*a*) Coal (K Cal/Kg)		5,017	5,039	4,935	4,978	5,065
(*b*) Oil (K Cal/Kg)		10,006	10,455	10,501	10,440	10,415
3. Heat value of fuel consumed						
(*a*) Coal (K Cal/Kwh) 1(*a*) ×2 (*a*)	I	2,458 33	2,418·72	2,467·50	2,439·22	2,583·15
	II	2,458 33	2,469·11	2,516 85	2,489·00	2,532·50
	III	2,458 33	2,418·72	2,467·50	2,439·22	2,532·50
	IV	2,408 16	2,469·11	2,368·80	2,439·22	2,583·15
	V	2,508·50	2,469·11	2,516·85	2,489 00	2,633·80
(*b*) Oil (K Cal/Kwh) 1(*b*) ×2 (*b*)	I	125 63	166·76	103·59	157·01	188·20
	II	138·05	129·29	94·04	129·10	195·81
	III	139·40	168·81	118·42	160·20	173·78
	IV	159·58	150·55	200·26	197·69	192·34
	V	143·19	123·55	92·62	144·98	115·11
4. Total heat consumed (K Cal/Kwh) [3 (*a*) +3 (*b*)]	I	2,583·96	2,585·48	2,571·23	2,596·23	2,771·35
	II	2,596·38	2,598·40	2,610·89	2,618·10	2,728·31
	III	2,597·73	2,587·53	2,585·92	2,599·42	2,706·28
	IV	2,567·74	2,619·66	2,569·06	2,636·91	2,775·49
	V	2,651·69	2,592·66	2,609·47	2,633·98	2,748·91
5. Thermal efficiency (860×100)÷heat consumed	I	33·28	33·26	33·45	33·12	31·03
	II	33·12	33 09	32·94	32·85	31·52
	III	33·11	33·24	33·26	33·08	31·78
	IV	33·49	33·83	33·47	32·61	33·99
	V	32·43	33·17	32·96	32·65	31·28

During the five years up to 1988-89, there was 20,63473·91 MK Cal excess consumption of heat vis-a-vis thermal efficiency ascertained by the Management. Since the element of oil assumed in arriving at the standard consumption was not spelt out, the value of the above excess consumption of heat in terms of coal in excess of the requirement based on the reported thermal efficiency was of the order of Rs. 1,717·32 lakhs as shown in Annexure-8.

The Power Station Management stated (June 1989) that the thermal efficiency of 34·88 *per cent* was valied only at full load of the unit and the idea of getting the same thermal efficiency after 24 years of operation of the units was not very practical and was also impossible.

The contention of the Plant Management that the ageing of the units was the major constraint in obtaining rated thermal efficiency is not tenable since the units were being operated since 1972-73 without the H. P. heaters, one of the major heat-saving devices, accounting for excess consumption of heat to the extent of 2,34,786 MK Cal equivalent to 0·47 lakh tonnes of coal valued at Rs. 184·64 lakhs as discussed in detail in the paragraph 3.2.2 (*ii*) *infra.*

In order to remove the constraints in operating the old units at full load, the Board took up a renovation and maintenance scheme, but most of the works were not executed in the manner envisaged in the scheme though a considerable number of equipment was procured, as a result of which the units could not be restored to their original capacity as discussed in paragraph 3.2. *infra.*

3.1.5 *Overhauling of boilers and turbo-generators*

As per the Indian Boilers Act, 1923 and the recommendations of CEA, the boilers are to be overhauled once in a year. Neither the periodicity of taking up the overhaul of the boilers and turbo-generators nor the period within which overhaul of boiler and turbo-generator is to be completed was prescribed by the Board. According to Kulkarni Committee Report of April 1975, normal maintenance of boiler to be done annually should take 28 days (672 hours) with a manpower of 175 persons and maintenance of turbo-generator, to be done every 3 to 5 years, would require 45 days (1,080 hours) with a manpower of 525 persons. Rajadhyaksha Committee which reviewed the working of power generating units in the country had in its Report (1980) noted with concern the progressive dilution of maintenance standards in thermal stations due to disturbing practice of postponement of annual boiler overhaul and capital maintenance of turbo-generators (TG) once in every three years, resulting in higher thermal plant outages.

3.1.5.1 *Boilers*

The position regarding overhaul of boilers in respect of all the five units during the five years ending 1988-89 is given in the table below:

Unit Number	Period of overhauling From	To	Actual hours taken	Number of days taken	Number of days allowed to the contractors as per orders	Number of persons to be engaged	Number of days taken in excess	Standard in hours	Excess time taken in hours
I.	27th August 1986	3rd December 1986	2,350	98	45	80	53	672	1,678
	31st October 1988	9th January 1989	1,670	70	45	na	25	672	998
II.	11th August 1985	23rd November 1985	2,506	107	21	na	86	672	1,834
	9th May 1988	29th July 1988	1,938	81	45	70	36	672	1,266
III.	15th December 1985	2nd April 1986	2,604	109	na	na	—	672	1,932
	27th September 1987	11th December 1987	1,794	75	45	na	30	672	1,122
IV.	27th November 1984	16th February 1985	1,934	81	70	na	11	672	1,262
	20th December 1986	30th March 1987	2,407	101	60	na	41	672	1,735
	10th February 1989	5th May 1989	2,098	88	na	na	—	672	1,426
		Total	19,301	810				6,048	13,253
V.	15th January 1985	28th March 1985	1,737	73	na	na	—	672	1,065
	1st December 1987	14th March 1988	2,493	104	na	na	—	672	1,821
		Total	4,230	177				1,344	2,886

na=not available

The following points emerge from the above:

(*i*) As against the overhaul of the boilers of the units after 12 months of operation mandatory as per Indian Boilers Act, the gap between two overhauls ranged between 16 months and 32 months. During the period of five years up to 1988-89, Units I, II, III and V were overhauled only twice each whereas Unit IV was overhauled thrice.

(*ii*) The Kulkarni Committee Report (April 1975) prescribed 28 days for annual overhauling of the boilers with the engagement of 175 persons. But a test-check (April 1989 to July 1989) of the records revealed that against the prescribed norm of 28 days, the Power Station Management allowed the contractors, engaged for the boiler overhaulings, 70 to 109 days for such work. Number of persons to be engaged was indicated as 80 for overhauling of the boiler of Unit I during 1986-87 and 70 for overhauling of boiler of Unit II during 1988-89. In other cases of overhaul the number of persons to be deployed by the contractors for overhaul of boilers was not on record.

The Power Station Management did not maintain any record to show the deployment of actual number of persons by the contractors for each overhaul.

During the period of five years up to 1988-89, none of the contractors could complete the work within the time allowed. But the Power Station Management neither analysed the reasons for excess time taken by the contractors nor levied any penalty as per terms of the agreements.

Incidentally, it would be interesting to mention that with a view to reducing the boiler overhauling time, the Board procured an imported equipment (sky climber) at cost of Rs. 12·32 lakhs in February 1982 but was kept idle (March 1989) ever since its procurement as already commented in paragraph 4B.1 of the Report of the Comptroller and Auditor General of India for the year 1987-88 (Commercial).

3.1.5.2 *Turbo-generator*

The following table indicates the period of overhauling of TG sets, actual time taken, hours taken in excess of 1,080 hours (45 days) prescribed by the Committees mentioned above for overhaul of TG Sets during the five years up to 1988-89.

Unit Number	Year of commissioning	Period of previous overhaul		Period of latest overhaul		Norm in hours	Actual time taken		Excess time taken (Hours)
		From	To	From	To		Days	Hours	
I.	1965-66	16th August 1983	8th November 1983	Nil		—	—	—	—
II.	1965-66	16th March 1983	23rd July 1983	Nil		—	—	—	—
III.	1965-66	Not available		17th December 1985	27th March 1986	1,080	101	2,424	1,344
IV.	1965-66	5th November 1982	5th February 1983	20th December 1986	13th March 1987	1,080	84	2,016	936
						2,160		4,440	2,280

From the above table the following points emerge:

(*i*) The TG sets were not regularly overhauled once in every three to five years either as per recommendations of the manufacturers or as per recommendations of the Committees mentioned at paragraph 3.1.5. During the period of five years up to 1988-89, only 40 *per cent* of the TG sets were overhauled against the requirement of overhaul of 100 *per cent* during that period. Two TG sets (Units I and II) were last overhauled during the year 1983-84.

(*ii*) The Board stated (July 1987) that the boiler and TG set of Unit V would be taken up for overhauling in November-December 1987. Although the boiler of the Unit was overhauled during the period from 1st December 1987 to 4th March 1988, the overhauling of the TG set had not been taken up so far (July 1989).

(*iii*) The norms prescribed for overhauling of a TG set was 45 days engaging 525 persons. The work of overhauling of the TG sets was done departmentally. Though there were 227 technical personnel for mechanical maintenance and 407 technical personnel for mechanical operation of all the units of the Power Station, the local Management did not maintain any record to show the number of persons deployed for the work of overhauling of TG sets when undertaken.

For overhauling of TG sets of Unit III in 1985-86 and Unit IV in 1986-87, 2,280 hours were taken in excess of 2,160 hours required as per norm for two Units. In the absence of the data regarding deployment of personnel and areas of work attended to, the reasons for excess time taken could not be ascertained in Audit.

3.1.6 *Outages*

The extent of unit-wise planned and forced outages during the five years up to 1988-89 is given in Annexure-9.

3.1.6.1 *Planned outages*

The following table indicates in detail the reasons of planned outages:

	Reasons	1984-85	1985-86	1986-87	1987-88	1988-89
				(Figures in hours)		
(i)	Annual overhauling	1,934 (IV) 1,737 (V)	2,566 (III) 2,506 (II)	2,350 (I) 37 (III) 2,407 (IV)	1,794(III) 2,493 (V)	1,190 (IV) 1,671 (I) 1,938 (II)
(ii)	Short maintenance of turbine	226 (II)	—	—	—	—
(iii)	Maintenance of ID Fan	12 (II)	332 (I)	—	345 (IV)	—
(iv)	Maintenance auxiliaries	—	—	56 (IV)	—	—
(v)	Bus Shut-down	—	17 (II)	—	—	—
	Low Demand	—	59 (III)	—	43 (II)	—
	Shortage of oil	76 (II)	—	—	—	—
	Shortage of coal	—	—	—	—	177 (I) 24 (II)
	Filtration of transformer oil	—	—	—	60 (I)	—
	Maintenance of bearing	—	—	—	21 (I)	162 (V)
	Cooling water heater	—	—	—	17 (II) 19 (III)	—
	Others	— —	5 (IV) 28 (I) 12 (II)	18 (I)	149 (IV) 96 (V)	— —
		3,985	5,525	4,868	5,037	5,162

The following observations are made in this connection:

(*a*) Unit II was shut down on 4th September 1984 on the ground of low stock of LDO and re-synchronised on 7th September 1984 after shut-down of 76 hours. Records revealed that when the unit was taken out of operation, four units were running (Unit I was under prolonged shut-down) and stock of LDO was 674 KL which, according to the parameter of consumption relating to previous month, was sufficient for 6 days' consumption for four units. Unit V was shut down on 6th September 1984 due to mechanical failure. Unit II could have been brought back on the day Unit V, which accounted for a consumption of around 50 *per cent* of total LDO became inoperative. But the Power Station Management re-synchronised both the units (II and V) on 7th September 1984 when the stock of LDO was only 502 KL i.e., when the stock was lower than that of 4th September 1984.

Thus, it would be evident that the shut-down of Unit II was avoidable which resulted in loss of generation to the extent of 3·466 MKwh (calculated at the average load of the unit during the year i.e., 45·60 MW) valued at Rs. 14·17 lakhs.

(*b*) (*i*) Unit I was kept under shut-down for 177 hours from 8th to 16th July 1988 due to shortage of coal. But the records revealed that at the time of taking such shut-down, there was a ground stock of 2,107·6 tonnes of coal which was equivalent to 7 days' consumption for all the 4 units then in operation. During this period, 13 rakes containing 26,768 tonnes of coal were received and unloaded, which quantity was obviously enough to meet the requirement of the four units for 9 days more. Though the unit was kept under shut-down for want of coal, interestingly the rakes were released after incurring demurrage of Rs. 7·08 lakhs even after unloading 8,726 tonnes out of 26,768 tonnes of coal manually on payment of Rs. 1·58 lakhs towards unloading charges. The matter of non-availability of coal had not been investigated by the Board for fixing responsibility, if any.

(*ii*) Unit II was also kept under shut-down for 24 hours from 19th August 1988 to 20th August 1988 due to shortage of coal although according to the records there was ground stock of 9,230 tonnes of coal and 67 unloaded wagons in the yard when such shut-down was taken. The ground stock itself was sufficient for 3 days' consumption for 4 units then in operation. During the period after such shut-down the plant received two to three rakes *per* day.

Thus, failure to make proper assessment of the requirement vis-a-vis the actual position of stock of coal, including the quantity in the pipeline led to avoidable shut-down resulting in a loss of generation of 8·966 MKwh valued at Rs. 43·74 lakhs.

3.1.6.2 *Forced outages*

The units of the Power Station were under forced shut-down for the following main reasons:

	1984-85	1985-86	1986-87	1987-88	1988-89	Total
				(Hours)		
Units (I-IV)						
(*i*) Boiler tube leakages						
(*a*) Economiser	127	1,049	157	1,246	988	3,567
(*b*) Superheaters	1,262	824	1,334	293	625	4,328
(*c*) Others	6,037	725	674	645	244	8,325
	7,426	2,588	2,165	2,184	1,857	16,220
(*ii*) Mechanical failure	136	525	368	538	538	2,105
(*iii*) Electrical failure	49	271	31	807	269	1,427
Total—A	7,611	3,384	2,564	3,529	2,664	19,752
Unit V						
(*i*) Tube leakages	153	351	—	—	105	609
(*ii*) Mechanical failure	163	1,552	930	173	494	3,312
(*iii*) Electrical failure	50	136	213	122	60	581
Total—B	366	2,039	1,143	295	659	4,502
Total—A & B	7,977	5,423	3,707	3,824	3,323	24,254

It would be seen from the above that there was shut-down to the extent of 19,752 hours in respect of Units I-IV and 4,502 hours in respect of Unit V, resulting in loss of generation to the extent of 931·232 MKwh and 763·855 MKwh (worked out on the basis of average load on the units from year to year). The loss suffered by the Board due to generation loss was of Rs. 7,877·94 lakhs, as detailed below (calculated on the basis of average revenue *per* unit of energy sold during the period from 1984-85 to 1987-88 as per the Annual Accounts of the Board and the cost of fuel *per* unit as worked out by the Board):

Particulars	Loss in generation (MKwh)		
	Units I-IV	Unit V	Total
(*a*) Tube leakages	776·240	100·796	877·036
(*b*) Mechanical failure	94·332	566·467	659·799
(*c*) Electrical failure	60·660	97·592	158·252
	931·232	763·855	1,695 087

Loss sustained (Rupees in lakhs)

Units I-IV	Unit V	Total
3,576·06	462·28	4,038·34
471·95	2,560 21	3,032·16
309 23	498 21	807 44
4,357·24	3,520·70	7,877·94

The following observations are made in this connection:

3.1.6.2.1 *Tube leakages*

Tube leakages accounted for 82·1 *per cent* of the 19,752 hours of forced outages in respect of Units I to IV. These units had an upward trend in the incidence of the tube leakages from early 1970's. The Plant Management identified (May 1978) such tube leakages to excessive erosion in the Economiser and Superheater tubes caused by high velocity of flue gas and resorted to shielding (putting barriers in the vulnerable zones for protecting the tubes). The action was accepted (May 1978) by a Technical Committee appointed by the Board in their report. According to the report, generation was advised to be restricted to 71 MW at an average, against the Maximum Continuous Rating (MCR) of 82·5 MW *per* unit. Though the generation had to be restricted to a lower level, the Board did not take immediate action to get the steam generators modified so as to reduce the velocity of the gas. Babcock and Wilcox, USA, the original manufacturer of the steam generators offered (September 1983) to re-design the steam generators to the desired level so that the generation could be restored to the original MCR. Though the Board procured (October 1985) the detailed Engineering Study Report from the American firm at a cost of Rs. 4·87 lakhs, the work of re-designing the steam generator was not taken up (June 1989).

A further test-check in Audit of the records revealed that there were repeated shut-downs of the various units as detailed in Annexure 11. It may be seen therefrom that the leakages occurred at short intervals in between two forced outages or shortly after annual overhauling. This would also indicate the inadequacy of supervision in the maintenance of the boiler tubes which is the most vulnerable area of the boilers known to the Board.

Apart from the above, it was seen that Unit III was shut down at 20·00 hours on 27th September 1987 for annual overhauling though the unit was kept under shut-down from 19·10 hours of 23rd September 1987 to 5·40 hours of 26th September 1987. Re-synchronisation of the unit before pre-planned shut-down was avoidable particularly when all other units were in operation.

3.1.6.2.2 *Mechanical failure*

The Induced Draft (ID) fans were required to work with extra pressure due to higher ash content caused by non-functioning of the electrostatic precipitator which ultimately caused erosion of the blades of ID fans. It was, therefore, necessary to examine the state of health of ID fans off and on particularly during prolonged outages of any unit. It was found that the Unit IV was under shut-down for 228 hours from 29th May 1986 to 8th June 1986 due to failure of ID fan.

The unit was last overhauled during the period from 27th November 1984 to 16th February 1985 i.e., almost 1½ years before such outage occurred. This shut-down could have been avoided had proper care been taken to maintain the fans at the time of major outages occurring in April, May and October 1985.

It was seen that the Unit IV was kept under shut-down for 36 hours from 7th December 1986 to 8th December 1986 due to shortage of fuel oil, but it was seen from records that there was around 900 KL of oil when the unit was taken out of operation. However, the plant was restarted with an oil level of 684 KL.

3.1.7 *Auxiliary consumption*

Though the units were in operation over several years, the Board did not fix any norm of auxiliary consumption, for reasons not on record. The auxiliary consumption of Units I and IV showed an increasing trend from 8·1 *per cent* in 1984-85 to 8·9 *per cent* in 1988-89 of actual generation, as against 7 *per cent* in 1981-82 though there was no change in the model of the units. Such consumption of Unit V showed a declining trend from 7·8 *per cent* in 1984-85 to 7·2 in 1986-87. Though it increased to 8 *per cent* in 1987-88 but declined to 7·6 *per cent* in 1988-89. Compared to the average of 7·7 *per cent* of auxiliary consumption of Unit V, there was an excess auxiliary consumption of 37,450 MKwh valued at Rs. 204·40 lakhs during the five years up to

1988-89. The Board did not analyse the reasons for the variations in the rates of auxiliary consumption.

3.1.8 *Fuel*

3.1.8.1 *Procurement of coal*

Coal is procured by the Board mainly from different collieries under Eastern Coalfields Limited (ECL), a subsidiary of Coal India Limited (CIL). Quantity of coal to be supplied is fixed through the Linkage Committee of the Ministry of Energy, Government of India. The quality of coal required is decided by the Board on the basis of the design of the boilers of the Power Station.

The Board executed (May 1984) an agreement with CIL for supply of coal with the following parameters:

	Specification of coal			
	As per boiler design		As desired by the Board	
	Units I-IV	Unit V	Units I-IV	Unit V
	(Per cent)			
Moisture	10	12	Below 8	Below 8
Ash	35	37	Below 28	Below 30
Volatile materials ..	20-24	22	Below 26	Below 26
Fixed carbon ..	31	35	Below 36	Below 35
Calorific value (K cal/kg)	4,200-5,000	4,110 and above	5,200 and above	4,445

The agreement also provided for classification of coal into four grades on the basis of calorific value ranging from 3,360 to 6,200 Kilocalories *per* kilogram (K cal/kg) of coal. In case of supply of coal with calorific value below the lower limits or above the upper limits of the ranges specified for each grade of coal, penalty/bonus could accrue at the rate of Rs. 2 *per* tonne for deviation of each 100 K cal/kg. The Board was entitled to levy breaking charges at the rate of Re. 1 *per* tonne for oversize coal. The agreement did not envisage any penalty for deviation in respect of other specified parameters. Though the agreement covering a period of three years expired in May 1987, the Board continued (July 1989) to obtain supply of coal according to the terms and conditions of the said agreement without executing a new one.

Though the operation of the Power Station suffered on several occasions due to oversize coal, the amount of breaking charges was not quantified and claimed from ECL.

During the five years up to 1988-89 the Power Station received the following quantity of coal:

Year		Quantity (Lakh tonnes)	Average calorific value (K cal/kg)	Percentage of ash ranging	
				From	To
1984-85	..	10·46	5,017	25	31
1985-86	..	12·25	5,039	25	30
1986-87	..	11·76	4,935	25	32
1987-88	..	11·51	4,978	25	32
1988-89	..	12·81	5,065	26	30

The Power Station Management took no action either to repair the weighbridge which remained out of order since 1966 or to supervise the loading, weighment, etc., at the despatch end. The quantity of coal received was arrived at on the basis of the weight mentioned in the railway receipt (R/R) in case of linked wagons and on the basis of carrying capacity in case of diverted wagons.

Though the Board executed agreement for supply of coal containing calorific value of 5,200 K cal/kg or above for Units I to IV, actual average calorific value was much below the parameter. The following table indicates the average calorific value of coal received and quantity of coal received in terms of desired calorific value, etc. in respect of Units I to IV:

		1984-85	1985-86	1986-87	1987-88	1988-89
(*i*)	Desired minimum calorific value (K cal/kg)	5,200	5,200	5,200	5,200	5,200
(*ii*)	Average calorific value of coal actually received (K cal/kg)	5,017	5,039	4,935	4,978	5.065
(*iii*)	Actual quantity of coal consumed (lakhs of tonnes)	5·77	6·03	6·38	6·41	6·02
(*iv*)	Quantity of coal received in terms of desired calorific value (lakh tonnes) (*ii* × *iii* ÷ *i*)	5 57	5·84	6·05	6·14	5·86
(*v*)	Short receipt of coal (lakh tonnes)	0 20	0·19	0·33	0 27	0·16
(*vi*)	Average procurement cost of coal (Rupees./tonne)	347·01	366·85	422·03	452·36	469 38
(*vii*)	Value of coal received short (Rupees in lakhs)	69·40	69·70	139 27	122·14	75 10

It would appear from the above table that due to variations in the calorific value of coal received, the Board had to sustain a loss of Rs. 475·61 lakhs during the five years up to 1988-89.

The Power Station Management preferred (September 1973 to February 1989) claims amounting to Rs. 600·55 lakhs towards the penalty for inferior quality of the coal received during the period from July 1973 to December 1988. The claim of Rs. 2·59 lakhs pertaining to the period from July 1973 to October 1975 was not entertained (July 1989) by ECL, as the Power Station Management could not submit the relevant documents. ECL paid (December 1976 to August 1983) a sum of Rs. 26·23 lakhs against the claim of Rs. 38·25 lakhs relating to the period from November 1975 to March 1981. Thereafter the Power Station received (March 1989) by way of adjustment a sum of Rs. 474·78 lakhs towards claim accumulated up to December 1987. The balance claim of Rs. 96·95 lakhs remained unrealised till date (July 1989).

As the Board meets its working capital requirement by availing cash credits from banks which carry very high rate of interest, there would have been saving in interest paid on cash credits had the Board taken prompt action to realise the amounts.

A test-check conducted in Audit during April 1989 to July 1989 of the 219 selected cases of claims preferred by the Power Station Management revealed that the actual calorific value of coal received during the five years up to 1988-89 ranged between 1,850 K cal/kg and 5,569 K cal/kg against 3,300 K cal/kg and 5,600 K cal/kg (Grade B) agreed to be supplied by ECL, due to which the Power Station received less heat value which was equivalent to 61,598·54 tonnes of coal valued at Rs. 219·04 lakhs. Out of this only a sum of Rs. 60·67 lakhs could be claimed during the same period from ECL in the shape of penalty resulting in a loss of Rs. 158·37 lakhs.

Thus, it would be evident that the compensation was not adequate and the Board suffered loss for years together owing to the agreement which did not provide for full compensation on account of receipt of inferior coal with less heat value. The Management, however, did not take any remedial measures to revise suitably the provisions of the agreement in this regard to safeguard the Board's interest.

3.1.8.2 *Demurrage*

To run all the units, the Power Station required two to three rake-loads of coal *per* day, each rake containing 30 to 45 box wagons. For unloading of coal wagons, the Power Station is equipped with three wagon tipplers with a total capacity of unloading about 332 wagons *per* day. The Railways allow free time of nine hours for releasing the unloaded rakes. In case of any detention of rake beyond free time, demurrage is to be paid.

Records revealed that during the period of five years from January 1984 to December 1988, the Power Station received 2,770 rake-loads of coal in 1,04,255 wagons. Against the capacity to unload 332 wagons the Power Station could unload wagons ranging from 52 to 65 wagons *per* day. As a result, 2,650 rakes containing 1,04,134 wagons i.e., 95·7 *per cent* of the total receipt entailed demurrage amounting to Rs. 836·75 lakhs. In the periodical meetings held between March 1985 and May 1989, the Railway Authorities waived a sum of Rs. 548·06 lakhs and the Board had to pay a sum of Rs. 288 69 lakhs (February 1987 to March 1988).

(*i*) The demurrage was incurred due to inefficient working of the coal unloading unit of the power plant but the Power Station Management did not take any action to identify the reasons for taking remedial measures.

(*ii*) Although time is the essential element based on which men and machinery are required to be marshalled, the Power Station Management failed to execute the work within the prescribed time limit due to lack of co-ordination in the following cases:

A rake containing 30 wagons of oversize coal was received on 19th October 1985. The local Management could not take any decision regarding re-booking of oversize coal. Instead, they made correspondence with the Railways and ECL. The Power Station Management could unload 23 wagons up to 5th November 1985 when one wagon tippler broke down. Again the local Management delayed the unloading of balance 7 wagons by going into further correspondence with the supplier and Railways. The balance 7 wagons were unloaded on 19th November 1985 and the empties were handed over to the Railways on the same date. Such delay resulted in accrual of demurrage charges to the tune of Rs. 12·01 lakhs.

Another case occurred in April 1981 when demurrage to the tune of Rs. 10·43 lakhs accrued due to failure of the Power Station Management to release the rake within free time as 11 wagons could not be unloaded.

The Railways waived (February 1988) a sum of Rs. 15 lakhs out of the above amounts and the Board paid (March 1988) the balance amount of Rs. 7·44 lakhs.

(*iii*) Manual unloading of coal:

Owing to the break-down (May 1988) of a wagon tippler, the Power Station Management decided (May 1988) to unload some wagons manually in view of the lean stock of coal. Accordingly, an order was placed (June 1988) on Hooghly-Chinsurah Construction Society Limited, Chinsurah selected on the basis of limited tenders, for unloading around 20 wagons *per* day with unloading charges of Rs. 18·06 *per* tonne. The Society, however, unloaded (June 1988 to August 1988) 1,357 wagons, containing 75,355 tonnes of coal in 78 days (at 17·4 wagons *per* day) for which a sum of Rs. 13·61 lakhs was paid (October 1988). During this period the Power Station incurred demurrage charges of Rs. 45·10 lakhs for detaining the rakes for 3,384 hours beyond the free time allowed. Out of the above amount, the Railways waived 65 *per cent* and claimed (May 1989) a sum of Rs. 15·78 lakhs which was yet to be paid.

Though the mechanical unloading was supplemented by manual unloading, the Power Station had to bear the demurrage charges to the tune of Rs. 15·78 lakhs in addition to the unloading charges of Rs. 13·61 lakhs.

3.1.8.3 *Missing wagons*

There were numerous cases of missing wagons (wagons not reaching the destination but RR received at the Power Station) where coal was not actually received by the Power Station although payment had been made in full. Actual position of the wagons received and booked by the Power Station are reconciled in the periodical meetings with the Railways.

The table below indicates the position of claims/counter claims made with/by the Railways during the five years up to March 1988 in respect of the wagons booked for the Power Station but not received vis-a-vis wagons received but not booked for the Power Station:

Year	No. of missing wagons	Quantity (in tonnes)	Value of coal paid for but not received (Rupees in lakhs)	No. of uncon-nected wagons	Quantity (in tonnes)	Value of coal received but not paid for (Rupees in lakhs)	Amount receivable from Railways (Rupees in lakhs)
1984-85	2,673	1,53,697 5	533 35	1,392	80,040 0	277·75	255 60
1985-86	1,231	70,782·5	259 67	2,450	1,40,875 0	516 80	(−)257·13
1986-87	3,041	1,74,875 5	738 03	1,741	1,00,107 5	422 48	315 55
1987-88	2,642	1,51,913 0	687 20	1,779	1,02,292 5	462 73	224 47
	9,587	5,51,252·5	2,218 25	7,362	4,23,315 0	1,679 76	538 49

Thus Rs. 538·49 lakhs is receivable from Railways up to 1987-88. Claims/counter claims with/by Railways for the year 1988-89 are under process by the Board (July 1989).

3.1.8.4 *Payment of surcharge on freight*

The Railways claim surcharge on freight if the freight is paid at the destination. The rate was three *per cent* up to 1983-84 and raised to five *per cent* from 1984-85. In a circular issued in February 1982 the Railways offered to waive the levy of surcharge if the amount of freight for around 10 days was assessed and deposited with them in advance. The scheme was effective from 1st January 1982.

The Board did not avail themselves of the opportunity offered by the Railways for reasons not on record. During the period from 1984-85 to 1988-89 the Board paid a sum of Rs. 3,426·43 lakhs towards freight including surcharge of 5 *per cent* for coal received at the Power Station. The payment of surcharge of Rs. 163·17 lakhs could have been avoided had a revolving deposit of around Rs. 20 lakhs (average freight for 10 days) been kept with the Railways. Even if the amount was procurred by cash credit at 18 *per cent per* annum interest, it would have entailed an interest payment of Rs. 18 lakhs only leaving a clear benefit to the Board of Rs. 145 lakhs.

3.1.8.5 *Procurement of light diesel oil (LDO)*

The Board procures LDO from Indian Oil Corporation (IOC). Cost of oil is paid against the proforma invoices as *per* the standard practice with IOC.

A scrutiny of the records of the Power Station revealed that as on 31st March 1988, the Power Station had an unadjusted advance of Rs. 66·19 lakhs against IOC. There was no system of reconciliation of receipt of LDO with proforma payments made thereagainst by Power Station during the period under review. In the absence of records relating to reconciliation of actual quantities of LDO supplied by IOC and prices paid against proforma invoices, the extent of excess payment or short receipt of LDO could not be asceratined in Audit.

3.1.9 *Cost appraisal*

The following table indicates the total cost *per* Kwh of power generated/sent out during the period from 1984-85 to 1988-89:

	1984-85	1985-86	1986-87	1987-88	1988-89
1. Units generated (Mkwh)	2,247 699	2,378 252	2,566 462	2,305·842	2,502 944
2. Auxiliary consumption (Mkwh)	191·211	199 870	209 754	203·165	216 692
3. Units sent out (Mkwh)	2,056 488	2,178 382	2,356 708	2,102·677	2,286·252
4. Total generation cost (Rupees)					
(*a*) Fuel & Lubricant	52,45,43,543	58,25,26,026	67,79,82,583	67,99,28,210	88,39,78,217
(*b*) Operation & maintenance expenditure	3,82,15,582	5,08,25,564	6,66,40,971	6,00,92,504	6,12,52,328
(*c*) General Administration	3,04,97,324	2,38,96,948	3,32,31,351	3,63,29,792	3,35,31,841
(*d*) Depreciation	3,14,16,000	3,14,16,000	5,07,22,000	5,22,53,865	5,27,21,574
(*e*) Interest	13,04,48,000	13,04,47,992	11,02,58,900	11,47,21,998	13,92,88,999
(*f*) Central excise	1,98,68,994	—	—	—	—
Total	77,49,89,443	81,91,12,530	93,88,35,805	94,33,26,369	1,17,07,72,959
5 Cost per unit (in paise)					
(*a*) Generated	34 48	34 44	36 58	40 91	46 78
(*b*) Sent out	37 69	37 60	39·84	44 86	51 21

The important controllable factors responsible for gradual increase in cost of generation as noticed in Audit were as under:

(*i*) gross under-utilisation of capacity including generation at much below the rated capacity even when the plants were operating.

[Paragraph 3.1.2.2(*iv*)]

(*ii*) excess consumption of coal and oil and low thermal efficiency increasing the cost of generation,

(paragraphs 3.1.3.1., 3.1.3.2 and 3.1.4)

(*iii*) excessive manpower

(paragraph 3.4)

(*iv*) higher incidence of demurrage charges,

(paragraph 3.1.8.2)

(*v*) omission to implement the Renovation and Modernisation programme leading to low efficiency of the units and high cost.

(paragraph 3.2)

3.2 Renovation and modernisation

The Units I to IV of the Power Station were not found to be in trim condition from 1977-78. The Board, conducted an extensive study of the problems facing the plant and formulated (1984-85) a renovation scheme at an estimated cost of Rs. 5,409 lakhs to (*i*) sustain the present level of generation and (*ii*) achieve higher unit loading at 80-82·5 MW. The following main works were included in the scheme to achieve these purposes:

(*i*) modification of classifiers and mill sealing system, (*ii*) modification of super-heater and economiser tubes for reducing the high velocity flue gas found responsible for excessive erosion of boiler tubes and installation of new economiser, (*iii*) procurement and installation of H.P. heaters, (*iv*) replacement of pump internals of boiler feed pumps, condensate pumps and recirculation valves, (*v*) replacement of pulversied fuel pipes, etc.

CEA accorded (March 1985) techno-economic clearance to the scheme estimated to cost Rs. 3,390 lakhs after identifying the most essential and 'Core' activities to be financed under 'Centrally sponsored scheme' (estimated cost: Rs. 944 lakhs) and seven other items including consultancy charges to be financed out of State plan resources (estimated cost: Rs. 2,446 lakhs). As the Power Station incurred expenditure of Rs. 77 lakhs against the scheme during April to September 1984, the Planning Commission though approved (May 1985) the scheme in toto but restricted their financial assistance to Rs. 867 lakhs taking the expenditure of Rs. 77 lakhs towards the scheme into account. The scheme was to be implemented in its totality in three years from 1985-86 to 1987-88 for attaining an annual excess generation of 204 Mkwh and 7 *per cent* increase in plant load factor.

The activities approved by CEA/Planning Commission are given in Annexure 10.

3.2.1 Test check of records of the Power Station revealed that the Board laid more emphasis on the procurement of materials financed under centrally sponsored scheme than implementing the same for attaining higher generation of power as it would be evident from the following table:

Sl. No.	Name	Equipment ordered			Equipment received		Equipment utilised		Equipment in hand	
		Quantity (Nos)	Value (Rupees in lakhs)	Purpose for which procured	Quantity (Nos)	Value (Rupees in lakhs)	Quantity (Nos)	Value (Rupees in lakhs)	Quantity (Nos)	Value (Rupees in lakhs)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1.	Seal rings	6	9·22	Modification in classifiers and	6	18·31	2	7·63	4	10·68
2.	Throat plates	6		Mill Sealing system for restoration of original output of coal mills	6		3		3	
3.	Fuel pipe	18	2·01	Change of P.F. pipe bends, worn out due to prolonged use, to increase coal flow in the Mills	18	2·18	Nil	Nil	18	2·18
4.	Spares for coal crushers	12	12·60	Replacement of spares for coal crusher	12	26·97	Nil	Nil	12	26·97
5.	Super heater bends	1,105	21·32	Change of worn out super heater bends & tubes	1,105	42·78	84	1·40	1,021	41·38
6.	Spacer blocks	1,660	—	—	1,460	—	—	—	1,460	—
7.	Governor control valve with accessories	12 216	19·91 —	Replacement of control valves which were in a state of disrepair	12 216	43·10 —	5 86	17·20 —	7 130	25 90 —
8.	Generator rotor slip rings with accessories	2 2	7·39 13·08	Replacement of worn out slip rings to overcome high vibration	2 2	18·49 24·31	— —	— —	2 2	18·49 24·31
9.	Internal assembly for Boiler Feed Pump	2	41·26	Replacement of internal assembly for improvement of B.F. Pump capacity	2	79·30	—	—	2	79·30

Sl. No.	Name	Equipment ordered			Equipment received		Equipment utilised		Equipment in hand	
		Quantity (Nos)	Value (Rupees in lakhs)	Purpose for which procured	Quantity (Nos)	Value (Rupees in lakhs)	Quantity (Nos)	Value (Rupees in lakhs)	Quantity (Nos)	Value (Rupees in lakhs)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
10.	Impeller for condensate water pump	3	2 84	Replacement of internal assembly for improvement of B.F. Pump capacity	3	7·63	—	—	3	7·63
11.	Spares for Turbovisory system	614	6 44	For augmentation of controls and Instruments	614	12·71	—	—	614	12·71
12.	Oilless Air Compressor	2	20·12	Replacement of old compressor	2	20·12	—	—	2	20·12
			156·19			295·90		26·23		269·67

It would be seen from the Annexure 10 that, out of Rs. 944 lakhs sanctioned by CEA for the scheme, it spent Rs. 607·28 lakhs up to March 1989. Out of this, equipment and spares valued at Rs. 269 67 lakhs were procured during July 1985 to February 1989 on emergent basis mostly by spending foreign exchange worth Rs. 134 06 lakhs but could not be utilised even beyond the time frame of 1985-86 to 1987-88 fixed by the CEA/Planning Commission. This led to avoidable interest burden of Rs. 38·89 lakhs on blocked-up capital.

3.2.2. Farther important points noticed in Audit were as under :

(*i*) *Replacement/modification of super heater and economiser tubes*

The generating capacity of the Units I to IV came down from designed maximum continuous rating of 82·5 MW gradually to an average of 60 65 MW mainly due to the excessive erosion of boiler tubes particularly in super heater and economiser elements caused by high velocity (66 to 77 feet *per* second) of flue gas. In order to overcome the problem, Babcock and Wilcox Limited, USA, (manufacturer of the boilers) made a study of the Power Station and submitted (October 1983) a preliminary report suggesting installation of modified super heater and economiser designs with a lower velocity (44 feet *per* second) of flue gas. The work of modification was included in the scheme with a lump sum provision of Rs. 2,100 lakhs for remodelling of the super heater and economiser tubes with installation of new economiser for all the four units against which CEA released (March 1986) only Rs. 10 lakhs with the stipulation that the expenditure should be restricted to that amount till the case for higher estimated cost was cleared. However, CEA did not clear further amounts on this item, reasons for which were not on record.

Instead of going for new design of primary super heater and re-location of economiser for reducing the flue gas velocity, the Board placed an order on Babcock and Wilcox, Canada in November 1986 for supply of 1,105 super heater bends and 1,660 spacer blocks at a cost of US $1,50,965 f.o.b. The materials except 200 spacer blocks were received at a total cost of Rs. 42·78 lakhs including customs duty, etc. in June 1988. The supplier was intimated in July 1988 about the short receipt of spacer blocks but further developments in this regard are awaited (August 1989). Although the above materials were procured on urgent basis for replacing the affected parts of super heater, the Power Station Management utilised only 84 bends till July 1989.

Thus a critical item of the renovation and modernisation scheme was not implemented and spares obtained to effect a partial improvement of the system have mainly remained unutilised apart from postponing the expected benefit of increased generation.

The Power Station Management suggested (April 1985) that the velocity of flue gas could be reduced by modifying the primary super heater elements alone. Babcock and Wilcox opined (September 1987) that the suggestion was acceptable and offered to supply modified primary super heater elements at a cost of Rs. 80 lakhs excluding duties, taxes, etc. But the Board did not take any action on the offer although the Board mentioned in the Project Report that unless the modification was done, it would not be possible to attain generation at designed MCR and higher PLF.

Reasons for non-execution of the work were not explained by the Management (July 1989).

(ii) Replacement of high pressure (HP) heaters

Four high pressure feed-water heaters for the turbo-generating sets in Units I to IV became inoperative since 1972-73. Though the Technical Committee suggested (May 1978) a techno-economic study for bringing out the overall effect of inoperation of the HP heater on the efficiency and health of the units, no such study was made. The work of replacement of the heaters was, however, included in the Renovation and Modernisation scheme with an estimated cost of Rs. 100 lakhs to be financed under the Centrally sponsored scheme.

The Board had placed (December 1984) an order on Larsen and Toubro Limited, Bombay for supply of 4 heaters with accessories at a cost of Rs. 96·80 lakhs i.e., more than 6 years after the recommendation of the Expert Committee.

The order envisaged delivery of the first heater within 14 months from the date of the order. Balance three heaters would be delivered within 20 to 34 months after observing the performance of the first heater for 4 months from its commissioning. Though the supplier proposed (January 1985) to supply first heater within 14 months and the balance three heaters at any time after 20th month, the first two heaters were received within the due dates and the remaining two in October 1986, about one year ahead of delivery schedule (October 1987). There were delays in commissioning all the 4 heaters by 4½, 9½, 18 and 22 months in IVth, Ist, IIIrd and IInd Units respectively from the dates of receipts of the heaters. Thus, delay in commissioning the heaters resulted in locking up of borrowed funds and consequential loss of interest of Rs. 10·42 lakhs.

The Power Station Management stated (May 1989) that the delay in erection and commissioning of the heaters was due to non-availability of the shut-down of the Units.

The contention of the Management is not convincing since records revealed that the erection and commissioning was done on 11th September 1987 in Unit I when the Unit was in operation. The heater received in April 1986 was not erected and commissioned, when the Unit was under annual overhauling during the period from 27th August to 2nd December 1986.

Moreover, the Power Station Manager noted (August 1985) that "Heater-I may be installed in one of the Units if the steam-side and feed-side valves are not leaking".

At the instance of the CEA the Power Station Management collected (February 1988) the data from Unit IV in order to bring out the effect of HP heater on the operation of the Units. The data revealed that the consumption of heat was 2,271·4322 K cal/Kwh when the Unit ran with HP heater I in service whereas the consumption was 2,323·8850 K cal/Kwh when the unit ran without the equipment. So there was a saving in consumption of heat to the extent of 52·4528 K cal/Kwh with the use of heater. Thus, due to operation of the Units without HP heaters during five years ending 1988-89 there was an excess consumption of heat to the extent of 2,34,786 Mk cal equivalent to 0·47 lakh tonnes of coal valued Rs. 184·64 lakhs.

(iii) Rotors

The scheme envisaged HP rotor bore examination and removal of thermal fatigue/cracks of Units I to IV at an estimated cost of Rs. 320 lakhs. The Board got one rotor examined by Westinghouse, USA in 1984-85 at a cost of Rs. 112·62 lakhs and dropped the work of examination of the rotor of other three units as the state of health of the examined rotor was found satisfactory.

(iv) Replacement of pulverised fuel pipe bends

In order to stop leakage of coal dust through the bends which were found beyond repair, the scheme envisaged the replacement of the same by imported bends at an estimated cost of Rs. 100 lakhs. After ascertaining the quality and performance of the indigenous bends, the Board placed in June 1987, an order on Aluminium Industries Limited, Hyderabad for supply of 18 bends, for utilisation in two units on an experimental basis, at a cost of Rs. 2·01 lakhs. But on their receipt during August 1988 to February 1989, the Power Station Management kept the bends as spares, defeating the very purpose of the procurement. The bends obtained were not tested as regards their quality.

(*v*) *Air compressors*

The Board included the work of replacement of air compressor under the scheme as the spares for the old compressor were not available due to discontinuance of their manufacture by the original supplier.

The Board placed a letter of intent on K.G. Khosla Compressors Limited, Calcutta in March 1986 for supply and installation of 2 oilless air compressors at a total cost of Rs. 21·12 lakhs (value of the material: Rs. 20·12 lakhs and erection cost: Rs. 1 lakh). The work was to be completed in all respects by February 1987. The firm order for the work was placed in December 1986 with the stipulation, among other things, that liquidated damage at the rate of ½ *per cent* of the total contract value of the order for delay of every month or part thereof subject to a maximum of 2½ *per cent* of total contract value would be imposed.

The work remained unexecuted (July 1989) even after allowing two extensions in May 1987 and in September 1988 extending the period up to February 1989 and deleting the liquidated damage clause. The firm had also delayed the supply of compressors in the case of fifth Unit and Kolaghat Thermal Power Project. Entrustment of the work to the same firm had delayed the R & M scheme. Reasons for showing leniency to the contractor, whose past record was not good and who had failed to supply materials, were not on record.

(*vi*) *Electrostatic Precipitators*

The electrostatic precipitators (ESPs) installed at the time of commissioning of the four Units of the Power Station became redundant and unserviceable due to passage of time and scarcity of spares resulting in reduction in the life of the ID fans and ultimately in load restriction. Moreover, the emission of fly ash also became very high inviting public protest and objections from State Pollution Control Board. Therefore, the Board included in the R & M scheme, the work of replacement of ESPs at an estimated cost of Rs. 1,200 lakhs which was approved by the CEA for execution under State Plan.

The Board obtained an Engineering study report from Babcock and Wilcox International Inc, USA in October 1985 at a cost of Rs. 4·87 lakhs which specified the parameters of ESPs to be installed. In addition, the Board incurred (June 1989) an expenditure of Rs. 9·72 lakhs towards service of consultants in this connection. The Board, however, took no action to procure the ESPs, reasons for which were not explained by the Management (July 1989).

(*vii*) *Ash disposal system*

The existing ash disposal system is to convey the ash slurry from the Power Station to the two slurry tanks located at about 1·5 kms from the Power Station. All the available low-lying areas near the ash ponds having been filled up, the Management proposed two alternative schemes in 1984-85 to dispose of the ash.

One of the proposals was to remove the ash to Mogra at a distance of 9 to 10 Kms from the Power Station by installing ash slurry line at a cost of Rs. 1,000 lakhs to be met out of State Plan funds, while the other was to acquire additional land adjacent to the existing ash ponds. The Board, included the former proposal in the R & M Scheme as stated above. But in September 1985, at the instance of the Minister of State for Power, the Board conducted topographical and geotechnical survey and model studies for exploring possibility of an ash disposal system through pipe lines across the river Hooghly at Kalyani where adequate Government land was reported to be available. For the survey and study, the Board incurred Rs. 5·80 lakhs up to June 1989. But due to reported resistance (March 1987) of the local people, the proposal was ultimately abandoned (January 1989) resulting in loss of Rs. 5·80 lakhs spent by the Board towards the initial survey and study before ensuring the availability of site. The problem of finding suitable location for disposal of ash remained unsolved.

3.3 Material management and inventory control

The table below indicates the position of receipts, issue and closing balances of the value of store materials during the five years up to March 1989:

Year	Opening Stock	Receipt	Total	Issue	Closing Stock	Closing Stock in terms of months' consumption
			(Rupees in lakhs)			
1984-85	322·67	431·88	754·55	186·34	568 21	36·6
1985-86	568·21	651·24	1,219·45	220·46	998·99	54 4
1986-87	998 99	561·38	1,560·37	295·50	1,264·87	51·4
1987-88	1,264·87	638·84	1,903·71	470·51	1,433·20	36·6
1988-89	1,433·20	646·33	2,079·53	641·92	1,437·61	26·9

The following points were noticed:

(*i*) From the table given above, it would be evident that the inventory holding by the plant authority was very high during 1985-86 (54·4 months' consumption) which was reduced during 1988-89 to 26·87 months' consumption. However, a proper idea of the reasonability of inventory could not be found as the Power Station is not maintaining separate account of capital and revenue spares.

The Board did not fix any minimum, maximum and re-ordering level of spares for the Power Station.

(*ii*) No system had been evolved either to determine the normal requirements of store or to locate slow-moving and non-moving stores by the Power Station Management though a Committee was constituted in November 1987 for survey and disposal of such materials. The report was awaited (August 1989).

(*iii*) No physical verification of stores was conducted during the period of five years up to 1988-89.

(*iv*) The Board placed (July 1987) orders for materials valued at Rs. 6·01 lakhs on five firms and advanced Rs. 5·93 lakhs (July 1983 to June 1987). Of all the materials received during March 1986 to February 1988, materials valuing Rs. 2·51 lakhs were rejected within the guarantee period (April 1986 to July 1988). The Power Station Management did not take any action either towards replacement of the materials or recovery of the amount thereof within the guarantee period ranging from 12 to 18 months, reasons for which were not stated (July 1989).

3.4 Manpower

Although the BTPS with Units I-IV is in operation since 1965-66 and Unit V from March 1983, the Board had not fixed any norm for deployment of staff in various wings of the Power Station. Instead, posts had been sanctioned as and when required. However, the Management could not show any documentary evidence as to how the requirements of manpower was arrived at. However, the Board constituted a Committee in July 1987 to streamline the staff set-up of its Power Stations including BTPS. According to the Committee (March 1989) manpower requirement for BTPS was 1,865 or 3·52 men *per* MW of installed/derated capacity. The following table indicates the position of sanctioned strength vis-a-vis actual deployment during the five years up to 1988-89:

Particulars	1984-85		1985-86		1986-87		1987-88		1988-89		Total
	S	A	S	A	S	A	S	A	S	A	
(*i*) (*a*) Executive	170	166	282	266	282	266	282	270	282	279	
(*b*) Supervisor	240	226	240	226	240	227	240	228	240	229	
(*c*) Work charged employees	2,427	1,944	2,317	1,783	2,316	1,967	2,091	1,973	1,850	1,985	
Total	2,837	2,336	2,839	2,275	2,838	2,460	2,613	2,471	2,372	2,493	
(*ii*) Number of employees recommended by the Committee	1,867		1,865		1,865		1,865		1,865		
(*iii*) Excess	469		410		595		606		628		
(*iv*) Installed capacity (MW) (Derated)	530		530		530		530		530		
(*v*) Amount of salaries and wages paid to staff and officers (Rupees in lakhs)	373·11		391·52		416·6		512·82		443·29		2,137·34
(*vi*) Excess expenditure (*v*÷*i*)×*iii* (Rupees in lakhs)	74·91		70·56		100·76		125·77		111·67		483·67

S: Indicates sanctioned strength.
A: Indicates actual strength.

It would be evident from the above table that the Board had to incur an extra avoidable expenditure of Rs. 483 67 lakhs during the five years up to 1988-89 on account of deploying personnel in the Power Station on need-based requirement which were far in excess of the requirements based on recommendation of the Committee in March 1989.

Test-check of records of the Power Station revealed that during the years 1985-86 to 1988-89 although there was an increase of 202 numbers of staff and workers, there was also an increase in payment of overtime allowance from Rs. 32 06 lakhs in 1985-86 to Rs. 52·08 lakhs in 1988-89. The Board, however, did not analyse the reasons for increase in the quantum of overtime when there was considerable increase in work force without any change in the scope of work in the Power Station.

3.5 Other topics of interest

(i) Non-recovery of house rent

As per Board's order of July 1984 having retrospective effect from April 1983, being the date of coming into force of the Pay Committee report, employees posted in areas other than Santaldih Thermal Power Station, Jaldhaka Hydal Project and Rammam Hydel Project, drawing basic pay exceeding Rs. 1,546 *per* month were not entitled to rent-free accommodation, and accordingly, they were required to pay rent at the rate of 5 *per cent* of basic pay for occupation of quarters. It was, however, noticed (July 1989) in Audit that in contravention of the above mentioned orders the Power Station Management did not recover house rent to the extent of Rs. 0·58 lakh from 16 officers whose basic pay exceeded the prescribed rate during the period from April 1983 to June 1989. Reasons for non-recovery of rent were not explained by the Management (July 1989).

(ii) Non-recovery of rent from stalls

The agreements executed with Employees Co-operative Stores (ECOS) and the private individuals in respect of allotment of various stalls in the premises of BTPS township could not be produced to Audit (July 1989). A test-check of the records revealed (June 1989) that the Power Station Management took no action (July 1989) to recover rent to the extent of Rs. 0·64 lakh from ECOS during the period from 1987-88 to 1988-89.

(iii) Extra expenditure for removal of ash

Tenders were invited in April 1987 for excavation and removal of 6,50,000 cum of settled ash from the ash settling tank No. 2 of the Power Station at the rate of Rs. 2,375 *per* 100 cum and 4,000 cum of ash from the ash settling canal of the Power Station at the rate of Rs. 578 *per* 100 cum at an estimated cost of Rs. 154·61 lakhs. Out of three firms who offered their rates, BTPS Ash Pond Co-operative Labour Contract Society Limited (Firm A) and Hooghly-Chinsurah Adarsha Co-operative Labour Contract and Construction Society Limited (Firm B) quoted Rs. 230·36 lakhs being 49 *per cent* above the estimated cost and the remaining firm Goyal Brothers, Ghatsila (Firm C) offered Rs. 202 53 lakhs beinrg 31 *per cent* above the estimated cost. The rates of Firms A and B were subsequently reduced to 48 *per cent* above the estimate. Though the lowest bidder had furnished various credentials in support of resourcefulness to undertake the job manually or if required mechanically, Standing Tender Committee II (STC II) in its meeting decided in July 1987 to award major parts of the work in between two co-operatives and the remaining part to the lowest bidder on the ground that the latter was not a local one and worked with mechanical equipment although the STC II accepted their credentials to do the work manually. Mention may be made here that the Divisional Engineer (Purchase) in his note (September 1987) stated, *inter alia*, that no contractor from outside the State would be allowed to work in the ash pond either manually or with the help of mechanical equipment as *per* discussion between the representatives of the two co-operatives and the Plant Management on 3rd September 1987.

Based on the resolution of STC II and Divisional Engineer's observation, STC II finally decided in September 1987 to award 48 *per cent* of the work to Firm A, 32 *per cent* to Firm B and 20 *per cent* to Firm C. Accordingly orders for (*i*) 3,13,920 cum valuing Rs. 107·84 lakhs (*ii*) 2,09,280 cum valuing Rs. 72·06 lakhs and (*iii*) 1,30,800 cum valuing Rs. 40·50 lakhs (30 *per cent* above) were placed on Firms A and B in October 1987 and Firm C in November 1987. As Firm C did not take up 20 *percent* of the work allotted to them, such portion was re-allotted in February 1988 to Firms A and B in the ratio of 12:8. Thus ultim tely the whole work was awarded between Firms A and B in the ratio of 60:40 at a cost of Rs. 135·30 lakhs (3,92,400 cum) and Rs. 90·37 lakhs (2,61,600 cum) respectively.

In this connection the following observations are made:

The contention of the STC II that the Firm C was not local one and they worked with mechanical equipment is not tenable since the purpose of inviting tender was to have competitive bids from any firm of repute in the State and the tender notice did not debar non-local contractors from competing. STC II admitted that Firm C submitted sufficient credentials to justify their capability of executing the work.

Although the value of the work was Rs. 2·30 crores, approval of the Board was not obtained (December 1989). Firm A executed (July 1988) 2,61,119 cum valued at Rs. 89·79 lakhs and Firm B executed (July 1988) 2,61,600 cum valued at Rs. 90·37 lakhs (including 1,600 cum in places other than the pond at the rate of Rs. 843·60). Excluding 1,600 cum, the value of the executed job, i.e., 5,21,719 cum (by Firms A and B) would have been Rs. 162·32 lakhs had it been done by the lowest tenderer and the Board could have saved Rs. 17·84 lakhs (Rs. 90·37 lakhs+Rs. 89·79 lakhs—Rs. 162·32 lakhs).

These matters were reported to Board and Government in November 1989; their replies had not been received (December 1989).

CHAPTER IV

4. MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

A. GOVERNMENT COMPANIES

THE WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED

4A.1 Extra expenditure due to underestimation of work

An order for earth filling work with earth excavated from one of its ash ponds was awarded by the Company to D. K. Majhi and Company in January 1985 at Rs. 18·86 *per* cum for an estimated quantity of 90,000 cum plus or minus 25 *per cent* thereof to be completed within 12 months from the date of handing over the site or 15 months from the date of the order whichever was earlier. Even after completion of the ordered quantity plus exactly 25 *per cent* thereof at a cost of Rs. 21·17 lakhs, it was found by the Company in April 1986 that further excavation from the ash pond was possible. Instead of calling for fresh quotations, the existing contractor was ordered in October 1986 to carry out excavation and infilling work estimated again at 90,000 cum plus or minus 25 *per cent* thereof at the enhanced rate of Rs. 21·69 *per* cum as demanded by the contractor. Accordingly, the contractor executed (June 1987) the ordered quantity plus 24·7 *per cent* thereof at a cost of Rs. 24·34 lakhs.

Thus, for initial gross under estimation of excavation and infilling, the Company got the additional work done by the same contractor at a higher rate incurring an avoidable expenditure of Rs. 3·18 lakhs.

The Management stated (November 1989) that to save public money, the execution of excess work by the same contractor was considered as there were running contract for the same nature of work at higher rate than that allowed to the working contractor. The views of the Management was also endorsed by the Government in November 1989. The reply is thus beside the Audit point of initial underestimation.

4A.2 **Extra contractual financial benefit to a contractor**

In February 1980, the Company placed an order on Bengal Builders and Traders Private Limited for general building works and services in power house building at a cost of Rs. 275·08 lakhs to be completed by February 1982. The order stipulated payment of escalation on the basis of Reserve Bank of India indices for materials and the State Labour Commissioner's indices for labour relevant to the period during which the work paid for was done. Due to failure on the part of the Company to make available various work fronts to the contractor in time, the completion schedule was extended from time to time up to April 1989 with full benefit of escalation but without imposition of any penalty.

Despite specific provision in the order as to the basis for computing escalation of charges, the contractor had been claiming since early 1986 that such escalation was not commensurate with the actual increase in the cost of material and labour. On examination of his claim for escalation from 1st January 1986, the value of work remaining unexecuted on that date was estimated by the Company at Rs. 113 lakhs as per schedule of rates and escalation thereon as per the order at Rs. 50·53 lakhs (45 *per cent*). The Company, however, took into account the contractor's plea that as per prevailing market rates, the value of unexecuted work amounted to Rs. 211·42 lakhs which represented escalation of 87 *per cent* and settled (December 1987) for an escalation of 75 *per cent*. Accordingly, the Company paid Rs. 82·08 lakhs towards escalation on work valued Rs. 109·44 lakhs executed from January 1986 till its completion in March 1989. The quantum of actual escalation to which the contractor was entitled to as per the agreement worked out to Rs. 62·08 lakhs even after assuming that the said work was executed entirely in March 1989. The contractor was thus given an extra contractual benefit of Rs. 20 lakhs.

The matter was reported to Management and Government in November 1989; their remarks had not been received (December 1989).

4A.3 **Extra expenditure on cost escalation**

An order for supply, erection and commissioning of three cooling towers was placed in August 1979 on Paharpur Cooling Towers Private Limited at a total cost of Rs. 380·52 lakhs plus spares and tools valued Rs. 16·11 lakhs. As per the order, the three cooling towers were to be completed in December 1981, June 1982 and December 1982. The order also stipulated that if the work was delayed for reasons not attributable to the firm, it would be entitled to price escalation as per a formula to be mutually agreed upon. The completion period of work was extended from time to time by the Company and ultimately construction was completed in December 1984, March 1986 and June 1986 respectively. The firm applied in September 1984 for escalation in price in respect of all the three towers. A Committee was set up by the Company to consider the claim of the firm. The said Committee recommended in July 1986, a formula for computing escalation based on the difference between the average of RBI price indices of the various components of work of the 12 months preceding the actual completion of the work and the price indices therefor obtaining on the scheduled date of completion in respect of each of the three towers. The Committee also assessed the escalation amount at Rs. 34·50 lakhs. Since the delay was found to be partly attributable to the firm and the value of work done on which escalation was claimed also included value of some materials issued by the Company, the Committee recommended (July 1986) escalation to the extent of half of the amount (Rs. 17·25 lakhs). The recommendation of the Committee was duly accepted by the Standing Tender Committee of the Company and accordingly an amount of Rs. 17 lakhs was paid to the firm towards escalation in September 1988.

Since the escalation related to the work carried out during the period intervening between the scheduled and the actual dates of completion which ranged between 36 and 45 months, the acceptance of the average of indices of only the period of twelve months preceding the actual date of completion resulted in an extra payment of Rs. 5·66 lakhs to the firm by the Company.

The matter was reported to Management and Government in September 1989; their replies had not been received (December 1989).

WEST BENGAL ESSENTIAL COMMODITIES SUPPLY CORPORATION LIMITED

4A.4 Avoidable loss

Shri Mahesh Lal Sa, acted as the clearing, storing and distributing agent of the Company for pulses under agreements executed in March and May 1979. As per terms of the agreements, the agent was required to take delivery of goods from railway wagon only after 100 *per cent* weighment in the presence of the officers of the Company and transport the same to the approved godowns of the agent. The officers of the Company, authorised in this behalf, were to certify the weighment and assessment.

The bills preferred by the agent from time to time towards payment of service charge, transport charge, etc. were disputed by the Company on account of short receipt of pulses on different occasions. To settle the disputes, the matter was referred in June 1984 to the sole Arbitrator in terms of clause 51 of the agreement. In June 1985 the Company submitted to the Arbitrator a statement of claim, receivable from the agent, on different scores for Rs. 18·88 lakhs which, *inter alia*, included a sum of Rs. 7·52 lakhs, being the value of 1,675·45 quintals of pulses received short by the Company. The statement was, however, prepared on the basis of internal audit reports in the absence of original records, reportedly missing.

In January 1989, the Arbitrator disallowed the claim of Rs. 7·52 lakhs on the ground that the shortage was due to loss in railway transit. But no claim for the same was raised by the Company with the railway authorities. Argument of the Company alleging negligence on the part of the agent in receiving pulses on 10 *per cent* weighment basis instead of 100 *per cent* weighment in violation of the terms of agreement, was also rejected by the Arbitrator, since the Company did not object to the practice while the operations were in progress. The Management did not file an appeal in the appropriate court against the Arbitrators award within the prescribed period of 30 days from the publication of the award.

Thus, the Company suffered a loss of Rs. 7·52 lakhs due to the lapses of supervisory control on the part of the Company's officials over the agent's work. The Management had also not taken any action against its negligent officials.

The matter was reported to Management/Government in December 1989; their replies had not been received (January 1990).

4A.5 **Cash management**

The Company had been operating a number of current accounts with Punjab National Bank (PNB), United Commercial Bank (UCO), United Industrial Bank (UIB), State Bank of

India (SBI), Indian Overseas Bank (IOB) and United Bank of India (UBI). It had also fixed deposits with PNB and UCO and against lien on these deposits, it had been availing itself of overdraft facilities.

There was no system of preparation of periodical cash flow statements to ensure gainful deployment of funds.

A test-check of the Company's bank transactions for the seven years up to 1988-89 revealed the following cases of extra payment as well as loss of interest:

(*i*) Between January 1984 and March 1986, the Company availed overdraft facility from UCO bank ranging between Rs. 0·03 lakh and Rs. 371·02 lakhs involving an interest payment of Rs. 15·08 lakhs despite heavy cash balances ranging between Rs. 0·77 lakh and Rs. 590·38 lakhs in the current accounts with PNB and UIB and no steps were taken to transfer the surplus funds to the bank from which overdraft was obtained. Analysis of overdraft account of PNB also revealed that overdrawals during January 1985 to September 1985 involving payment of interest of Rs. 1·92 lakhs were also avoidable as there were sufficient balances in the current accounts with PNB and UIB.

(*ii*) During the period from 1984 to 1987 the Company invested Rs. 800 lakhs in term deposits initially for short periods ranging from one to three months. These were renewed successively for further periods ranging from 4 months to 29 months. By such piecemeal renewals of term deposits, the Company was deprived of higher rate of interest applicable to such aggregate longer period. The additional interest which could have been earned with proper assessment of cash requirement for investment in longer term deposits worked out to Rs. 33·07 lakhs during March 1983 to April 1987.

(*iii*) The Company had not specified any limit of fund to be kept in current account with various banks, beyond which the surplus funds were to be invested in term deposits. In the absence of these limits, the exact amount of interest which could have been earned if the surplus balances had been invested in term deposits could not be worked out. It was, however, noticed that the aggregate balances in current accounts with various banks at the end of each month during the year 1987-88 varied between Rs. 250·14 lakhs and Rs. 1,228·60 lakhs. Taking Rs. 250·14 lakhs as the maximum cash balance required, the minimum interest lost worked out to Rs. 12·61 lakhs.

(*iv*) An analysis of bank reconciliation statements, branch remittance registers and relevant files of the Company revealed that funds of Rs. 64·26 lakhs deposited in various branches of the banks from December 1978 to June 1988 were not credited by the banks in their books. Though bank reconciliation statements were prepared regularly and missing credits identified, the Company had taken up the matter with the banks after delays ranging from 6 to 102 months soon after which the banks could afford the credits. Thereupon, the Company requested the banks to pay interest on such delayed credit at the rate of 5 *per cent per* annum as *per* Reserve Bank of India Rules. Interest amounting to Rs. 4·17 lakhs on such delayed credits was not received by the Company till August 1989. The money left uncredited, being surplus to the requirements of the Company, would have been available for investment in long-term deposits fetching interest at higher rates instead of the 5 *per cent* interest now being allowed by banks. The loss of interest on this account worked out to at least Rs. 3 lakhs.

Both Management and Government informed (December 1989) that the position had improved.

4A.6 **Payment of penalty**

Under the West Bengal Finance (Sales Tax) Act, 1941 as amended from time to time, a registered dealer is required to submit quarterly returns of sales to Sales Tax Authorities in the prescribed form showing the gross and taxable turnover and the tax payable within 30 days of the end of the quarter to which the return relates accompanied by a copy of the challan depositing sales and turnover taxes. A dealer can also furnish a revised return at any time before the date of submission of the return for the following quarter if the original return is found incorrect by him along with a copy of the challan for the tax paid on the basis of the revised return. In terms of an amendment to the Act effective from 1st October 1983, failure to pay tax within the prescribed time makes the dealer liable to penalty at the rate of two *per cent per* month for each month of default.

The Company, a registered dealer, used to pay quarterly tax on sales on estimated basis instead of on actual basis owing to its own accounting deficiencies, viz. delay in receipt of delivery statements from branches and delay in preparation of sales bills, but did not submit revised returns. It deposited tax on the balance turnover (difference between estimated and actual sales) long after the due dates (the delay ranging from 2 to 49 months) relating to the years from 1983-84 to 1985-86. It was also noticed that in respect of 1983-84, there was delay of 33 months in payment of tax by the Company even after its accounts for the year were finalised. Of Rs. 94·30 lakhs paid (August 1988 to March 1989) by the Company as penal interest for the delay pertaining to the said years, Rs. 32·68 lakhs were due to delay in payment after finalisation of its accounts for 1983-84.

Management stated in November 1989 that the assessment order for the year 1983-84 was received by it in May 1988 with the provision for appeal within 60 days but it took 96 days to prefer the appeal along with a petition for condonation of delayed submission of the appeal which was pending before the tax authority. In December 1989, the Government also endorsed the views of the Management.

The avoidable payment of interest was, thus, occasioned by the Company's failure (*i*) to gear up its accounting system with a view to submitting correct returns within the prescribed time and to estimate the tax payable by it on a realistic basis making due allowance for its accounting deficiencies and (*ii*) to pay the tax promptly after the final figures of sales of 1983-84 became known.

THE DURGAPUR PROJECTS LIMITED

4A.7 **Draining of furnance oil**

In July 1985, the Company installed a furnace oil storage tank at a cost of Rs. 7·78 lakhs supplied by Bharat Brakes and Valves Limited for the fifth unit of its power plant. The tank was used on trial basis till July 1986 when, on expiry of the guarantee period, it was finally taken over from the supplier. The oil tank with a gross capacity of 1,017 KL was provided with a syphon/overflow pipe indicating the starting of overflow at 939 KL level. To arrest overflow of oil through syphonic action, an antisyphonic device with a syphon breaking vent was also provided in the tank which proved ineffective as the desyphonic vent was of 11/16 inch diametre instead of the required 1 inch diametre. The tank was not tested by filling it to the full during the guarantee period. As a result, on the night of 27th July 1987, when 698 KL of furnace oil was pumped into the tank from railway wagons over and above the tank balance of 255 KL, overflow of oil started from the tank owing to swelling of oil due to pressure of air gone inside the tank during loading and raising the body of oil much above the level where syphon also started working (workable from 971 KL level). But due to inadequate antisyphonic device, overflow of oil through syphonic action which started sometime during the night was noticed only in the morning of 28th July 1987 when the filling pumps were stopped. But by this time 309 KL of furnace oil valued Rs. 9·83 lakhs had drained out of the tank.

A one-man Committee constituted by the Company in April 1988 to enquire into the reasons for overflow of oil and fix responsibility therefor did not find anybody on duty responsible for the loss, but attributed the same to improper illumination at the site, fatigued condition of the crew who had worked continuously for 23 hours, insufficient training of the workforce to meet emergencies and difficulty in observing the oil level from the ground. But it also held that the overflow was due to failure of the antisyphonic device to break the syphon owing to its being below specification. The Company, therefore, wrote off this loss in the books of accounts of 1987-88 but did not fix responsibility for procuring this tank with inadequate antisyphonic device.

Thus, due to lapse on the part of the Management in the acceptance of the storage tank with smaller dimensional antisyphonic device without effectively testing it before taking over and its failure to provide proper training, the Company had to sustain a loss of Rs. 9·83 lakhs.

The matter was reported to Management/Government in November 1989; their replies had not been received (December 1989).

4A.8 **Shortage of imported materials**

To meet the requirements of its power plant, the Company placed on order in April 1981 on Siemens A.G. of West Germany for the supply of high and low tension motor spares valuing DM 4,57,477·50 equivalent to Rs. 20·81 lakhs. The materials were shipped in two instalments. The first consignment was accepted by the Company in March 1982. On arrival of the second consignment in June 1982, two of the packages were found apparently in damaged condition and therefore all the packages were got surveyed and no discrepancies were noticed (September 1982). After clearance from the Port, the consignments were moved to

Durgapur stores in October 1982 where they were inspected in September 1983 i.e. after a lapse of eleven months. Materials valued Rs. 1·02 lakhs were found short during the inspection. Proportionate customs duty paid for the materials received short was Rs. 1·24 lakhs. The Company's claim for compensation on account of the shortage lodged in October 1983 was turned down by the insurer in February 1985 on the ground that no shortage had been found on arrival at the port and that the loss was not reported within the extended period of cover afforded by the insurance policy. Only on rejection of the claim by the insurer in February 1985, the Company took up the matter with the supplier. In February 1988, the supplier also refused to compensate the Company for the loss because of inordinate delay in reporting the shortage to them. The Management has acceptet the facts (December 1989). However, the Company had not investigated the shortages for fixing responsibility.

The matter was reported to the Government in November 1989; their replies had not been received (December 1989).

WEST BENGAL TEA DEVELOPMENT CORPORATION LIMITED

4A.9 Loss on procurement of coal

The Company has been purchasing coal from Coal India Limited at the rates fixed by the latter from time to time. In April 1987, the supplier intimated the rate of unscreened coal at Rs. 679·12 *per* tonne and screened coal at Rs. 805·00 *per* tonne with the stipulation that the screened coal would be of required size and grade, while unscreened coal would contain coal dust up to 50 *per cent.* The rates were again revised to Rs. 707·20 *per* tonne and Rs. 838·00 *per* tonne respectively in June 1987 and further to Rs. 754·20 and Rs. 908·00 respectively in December 1987. These rates would indicate that purchase of screened coal was more economical than purchase of unscreened coal inview of the dust content in the latter.

However, without working out the economics, the Company had gone in for purchase of unscreened coal and got it screened through a contractor during April to December 1987. In this period, the Company purchased 1,376·7 tonnes of unscreened coal and entrusted its screening to the contractor out of which the contractor actually delivered 772·3 tonnes of screened coal to the tea gardens accounting for the remaining 604·4 tonnes as coal dust and handling loss. The coal dust was, however, retained by the contractor at a price of Rs. 400 *per* tonne. The landed cost of the 772·3 tonnes of the screened coal worked out to Rs. 8·56 lakhs including cost of unloading/loading, transportation, screening, handling loss and after taking into account also the realisation from the coal dust. Had the Company purchased 772·3 tonnes of screened coal directly, it would have incurred a total cost of Rs. 7·18 lakhs only.

Thus, due to purchase of unscreened coal instead of screened coal, the Company incurred an extra avoidable expenditure of Rs. 1·38 lakhs.

The matter was reported to Government in May 1989; their reply had not been received so far (December 1989).

4A.10 **Avoidable expenditure**

On the basis of supply orders placed by the local management, Swastika Enterprise of Siliguri supplied various materials to the Rangmook-Cedars Tea Estate during the period from March 1985 to June 1985 and submitted claims (41 Nos.) for Rs. 3·07 lakhs to the garden authority who forwarded the bills to the head office of the Company between April 1985 and October 1986 for payment to the supplier. The head office neither did take action for payment after receiving several reminders up to October 1987 and even after legal notice in December 1987, nor did assign any reason therefor. The fund position of the Company, however, did not indicate its inability to discharge the liability.

On a money suit filed by the suppliers in February 1988, the Calcutta High Court directed the Company in September 1988 to pay the entire sum along with interest of Rs. 1·10 lakhs at 9 *per cent per* annum on reducing balance of principal in twelve equal monthly instalments commencing from October 1988. The Company has paid so far (March 1989) six instalments amounting to Rs. 2·08 lakhs.

Thus, the unnecessary delay in settling the outstanding claims of the supplier resulted in an avoidable payment of Rs. 1·10 lakhs as interest.

The matter was reported to Management and Government in July 1989; their replies had not been received (January 1990).

WEBEL CARBON AND METAL FILM RESISTORS LIMITED

4A.11 Irrecoverable advance

For the construction of its factory building the Company placed three orders between May and September 1982 on single quotation basis on Chaliha Rolling Mills (P) Limited of Calcutta for the supply of 126·5 tonnes of steel bars at a cost of Rs. 5·41 lakhs based on the recommendation of the Company's Managing Director who was also a Director of the supplier firm. The reasonableness of the rates of the supplier firm could not be verified in Audit due to non-invitation of open tenders. Even before placement of purchase orders, an advance of Rs. 1·60 lakhs was paid in May 1982 to the firm and thereafter two more advances of Rs. 3·75 lakhs were paid in July and September 1982. All the advances were paid direct to the supplier by four prospective shareholders of the Company as share application money without prior approval of the Board which subsequently (March 1983) ratified payment of advance of only Rs. 3·85 lakhs.

On a subsequent change in the building plan, the Company asked the firm in October 1982 to supply of steel valued Rs. 3·86 lakhs only without insisting refund of the advance of Rs. 1·49 lakhs paid in excess. The Company received a total quantity of 68 tonnes valuing Rs. 3·46 lakhs between April and November 1983. It also received a refund of Rs. 0·45 lakh from the supplier in June 1984 leaving the balance amount of Rs. 1·44 lakhs outstanding for recovery of which, no action was taken by the Company. Non-recovery of the outstanding advance was attributed by the Management in July 1989 to sudden closure of business by the firm but the exact time of closure was not indicated.

The possibility of recovery being remote, the Company is likely to suffer a loss of Rs. 1·44 lakhs due to choice of a supplier in which the Managing Director was interested and due to omission to effect recovery of the excess advance as soon as it became known that the actual requirement of steel was much less.

The Management stated (July 1989) that they were hopeful of realising the amount in cash or kind at an opportune moment. The matter was reported to Government in September 1989; their reply had not been received (December 1989).

WEST BENGAL DAIRY AND POULTRY DEVELOPMENT CORPORATION LIMITED

4A.12 **Cash management**

The Company's Feed Milling Plant at Kalyani maintained a current account with United Bank of India, Kalyani Branch in which all the sale proceeds of the Mill were deposited. Heavy balances remained in this account even after transferring the amounts ordered by the head office to their main account maintained at United Bank of India, Calcutta and meeting the emergent payments of the unit which varied between Rs. 0·30 lakh to Rs. 2·56 lakhs *per* month. The minimum balances on any day in a month varied from Rs. 16·16 lakhs to Rs. 40·49 lakhs during the period from July 1986 to June 1988. The Company had no system of efficiently managing all the surplus funds available by investing in short-term deposits and earn interest. Even by investing the lowest minimum balance of Rs. 16·16 lakhs available in the Kalyani unit account in the year in term deposit the Company could have earned an interest of Rs. 3 lakhs for the period from July 1986 to June 1988.

The matter was reported to Management and Government in May 1989; their replies had not been received so far (December 1989).

THE CALCUTTA TRAMWAYS COMPANY (1978) LIMITED

4A.13 **Avoidable extra expenditure**

Against the projected requirement of 730 traction poles, the Company invited tenders in June 1985 for supply of only 540 poles. The letter of intent was issued in October 1985 to the lowest tenderer, Jindal Steel Products, Calcutta after verification of its capacity by RITES, the Company's inspecting agent. The supply was to be completed by March 1986 in monthly instalments of 200 poles each, but an initial supply of 50 poles was to be thoroughly inspected and passed by RITES or by Company's engineers. The first lot of 50 poles was received in March 1986 and was cleared by RITES and the Companv in July 1986. The firm supplied 150 poles by August 1986, another 150 by October 1986 and the balance 240 poles by December

1986. In the meanwhile, the Company's tender committee on assessing the stock position (220 poles) and the possible supply of 150 poles by August 1986 recommended in August 1986 that there was an immediate need to procure 190 poles from another source with the supply commencing within two months and completion within 4 months of the order. The order was placed in November 1986 on the second lowest tenderer at his tendered rate of Rs. 12,650·00 plus duties and taxes as specified. The purchase action for the intial projected requirement of 730 traction poles was thus completed. The second firm also completed the supply in December 1986 and the material was actually issued for works from April 1987. The purchase from the second firm was costlier by Rs. 7·51 lakhs compared to the rate of the first firm.

The balance requirement could have been placed with the lowest tenderer who had satisfactorily completed his supplies in December 1986.

Thus, due to purchase of its requirement in piecemeal, the Company incurred an avoidable extra expenditure of Rs. 7·51 lakhs on the purchase of 190 poles from the second lowest tenderer.

The matter was reported to Government in May 1989; their reply had not been received so far (December 1989).

B. STATUTORY CORPORATIONS

WEST BENGAL STATE ELECTRICITY BOARD

4B.1 Unfruitful expenditure

In June 1982, the Board issued a work order for Rs. 9·64 lakhs for revitalisation of the damaged/stolen installations of seven mouzas (villages) in Midnapur district. The work was completed in September 1982 at a cost of Rs. 8·48 lakhs and the installations were taken over in September 1982 by the Maintenance Wing. But the installations were uncharged and unoperated on the ground that the area was not easily accessible. Theft of materials from the idle lines again occurred after September 1982 but the records showing the period of theft, complaint lodged in the Police Station, quantity and value of materials lost was not produced (July 1988) to Audit.

In June 1983, the Board decided to set up an establishment in the area in order to maintain the installations in and around these lines. The members of the staff (13 technical and ministerial incumbents) were posted there from July 1984 and the building for the office was hired in July 1985. The office, however, could start functioning only from 1987 when a portion of the damaged installation was revitalised. During the period from July 1984 to June 1987 the services of the skilled workers (ten) were stated to have been utilised in different places under the controlling division. But, the services of the staff (three members) attached to the office remained totally unutilised. During this period, a sum of Rs. 0·71 lakh was spent by the Board on account of staff salaries and rent of the office building.

The Board issued another work order for Rs. 4·93 lakhs in June 1986 for revitalisation of the same installations. The delay in issuing the order was mainly due to non-maintenance of records showing detailed particulars of the installations by the local Management. However, the work was taken up in November 1986 and completed in September 1987 and February 1988 at a cost of Rs. 4·57 lakhs. The installations were taken over by the Maintenance Wing and operated commercially since February 1988.

Thus, the Board incurred an extra expenditure of Rs. 4·57 lakhs due to theft occurring in completed but uncharged lines and its revitalisation and unfruitful establishment expenditure of Rs. 0·71 lakh due to deficiency in planning.

Government and the Board stated (December 1989) that the area being inaccessible, no insurance company would agree to cover the installations against possible incidents of theft. The argument of inaccessibility is not convincing in as much as the construction work could be done in the area twice before the theft and during construction contractors cover the material through insurance.

4B.2 **Idle imported equipment (sky climber)**

With a view to minimising the down-time of inspection and maintenance of boilers at Santaldih Thermal Power Station, the Board imported a sky climber in August 1983 from Western Gear Europe, s.a. Belgium through their Indian Agents (Greaves Cotton and Company Limited). The landed cost of the equipment was Rs. 8·41 lakhs including foreign exchange component of Rs. 4·53 lakhs.

The equipment received in August 1983 was not even inspected and was lying idle (May 1989).

According to the local Management (July 1989) the equipment could not be used as the repair work done departmentally by the Board prior to 1983 was thereafter entrusted to contractors who were, however, not allowed to use the sky climber and the question of making the contractors use the equipment was under consideration of Management.

Thus, the purpose for which the equipment had been procured had not been served and its idleness so far (May 1989) meant an interest burden of Rs. 4·90 lakhs at the Board's average borrowing rate of 10 *per cent per* annum.

The matter was reported to the Board/Government in August 1989; their replies had not been received (December 1989).

4B.3 **Defective transformers**

Two 1·6 MVA 33/11 KV power transformers were received by the Board in June 1985 against purchase order issued in October 1982 to Electric Construction and Equipment Company Limited at a cost of Rs. 1·53 lakhs each for installation in Jainagar sub-station. As per terms of supply, the warranty period of the transformers was 18 months from the date of delivery or 12 months from the date of commissioning whichever is earlier. As the Jainagar sub-station did not come up by that time, the two transformers were diverted in September 1986 to Uttarbhag sub-station as replacement and stand-by against a 1 MVA burnt transformer. The new transformer became defective in October 1986 after running for a period of 18 days only, but the supplier was requested to repair the defect free of cost only in February 1987 i.e. after expiry of the warranty period (December 1986) for reasons not on record. The supplier, however, turned down the request due to the belated claim. While admitting the facts, the Board stated (December 1989) that the concerned department have been advised for initiating prompt action in such cases.

The other transformer which was commissioned in October 1986 in place of the defective one in Uttarbhag sub-station also became defective in March 1987. The supply of power from the Uttarbhag sub-station was temporarily restored with the help of a 1 MVA transformer which was permanently replaced by a power transformer of 3 MVA capacity in June 1988 acquired at a cost of Rs. 3·86 lakhs when the capacity of the sub-station was also augmented. The supplier when asked (April 1987) to repair the second defective transformer informed (April 1987) their inability as their transformer repairing unit had since been liquidated.

Both the 1·6 MVA power transformers in question were lying in defective condition in the Board's stores at Mohinagar sub-station, as the Board did not consider the desirability of getting them repaired at its own cost. Had the Board taken action to get the first transformer repaired by the supplier within the warranty period free of cost and the second transformer immediately after it became defective, blocking up of Rs. 3·06 lakhs could have been avoided besides obviating an expenditure of Rs. 3·86 lakhs on acquiring one 3 MVA transformer for running the sub-station.

Government and the Board stated (December 1989) that steps had been taken to get the transformers repaired.

4B.4 Loss of revenue

Tulsiji Oil Industries, a high voltage consumer under Birbhum (O & M) Circle, executed an agreement with the Board in December 1983 for drawal of electrical energy at a contract demand of 100 KVA for five years. The supply of energy was commenced in July 1984 after collecting security deposit of Rs. 0·38 lakh in the form of a bank guarantee valid up to December 1988. The annual minimum guaranteed revenue (AMGR) was fixed at Rs. 0·54 lakh. The supply was disconnected in September 1985 for non-payment of energy and demand charges for the period from June 1985 to August 1985. Besides, an amount of Rs. 0 53 lakh was due towards AMGR for 1984-85 and 1985-86. In August 1986, the meters were also removed from the consumer's premises but the Board did not invoke the bank guarantee before its expiry in December 1988.

Thus, due to non-recovery of energy charges the Board suffered a loss of revenue of Rs. 0·63 lakh which could have been reduced by Rs. 0·38 lakh but for the failure to invoke the bank guarantee within its period of validity.

The matter was reported to the Management and Government in December 1989; their replies had not been received (December 1989).

4B.5 **Idle transformer**

In September 1978, the Board purchased one 3 MVA power transformer for Rs. 1·87 lakhs from Electric Construction Equipment Company Limited for installation at Sultanpur (Daspur) 33/11 KV sub-station without synchronising its receipt with the civil work connected with the transformer foundation and approach road to the sub-station. The civil work was ordered only in October 1980 and completed in early 1982. The transformer could not also be installed on completion of civil works, as it had developed leakage in the radiator bank and another transformer was installed. In December 1985, an effort was made to get the transformer repaired but the repairer did not respond. The transformer is lying unrepaired since then.

Thus the investment of Rs. 1·87 lakhs has remained idle with consequential loss of interest of Rs. 2·10 lakhs at 10 *per cent per* annum.

The matter was reported to the Board and the Government in December 1989; their replies had not been received (January 1990).

4B.6 **Loss of materials**

A quantity of 24·197 kms conductor valued Rs. 1·62 lakhs received in January 1983 in 12 drums by the Board's sub-divisional store at Howrah for use at the Titagarh sub-station remained idle till November 1986. On the night of 23rd November 1986, 20 6 kms of conductor valued Rs. 1·36 lakhs was reportedly stolen and an FIR was lodged with the police on the following day. The police, however, reported in March 1987 that the allegation of theft was false, as the store was surrounded by a high wall, properly locked and guarded by two homeguards during the night and further, the drums being heavy could not have been removed without the use of crane or without leaving marks on the wall. But no marks had been noticed on wall, nor could the store authorities show a place where the drums were reportedly kept which should show signs of depression owing to storage in the open for a long period. The Management, however, did not investigate the matter further to fix the responsibility upon the officials at fault. The Board thus suffered a loss of Rs. 1·36 lakhs without investigating it.

The matter was reported to the Management and Government in December 1989; their replies had not been received (December 1989).

4B.7 Extra expenditure due to failure to make timely deposit of income tax deducted at source

Income tax of Rs. 359·19 lakhs deducted at source by the Board during 1984-85 was deposited only in May 1986 against the prescribed period of one week from the last day of the month in which deduction was made. For the delayed remittance, the Income Tax Authorities demanded in November 1987 payment of penal interest at 15 *per cent* amounting Rs. 58·37 lakhs, which was paid in full in March 1988. The appeal of the Board for refund of the amount was rejected by the Central Board of Direct Taxes in December 1988.

The failure of the Board to deposit the tax deducted at source in time by judicious management of its available funds, thus, resulted in an avoidable interest payment of Rs. 58·37 lakhs. In August 1988, the Board desired fixation of responsibility but no such action has yet been taken (November 1989).

4B.8 Infructuous expenditure towards purchase of crane

In September 1976, the Board placed an order on Garden Reach Workshop Limited for manufacture, delivery and erection by February 1977 of a 10 tonne capacity EOT Crane at a cost of Rs. 2·58 lakhs to be installed in the Siliguri Power Station in connection with installation of Russian diesel generating sets. Although the crane with all accessories was to be supplied within six months of the letter of intent issued in August 1976, it was actually received in February 1978 after the installation of the generating sets had been completed (July 1977). A sum of Rs. 2·53 lakhs including taxes and other charges was paid by November 1977. The reasons for extending the date of delivery beyond the date of completion of the diesel generating sets were not on record. The crane received in February 1978 along with its accessories was not installed in the generating station due to technical difficulties, the nature of which could not be explained by the local Management although the crane had been specifically ordered for use in the generating station. The crane had been lying at the Regional Store, Siliguri. This would indicate that the crane was not required even for maintenance.

Although action was initiated in May-June 1983 for transfer of the crane to Chief Engineer, Central Service Organisation (CSO) of the Board for its use elsewhere, the transfer did not materialise as the Chief Engineer, CSO did not respond. It has not been determined whether the crane can at all be utilised elsewhere. The entire expenditure of Rs. 2·53 lakhs had proved unfruitful.

The matter was reported to Board and Government in July 1989; their replies had not been received (December 1989).

CALCUTTA STATE TRANSPORT CORPORATION

4B.9 Extra expenditure due to inadequate planning

Construction of civil works of the Corporation's Central Workshop at Belghoria under Calcutta Urban Transport Project was awarded to National Building Construction Corporation Limited, a Central Government Undertaking, in May 1981 on the basis of lowest tender for a total value of Rs. 89·99 lakhs. The work was to be completed within one year from the date of award. The terms of the contract provided for payment of cost escalation on labour during the pendency of the work. The work commenced in May 1981 was completed in August 1984 after getting several extensions without imposition of penalty due to the following reasons which were attributable to the lapses of the Management:

(*i*) delay in removal of defective buses from work site;

(*ii*) delay in disposal of scrap;

(*iii*) delay in construction of sub-station building by more than two years because of non-handing over of complete site;

(*iv*) unmatched time schedule and inordinate delay in the supply of the special foundation drawings of the equipment by the Chief Mechanical Engineer to the Deputy Chief Engineer (Civil);

(*v*) increase in the scope of work as the actual quantities to be done were far in excess of the estimated quantities; and

(*vi*) slow progress due to general lapses in supervision of associated works as noticed by the Board in their meeting held on 13th July 1984.

Total escalation for labour paid to the contractor worked out to Rs. 5·78 lakhs of which a sum of Rs. 5·16 lakhs related to the period beyond the stipulated date of completion of the work i.e. 6th May 1982. The Corporation had to bear the extra expenditure due to managerial lapses mentioned above.

The Corporation stated (November 1989) that delay in completion of the work was due to scarcity of cement, delay in lifting of scraps from the work site by the lifting agencies and unavoidable inclusion of excess quantities and new items of work. The views of the Corporation were endorsed by Government in December 1989. The views of the Corporation are not tenable as the supply of cement was the responsibility of the contractor and other reasons for delays were controllable by the Management.

NORTH BENGAL STATE TRANSPORT CORPORATION

4B.10 **Undue financial aid**

In November-December 1985, the Corporation placed orders on four firms of Calcutta for the fabrication of 36 bus bodies of various types to be delivered between 31st January and 28th February 1986. The orders stipulated that penalty would be leviable at the rate of Rs. 100 *per* bus body for each day of delay in delivery and that any statutory increase in taxes/duties would be considered only if the same were imposed within the scheduled delivery period. The firms effected delayed delivery of 28 bodies between 3rd March and 29th April 1986. The Government of India meanwhile imposed central excise duty on fabricated bus bodies with effect from 1st March 1986 as a result of which the four firms had to pay excise duty amounting to Rs. 6·38 lakhs on the bus bodies delivered late. They applied for extension of time on various grounds and reimbursement of the duty. In November 1986, the Corporation condoned the delay in delivery without ascertaining the validity of the reasons adduced by the firms and approved reimbursement of the excise duty paid by them. The Managing Director of the Corporation explained to Audit in June 1989 that the Board was satisfied with the oral explanations of the fabricators. The considerations which weighed with the Board for condonation of the delay attracting additional expenditure were, however, not on record.

It would, thus, appear that the action of the Board in condoning the delay in delivery without recording the reasons therefor constituted extension of undue financial aid of Rs. 6·84 lakhs including unimposed penalty of Rs. 0·46 lakh to the fabricators.

The matter was reported to Management and Government in August 1989; their replies had not been received (December 1989).

Calcutta,
The 14 DEC 1990

(S. C. ANAND)
Accountant General (Audit)-I
West Bengal

Countersigned

New Delhi,
The 12 DEC 1990

(C. G. SOMIAH)
Comptroller and Auditor General
of India

ANNEXURE 1

(Referred to in paragraph 3 of preface and paragraph 1.2.6 page 8)

List of Companies in which Government of West Bengal invested more than Rs. 10 00 lakhs but which are not subject to audit by Comptroller and Auditor General of India

Sl. No.	Name of Company	Total amount invested up to March 1989 (Rupees in crores)
1.	Apollo Zipper Company (Private) Limited	3·59
2.	A Stock and Company Limited	0·18
3.	Alokudyog Vanaspati and Plywood Limited	0·96
4.	Bengal Luxmi Cotton Mills Limited	0·57
5.	Bengal Belting Corporation Limited	0·14
6.	CESC Limited	49.00
7.	Dr. Paul Lohman (India) Limited (West Bengal Chemical Industries Limited)	2·91
8.	Engel India Machine and Tools Limited	4 57
9.	Eastern Distilleries (Private) Limited	0·83
10.	Great Eastern Hotel Limited	0·56
11.	Indian Health Institute and Laboratory Limited	2·88
12.	India Belting and Cotton Mills Limited	1·46
13.	Inchek Tyres Limited	0·35
14.	Kolay Iron and Steel Company	0·15
15.	Kinnison Jute Mills Limited	2·81
16.	Lily Biscuit Company (Private) Limited	3·10
17.	Krishna Silicate and Glass Works Limited	12·02
18.	Mackintosh Burn Limited	1 72
19.	Mayurakshi Cotton Mills Limited	0·11
20.	Supreme Paper Mills Limited	0·20
	Total	88 11

ANNEXURE 1A

(Referred to in paragraph 1.2.6 page 8)

List of Companies in which Government paid loans during 1988-89 but which are not subject to audit by the Comptroller and Auditor General of India

Sl. No.	Name of Company	Total amount of loans (Rupees in crores)
1.	Engel India Machine Tools Limited	0·96
2.	Apollo Zipper Company Limited	0·82
3.	Dr. Paul Lohman (India) Limited	0·26
4.	Indian Health Institute and Laboratory Limited	0·14
5.	Lily Biscuit Company (Private) Limited	0 46
6.	India Belting and Cotton Mills Limited	0·17
7.	Alokudyog Vanaspati and Plywood Limited	0·38
8.	Krishna Silicate and Glass Works Limited	1·33
9.	Eastern Distilleries (Private) Limited	0·44
10.	Supreme Paper Mills Limited	0·20
11.	Mayurakshi Cotton Mills Limited	0·05
	Total	5·21