सत्यमेव जयते

GOVERNMENT OF RAJASTHAN

REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR 1977-78

(COMMERCIAL)

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PREFATORY REMARKS

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

(*i*) Government Companies,

(*ii*) Statutory Corporations, and

(*iii*) Departmentally managed commercial and *quasi*-commercial undertakings.

2. This Report deals with the results of audit of accounts of Government Companies and Statutory Corporations, including the Rajasthan State Electricity Board. The Report of the Comptroller and Auditor General of India (Civil) contains the results of the audit relating to departmentally managed commercial and *quasi*-commercial undertakings.

3. The cases mentioned in the Report are those which came to the notice of Audit during the year 1977-78 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1977-78 have also been included, wherever considered necessary.

4. In the case of Government Companies, audit is conducted by Chartered Accountants appointed on the advice of the Comptroller and Auditor General, but the latter is authorised, under Section 619 (3) (b) of the Companies Act, 1956, to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the Chartered Accountants. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In November 1962, such directives were issued to the auditors for looking into certain specific aspects of the working of Government Companies. These were revised in December 1965 and February 1969.

5. There are, however, certain companies other than Government Companies, in which Government have invested funds but the accounts of which are not required to be audited by the Comptroller and Auditor General of India. A list of such companies where Government investment is more than Rs.10 lakhs is given in Annexure 'A'.

6. In respect of Rajasthan State Road Transport Corporation and the Rajasthan State Electricity Board, the Comptroller and Auditor General of India is the sole auditor, while in respect of the Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation he has the right to conduct audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

7. The points brought out in the Report are those which have come to notice during the course of test audit of accounts of the above undertakings. They are not intended to convey or to be understood as conveying any general reflection on the financial administration of the undertakings concerned.

CHAPTER 1

GOVERNMENT COMPANIES

SECTION I

1. Introduction

There were 10 Government Companies as on 31st March 1978 (including one new Company *viz.* Rajasthan State Seeds Corporation Limited, incorporated on 28th March 1978).

2. Paid-up capital

The aggregate paid-up capital of the ten Companies was Rs. 1890.99 lakhs at the end of March 1978. The break-up of the paid-up capital according to the investments made by the State Government, Central Government and private parties was as follows:—

Particulars	Number of Companies	Investment made by			
		State Govern-ment	Central Govern-ment	Private parties	Total+
			(*Rupees in lakhs*)		
(*i*) Companies fully owned by the State Government	4	747.25	..	..	747.25
(*ii*) Companies jointly owned by the State Government and the Central Government	2	191.14	420.46	..	611.60
(*iii*) Companies jointly owned by the State Government and other parties	4	523.83	..	8.31	532.14
TOTAL	10	1462.22	420.46	8.31	1890.99
Figures for the year 1976-77	9	1296.80	298.97	8.31	1604.08

+Figures are as furnished by the Companies.

3. Guarantees

Government had guaranteed repayment of loans to the extent of Rs. 1067.84 lakhs raised by four Companies and payment of interest thereon, against which Rs. 779.33 lakhs (excluding interest) was outstanding as on 31st March 1978.

4. Profits and dividends

(*i*) A synoptic statement showing the summarised financial results of nine companies (the accounts of Rajasthan State Seeds Corporation Limited were not due) on the basis of latest available accounts is given in Annexure 'B'.

The aggregate of profit/loss of the nine companies was a net loss of Rs. 26.29 lakhs during 1977-78 as against Rs. 2.90 lakhs during 1976-77. The overall increase in the losses during 1977-78 was mainly due to loss incurred by the following companies:—

	1976-77	1977-78
	(*Rupees in lakhs*)	
Rajasthan State Industrial and Mineral Development Corporation Limited	14.60	88.01
Rajasthan State Tanneries Limited	17.04	20.63

Seven Companies with a total paid-up capital of Rs. 1480.21 lakhs incurred cumulative losses aggregating Rs. 224.29 lakhs as detailed below:—

Name of Company	Paid-up capital	Capital contributed by State Government	Loss incurred during 1977-78	Cumulative loss upto 1977-78
			(*Rupees in lakhs*)	
Rajasthan State Industrial and Mineral Development Corporation Limited	570.50	570.50	88.01	98.66
Rajasthan State Agro Industries Corporation Limited	344.01	175.45	7.84	37.47
Rajasthan State Dairy Development Corporation Limited	267.59	15.69	..	0.23
Rajasthan Small Industries Corporation Limited	138.71	129.85	7.07	10.08
Rajasthan State Tanneries Limited	100.00	100.00	20.63	52.67
Rajasthan State Hotels Corporation Limited	51.75	51.75	..	8.40
Hi-Tech Precision Glass Limited	7.65	7.60	..	16.78*

*The position is for the year ending 30th September 1977.

(*ii*) The Ganganagar Sugar Mills Limited declared a dividend of $4\frac{1}{2}$ *per cent* (tax free) on cumulative redeemable preference shares for the year 1976-77 and no dividend on the ordinary shares. Rajasthan State Mines and Minerals Limited earned a profit of Rs. 63.04 lakhs during 1977-78 and the cumulative profit as on 31st March 1978 for four years ending 1977-78 was Rs. 137.48 lakhs. The Company has, however, not declared any dividend.

SECTION II

RAJASTHAN STATE MINES AND MINERALS LIMITED

1. Introduction

The Bikaner Gypsums Limited was incorporated on 7th May 1947 for mining gypsum deposits in Bikaner State on long-term lease. The shares of the Company held by the former Government of Bikaner were vested in the Rajasthan Government after integration of Bikaner State in 1949. In June 1973 the Company became a Government Company when the State Government acquired more than 51 *per cent* of the shares. The name was changed to Rajasthan State Mines and Minerals Limited on 20th December 1974.

2. Activities

The Company carries on business as miners and holds from the State Government—

(*a*) a mining lease and working permission in respect of seven proven deposits of gypsum and one deposit of selenite (a crystalline variety of gypsum of 95 to 100 *per cent* purity) in Bikaner Division; and

(*b*) a working contract for mining rock phosphate at Jhamarkotra in Udaipur Division.

It also acts as the agent of the State Government for sale of rock phosphate.

3. Organisational set-up

The management of the Company vests in the Board of Directors consisting of nine directors, three of whom (including Chairman and Managing Director) are nominated by the Governor and the rest are appointed by the Company in general meeting.

Requisite financial and administrative powers have been delegated by the Board of Directors to the Managing Director subject to provisions of Companies Act and Memorandum and Articles of Association, general policy or guidelines or rules laid down by Board of Directors and allocations made by the Board for specific purposes in the budget estimates. In exercising financial powers, the Managing Director is required to consult the Finance and Chief Accounts Officer. Managing Director can sub-delegate these powers, wherever necessary, to other officers under his control subject to report to the Board of Directors.

4. Capital structure

4.1 As on 31st March 1978, the authorised capital of the Company was Rs.5.00 crores divided into 50 lakh shares of Rs. 10 each and the paid-up capital was Rs. 3.00 crores contributed by Government (Rs.2.99 crores) and private individuals (Rs. 0.01 crore).

4.2 The Company has also obtained loans from Government and banks from time to time. The outstanding balance of borrowings (including interest accrued) as on 31st March 1978 was Rs. 148.75 lakhs (Rs. 57.15 lakhs from Government and Rs. 91.60 lakhs from banks).

5. Financial position

The financial position of the Company, under broad headings, for the four years upto 1977-78 was as under:—

	1974-75	1975-76	1976-77	1977-78
Liabilities:		(*Rupees in lakhs*)		
Paid-up capital	166.76	256.76	300.00	300.00
Reserves and surplus	69.72	81.33	101.89	150.03
Borrowings:				
(*i*) Secured/long-term	71.20	46.06	26.37	12.24
(*ii*) Unsecured/short-term	162.00	140.92	159.56	136.33
Trade dues and other current liabilities (including provisions)	235.08	238.47	237.40	236.62
TOTAL	704.76	763.54	825.22	835.22
Assets:				
Gross block	393.82	442.14	707.36	839.28
Less: Depreciation	155.84	227.05	348.93	464.38
Net fixed assets	237.98	215.09	358.43	374.90
Capital work-in-progress	49.29	67.22	62.40	2.14
Current assets, loans and advances	415.32	478.07	404.29	458.13
Investments	0.10	0.10	0.10	0.05
Miscellaneous expenses to the extent not written off	2.07	3.06	..	..
TOTAL	704.76	763.54	825.22	835.22
Capital employed	418.22	454.69	525.32	596.41
Net worth	234.41	335.03	401.89	450.03

Note:—1. Capital employed represents net fixed assets *plus* working capital.

2. Net worth represents paid-up capital *plus* reserves *less* intangible assets.

6. Working results

The working results of the Company for the four years upto 1977-78 were as under:—

	1974-75	1975-76	1976-77	1977-78
		(Rupees in lakhs)		
Profit before tax	21.65*	12:07	35.60+	63.04@
Tax provisions	13.50	7.81	20.50	17.50
Profit after tax	8.15	4.26	15.10	45.54
Percentage of profit before tax:				
To gross fixed assets	5.50	2.73	5.03	7.51
To capital employed	5.18	2.65	6.78	10.57
Percentage of profit after tax:				
To net worth	3.48	1.27	3.76	10.12
To equity capital	4.89	1.66	5.03	15.18
To capital employed	1.95	0.94	2.87	7.64

The decrease in profit during the year 1975-76 was due to shortfall in production of gypsum as discussed in para 7.

7. Production performance

7.1 *Gypsum division*

The gypsum division of the Company is doing open cast mining operation in SriGanganagar and Bikaner districts since 1947. Rajasthan State Industrial and Mineral Development Corporation Limited, another Government Company established in 1969, operates in Barmer, Jaisalmer and Nagaur districts.

7.1.1 The table below indicates the mine-wise details of estimated deposits

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* After providing Rs. 82 lakhs for removal of over-burden. No such provision was, however, made in subsequent years.

+ Before providing Rs. 10.84 lakhs for depreciation for previous years.

@ Before providing Rs. 33.50 lakhs for investment allowance reserve.

and balance reserves of gypsum and selenite:—

Name of mine	Estimated deposit (in lakh tonnes)	Working since	Approximate balance reserve as on 31st March 1978 (in lakh tonnes)	Remarks
1	2	3	4	5
Jamsar	85.00	December 1947	1.00	
Lunkaransar (Selenite)	5.00	July 1951	3.70	
Dhirera	10.00	September 1961	0.07	Surrendered to Government in March 1978 as the deposits were almost exhausted.
Bhadi	2.50	December 1967	0.64	
Purabsar including Mahila	41.80	Purabsar (April 1968) & Mahila (April 1976)	32.19	
Suratgarh	0.60	November 1975	0.34	
Deshli	25.00	January 1977	24.60	
Khutani	1.00	July 1977	0.99	

7.1.2 Targets of mining of gypsum are fixed yearly by the Company. The table given below indicates the area-wise targets of mining and actuals there against for the four years upto 1977-78:—

Name of mine	1974-75		1975-76		1976-77		1977-78	
	Targets for mining	Actual mining	Targets for mining	Actual mining	Targets for mining	Actual mining	Targets for mining	Actual mining
1	2	3	4	5	6	7	8	9
Gypsum								
Jamsar	1.80	1.88	1.10	0.51	0.50	0.76	0.91	0·90
Dhirera	0.10	0.49	0.36	0.32	0.26	0.23	0.03	0.03
Suratgarh	..	..	0.10	0.05	0.09	0.11	0.10	0.10
Purabsar & Mahila	1.80	0.98	1.50	0.83	1.27	1.26	1.44	1.40
Bhadi	0.18	0.32	0.36	0.16	0.08	0.11	0.18	0.13
Deshli	..	..	0.20	..	0.10	0.03	0.31	0.37
Khutani	..	..	..	..	..	..	0.05	0.01
TOTAL	3.88	3.67	3.62	1.87	2.30	2.50	3.02	2.94
Selenite								
Lunkaransar	0.12	0.14	0.15	0.07	0.15	0.05	0.03	0.03
Grand TOTAL	4.00	3.81	3.77	1.94	2.45	2.55	3.05	2.97

As regards shortfall in 1975-76, the Management stated (August 1977) that the mining was regulated according to the demand. For fixing of lower targets during 1976-77 and 1977-78 the Management gave (April 1978) the following reasons:—

(*i*) increasing use of synthetic gypsum in place of natural gypsum by cement and other industries and the fall in demand;

(*ii*) water logging of the mines on account of heavy rains and non-availability of labourers at Lunkaransar (Selenite) mine; and

(*iii*) non-availability of adequate number of wagons in the months of February and March 1978.

7.2 *Rock phosphate division*

As a result of survey made by the Directorate of Mines and Geology of the State, rock phosphate was found in June 1968 at Jhamarkotra, about 24 kms. south-east of Udaipur. Reserves to the extent of 53 million tonnes were proved by the Directorate of Mines and Geology upto March 1978 in seven blocks at different levels of depth ranging from 600 metres to 320 metres.

7.2.1 *Assignment of working contract*

The Company was awarded by Government on 24th September 1969 a ten year contract for the working of the rock phosphate mines (extended by another ten years on 30th April 1977). The Company took up in the first quarter of 1970, the open cast mining of 'D' Block (open cast mining operation in this block had been started by the Directorate on 25th March 1969). On 16th December 1973, the Company was authorised by Government, to do mining in Blocks 'B' 'C' and 'E' also. Upto March 1978 a total of 25.62 lakh tonnes of rock phosphate ore had been extracted. According to the terms of the contract, the Company receives from Government fixed remuneration of Rs. 96 per tonne since January 1974 towards charges for mining operations, transportation, loading in wagons at railhead, *etc*. Against this, the Company's cost per tonne of ore at railhead was as follows during the years 1974-75 to 1977-78:

Year	Cost per tonne (*Rupees*)
1974-75	85.15
1975-76	93.75
1976-77	92.77
1977-78	88.64

7.2.2 *Production of high grade ore*

Of the proven reserves of 53 million tonnes of rock phosphate, 16.3 million tonnes are of high grade. To speed up the rate of production of high grade ore within 3 to 5 years, the Company engaged in February 1977 the National Mineral Development Corporation Limited, (N.M.D.C.) (a Government of India Undertaking) as consultants on a remuneration of Rs. 3 lakhs to prepare a short-term feasibility report. The report from the consultants was received during September 1978 to February 1979. The consultants have pointed out that the mining operations had not been conducted systematically since inception of the mining activities and that high grade ore was mined without removing commensurate quantity of over-burden. This had resulted in accumulation of over-burden to the extent of 32.25 lakh tonnes as on 31st March 1979.

The report also pointed out that the over-burden dumped in the central portion of Block 'D', would necessitate re-handling of the dumped material to exploit the underlying ore. The report of the consultants was under consideration of the Company (February 1979).

8. Sales—Rock phosphate

On 10th May 1975, Government appointed the Company to work as their agent for 3 years for the sale of rock phosphate. The term was extended by another 3 years from 10th May 1978. Under this agreement, the Company procures orders and sells rock phosphate ore at the rates fixed by Government and remits the sale proceeds to Government after retaining a commission of Re. 1 per tonne of ore sold.

The Company sold 2.52 lakh tonnes, 5.89 lakh tonnes and 5.50 lakh tonnes of rock phosphate ore during 1975-76, 1976-77 and 1977-78 respectively.

According to Government decision, payments for sales could be accepted in instalments (25 *per cent* against delivery and 75 *per cent* within 60 days from the date of despatch). Interest at one *per cent* over the current commercial lending rate of scheduled banks was chargeable thereafter. For delay in payments, a debit note for interest of Rs. 1.71 lakhs was issued to one party in March 1977 but neither this was actually debited to the buyer's account nor was the payment received. The Management stated (July 1978) that the case was under correspondence with the party and final debit would be raised on receipt of confirmation from the party. Though in February 1978 Government had not agreed to waive the interest charges, the final debit had not been raised (January 1979).

9. Sundry debtors

The following table indicates the position of book debts for the four years upto 1977-78:—

Year	Total debtors at the end of the year(+)	Debts considered good	Debts considered doubtful for which provision has been made in the accounts for the year	Sales for the year	Percentage of total debtors to sales
			(*Rupees in lakhs*)		
1974-75	26.91	26.08	0.83	108.20	24.87
1975-76	23.88	22.10	1.78	81.45	29.32
1976-77	41.06	40.14	0.92	119.29	34.42
1977-78	49.05	48.15	0.90	137.31	35.72

(+) These pertain to sale of gypsum only as rock phosphate is sold by the Company as an agent of Government.

Out of the total debts of Rs. 49.05 lakhs as on 31st March 1978, Rs. 3.85 lakhs were outstanding for more than six months. This amount included a disputed claim of Rs. 2.05 lakhs pending against a party of Jaipur since 1966-67. The party had not made payments of certain bills raised by the Company on the ground of lower percentage of purity in the goods supplied to them. The dispute has not been settled (January 1979).

10. Utilisation of machines

Operational norms for different machines/equipment deployed by the Company for drilling, loading and transportation of phosphate rock/ore have not been prescribed. The work of suggesting norms for working of the machines/equipment was assigned by the Company to the National Mineral Development Corporation Limited (N.M.D.C.) in February 1977. In their report received by the Company in February 1979, N.M.D.C. have expressed the opinion that 275 working days in a year (after weekly offs, paid holidays and shifts lost due to weather conditions) and five hours per shift (after leaving 3 hours for shift changeover, refreshment, normal operational delays, etc.) could be taken as normal working days and working hours per shift respectively. The utilisation of the machines/equipment during the years 1975-76 to 1977-78 was reviewed in Audit as per above norms (based on two shifts a day in vogue) and it was noticed that in the cases detailed below the utilisation percentage was very low :—

Name of machine/ equipment	Month and year of commissioning	Year	Expected hours of working	Actual hours of working	Percentage of utilisation
(A) Drilling Machines					
Halco Drills (7 nos.)	prior to 1975-76	1975-76	19,250	7,769	40.36
		1976-77	19,250	6,002	31.18
		1977-78	17,640	3,532	20.02
(B) Loading Machines					
H. M. Shovel	August 1973	1975-76	2,750	1,216	44.22
		1976-77	2,750	993	36.11
		1977-78	2,040	1,162	56.96
H. M. Shovel	September 1974	1975-76	2,750	1,735	63.09
		1976-77	2,750	1,126	40.95
		1977-78	2,750	1,165	42.36
P & H Shovel	February 1973	1975-76	5,500	1,360	24.73
		1976-77	5,500	1,546	28.11
P & H Shovel	March 1973	1977-78	5,500	596	10.84
Loader	December 1974	1975-76	2,750	555	20.18
		1976-77	2,750	250	9.09
		1977-78	2,750	567	20.62
Dozer D-120	September 1974	1975-76	2,750	1,072	38.98
		1976-77	2,750	62	2.25
		1977-78	2,750	1,185	43.09
Dozer D-120	October 1974	1975-76	2,750	817	29.71
		1976-77	2,750	1,127	40.98
		1977-78	2,040	629	30.83
Dozer T. D. 25	February 1976	1975-76	230	..	..
		1976-77	2,750	64	2.33
		1977-78	2,750	396	14.40
(C) Transporting Machines					
Beaver dumpers (6 nos.)	October 1973 to March 1974	1975-76	16,500	3,386	20.52
		1976-77	16,500	2,965	17.97
		1977-78	10,530	1,086	10.31

Management gave (February 1979) the following general reasons for low percentage of utilisation of the machines/equipment:—

(*i*) Difficult and inadequate supply of components/spares of machines.

(*ii*) Unsatisfactory after-sales service.

(*iii*) Power interruptions and voltage drops.

(*iv*) Mining industry under organised sector being a relatively recent feature, the standard of operations has not yet reached the desired level.

11. Consumption of fuel and lubricants

No norms for consumption of diesel oil, lubricants, etc., have been prescribed (January 1979). The details of machinery/equipment-wise consumption of fuel and lubricants were not maintained upto March 1977. The consumption account for 1977-78 revealed wide variations in the average consumption per hour by the machines/equipment of the same type as shown in the table given below:—

Particulars of machine	Month of purchase	Consumption per hour of diesel oil during 1977-78 (in litres)
H.M.Shovel (No.101)	July 1973	25.6
H.M.Shovel (No. 102)	August 1974	31.7
Tarex dumper (No.102)	March 1974	7.1
Tarex dumper (No.103)	March 1974	14.3
Beaver dumper (No. 102)	October 1973	29.2
Beaver dumper (No.105)	March 1974	9.3
Haulpak dumper (No.104)	July 1976	16.3
Haulpak dumper (No. 105)	July 1976	12.1

(The figures in brackets are the serial numbers).

Reasons for wide variations were not analysed and recorded. The Management stated (February 1979) that the report of N.M.D.C. received in February 1979 suggesting norms of consumption of fuel was under consideration.

12. Inventory control

The table below indicates comparative position of stores and spare parts at the close of the last four years upto 1977-78 :—

Year	Stock of stores and spare parts (*Rupees in lakhs*)	Quantum in terms of months' consumption
1974-75	59.78	16.3
1975-76	91.78	15.7
1976-77	109.34	12.0
1977-78	115.38	10.7

Minimum, maximum and re-ordering levels for spare parts of plant and machinery were not prescribed. The Management stated (December 1978) that the report on material management received from Administrative Staff College of India in November 1978 was under consideration (January 1979). The value of surplus stores and spare parts held by the Company as on 31st March 1978 was assessed at Rs. 5.37 lakhs by the Managing Director. The Board of Directors approved (September 1978) disposal of these stores. The Management stated (February 1979) that stores and spare parts worth Rs. 2.27 lakhs were disposed of. Disposal of the remaining material was awaited.

13. Other point of interest-purchase of haulage dumpers

For smooth transportation of gypsum particularly from Purabsar and Mahila mines to Hanumangarh Railway Station and to eliminate dependence on private transportation, the Managing Director placed an order on 18th October 1974 with a firm in Jaipur for supply (by a Delhi firm) of nine Beaver Haulage truck chassis at Rs. 2.23 lakhs each (total cost: Rs. 20.11 lakhs). On the basis of limited tenders the work order for construction of cab and rear body on all the chassis was given to a Delhi firm on 27th November 1974 at a total cost of Rs. 2.50 lakhs. The complete vehicles were received in September 1975.

Meanwhile, on 22nd March 1975, after considering the note of the Executive Director, the Board of Directors decided that the cost of transportation by the Company would be more than the trasportation charges which were being paid to the private operators. The Managing Director was asked by the Board of Directors to explore the possibilities of returning these dumpers either to the suppliers or to sell them to any Central/State Government Undertaking/Department at cost, which, however, did not materialise.

In September 1975, the Company decided to entrust the operation of these dumpers to an outside agency for transportation of gypsum from Mahila mines to Hanumangarh Railway siding. Tenders were invited on 27th October 1975 for transportation work on 'management contract' basis as also on the basis of outright hire purchase of the dumpers. As the tenderers (numbering 13) had quoted rates on 'management contract' basis only, the contract was not finalised.

In March 1976, the Company decided to invite fresh tenders for transport contract offering simultaneously the dumpers for sale at cost (either outright payment or in instalments) to the tenderers and issued a tender notice on 26th March 1976. In all 14 tenders were received which were opened on 30th April 1976 . As the first and the second lowest tenders for transportation work did not fulfil the required conditions, the Company decided to award the transportation contract to the third lowest tenderer and to sell the dumpers at cost on instalment basis (without taking into account the element of interest on deferred instalments) and entered into the sale and transportation contract on 31st January 1977.

The deal resulted in loss of Rs. 13.06 lakhs to the Company as under:—

	Amount (*Rupees in lakhs*)
Interest on blocked capital at 13 *per cent* upto January 1977	6.21
Maintenance expenditure (Rs. 0.29 lakh), Road tax (Rs. 0.28 lakh) and insurance (Rs. 0.36 lakh) upto January 1977	0.93
Loss of interest on deferred instalments	5.92

The contractor served (January 1978) legal notice rescinding the contract on the ground that the firm had given offer on the basis of 15 to 16 tonnes carrying capacity of the vehicles as mentioned in the notice inviting tenders, which proved to be of 9.6 tonnes capacity only. On the basis of legal opinion the Company's case was found to be weak since the tender notice which formed the basis of contract indicated the load capacity of 15 tonnes as against the officially prescribed load of 9.655 tonnes. On the ground that if the contract was rescinded, the Company might have to incur considerable damages, the case was compromised with the contractor and revised agreement entered into on 12th February 1978 which *inter alia* provided revision and extension of schedule of payment of instalments.

This revised arrangement resulted in further loss of Rs. 0.83 lakh to the Company as detailed below:—

	Amount (In Rupees)
Amount spent on legal advice etc. (Rs. 32,112 minus Rs.1,002 recovered)	31,110
Loss of interest on further deferred instalments (Rs. 6,43,717-5,91,825)	51,892
TOTAL	83,002

The contractor stopped the transportation work from 7th May 1978 and has not resumed the work so far (January 1979). The Management stated (February 1979) "Bank guarantee was invoked. However, the banker has not yet paid. The matter is under correspondence with the banker. As per Board's direction the Company has also taken up the matter with Reserve Bank of India. Meanwhile, the party has filed a case in the District Court, Bikaner against the Company as well as the banker not to enforce bank guarantee."

14. Summing up

The following main points were noticed in the working of the Company:—

(*i*) As per consultants' report, mining operations had not been conducted systematically and high grade ore was mined without removing commensurate quantity of over-burden. Over-burden dumped in the Central portion of Bolck 'D' would require re-handling for extraction of underlying ore.

(*ii*) Interest of Rs. 1.71 lakhs for delayed payment of bills was not recovered from one party.

(*iii*) The utilisation of certain heavy mining machines and equipment meant for drilling, loading and transportation was low.

(*iv*) Norms for consumption of fuel and lubricants in mining machines and equipment were not fixed. Machine-wise account of actual consumption was also not kept upto 1976-77. During 1977-78, there were wide variations in average consumption of fuel and lubricants per hour in the machines/ equipment of the same category.

(*v*) The Company purchased (September 1975) 9 haulage dumpers valuing Rs. 22.61 lakhs without proper study of the cost benefit. These dumpers were subsequently sold (31st January 1977), on the basis of payment in instalments, at original cost (without taking into account interest charges) to a party with whom the Company also entered into a contract for transportation of gypsum from Mahila mines to Hanumangarh Railway siding. The Company sustained a loss of Rs. 13.89 lakhs in the form of interest on capital and expenses on road tax, insurance, maintenance, etc. The party did not also execute the transportation contract satisfactorily and has stopped working from 7th May 1978.

SECTION III

RAJASTHAN SMALL INDUSTRIES CORPORATION LIMITED

1. Working of Handicrafts emporia

1. 1. Introduction

The Rajasthan Small Industries Corporation Limited was set up in June 1961 as a wholly owned State Government Company. Among other activities it has been carrying on business as dealers in handicraft goods, antiques and curios, ready-to-wear garments, etc. through its sales emporia.

The working of the Company for the period up to 1974-75 was examined in Section II of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial), wherein working of handicrafts emporia was also briefly discussed. The working of the emporia has been further reviewed as discussed in the succeeding paragraphs.

1.2 Organisation

The Senior Executive (Traditional Crafts) is in-charge of the emporia organisation subject to the overall control of the Managing Director.

Upto 1974-75, the Company ran five emporia at Jaipur, New Delhi, Mount Abu, Bombay and Calcutta. Three more emporia were opened at Agra, Udaipur and Chandigarh in June 1976, May 1977 and January 1978 respectively.

There is a Central Stores at Jaipur for procurement, storage and issue of stores to the various emporia.

1.3 Working results

The table below summarises the working results of the emporia for the three years upto 31st March 1978

	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
a. Opening stock	37.10	43.52	37.04
b. Purchases	37.24	23.21	15.19
c. Inter-unit receipts	69.11	68.33	105.47
d. Total $(a+b+c)$	143.45	135.06	157.70

	1975-76	1976-77	1977-78
		(*Rupees in lakhs*)	
e. Inter-unit transfers	8.27	12.61	27.11
f. Closing stock	43.52	37.05	40.75
g. Total (*e*+*f*)	51.79	49.66	67.86
h. Cost of purchases (*d*—*g*)	91.66	85.40	89.84
i. Other expenses and adjustments	20.41	23.71	26.10
j. Cost of sales (*h*+*i*)	112.07	109.11	115.94
k. Sales	106.44	97.62	104.72
l. Other receipts	4.87	3.25	5.75
m. Net loss (*k*+*l*—*j*)	0.76	8.24	5.47

The emporia-wise net working results for the three years ending 31st March 1978 are detailed below:—

	1975-76	1976-77	1977-78
		(*Rupees in lakhs*) (Profit (+)/Loss(—))	
Jaipur	(+)0.61	(—)2.14	(—)2.66
New Delhi (including export wing)	(—)1.15	(—)2.51	(—)0.99
Bombay	(—)0.34	(—)1.47	(—)0.71
Calcutta	(+)0.23	(—)1.12	(—)0.12
Mount Abu	(—)0.11	(—)0.45	(—)0.09
Agra (opened in June 1976)	..	(—)0.55	(—)0.48
Udaipur (opened in May 1977)	..	..	(—)0.37
Chandigarh (opened in January 1978)	..	..	(—)0.05
Total :	(—)0.76	(—)8.24	(—)5.47

The Management stated (July 1978) that losses during 1975-76 and 1976-77 were due to (*i*) renovation of Jaipur, Agra and Udaipur emporia; (*ii*) increase in dearness allowance and salary of staff and (*iii*) expenditure on promotional activities, *i.e.* exhibitions, setting up of sale counters at various tourist centres, publicity, etc.

It was, however, noticed in Audit that following factors also contributed to the losses:—

(i) excessive purchases and purchases of defective goods (lying either in stores or sold at heavy discount);

(*ii*) no improvement in sales/exports in spite of heavy expenditure on exhibitions and other promotional activities;

(*iii*) accumulation of outstandings as a result of extending credit facilities without due care;

(*iv*) unauthorised sales below the prescribed margin.

1.4 Purchases

1.4.1 Excessive purchases

(a) Brass plates (numbering 453) embossed with 'twenty points programme' of ex-Prime Minister costing Rs. 0.49 lakh were purchased during April 1976 to March 1977 from a Jaipur firm. Of these, only 193 plates were sold upto December 1976 and 260 plates valuing Rs. 0.28 lakh were lying unsold (March 1979).

(b) In May 1977, 200 woollen *durries* were purchased at a cost of Rs. 0.20 lakh from a party of Beawar under orders of the then Managing Director on the ground that the Director of Tourism wanted them for tourist bungalows. The *durries* were not taken by the Tourism Department and were sent during June to November 1977 for sale in the exhibitions held at Ajmer, Jaipur and New Delhi where these were also not sold. 104 *durries* costing Rs. 0.11 lakh were sent to the State Tourism Department in February 1978 without any request against which no payment was received (March 1979). The remaining *durries* (96) valuing Rs. 0.09 lakh were lying with the Company (March 1979).

1.4.2 Purchase of defective goods

The Company purchased 76 handloom washable woollen carpets for Rs.0.54 lakh during September and October 1976 from a Carpet Factory at Jaipur for supply to the Handicrafts and Handloom Export Corporation of India Limited, New Delhi (HHEC). Out of these, 4 carpets costing Rs. 0.04 lakh were sold at Jaipur Emporium and 72 carpets were sent to HHEC in September/October 1976, but the same were rejected being defective and were returned by them in January/February 1977. As these carpets could not be sold by the Company all the carpets were sent back to the supplier in June 1977 for sale at their show-room on behalf of the Company. Up to January 1978 only 33 carpets were sold by the supplier at the cost price of Rs. 0.22 lakh and the remaining 39 carpets costing Rs. 0.28 lakh were returned to the Company. These were then sent to the Bombay Emporium out of which 3 were sold and 36 carpets (value: Rs. 0.26 lakh) were lying unsold there (March 1979) resulting in blocking of funds of Rs. 0.26 lakh. Reasons for not ensuring, while making purchase of carpets, that these were free from defects, were not investigated (March 1979).

1.5 Sales

(*i*) Pricing

In January 1976, the Management decided that in order to meet the incidence of heavy investment, expenditure on rent, decoration, etc., the goods at the counter in the shopping centre of Hotel Oberoi Sheraton, Bombay should be sold at 50 *per cent* margin instead of the usual 30 *per cent* margin. The decision was communicated to the Manager, Bombay Emporium vide letter dated 19th January 1976. The sales there were, however, continued to be made at 30 *per cent* margin up to 27th September 1976 which resulted in loss of revenue of Rs. 0.17 lakh.

(*ii*) Outstanding dues.

The sundry debtors in respect of emporia, as on 31st March 1978, were Rs. 18.51 lakhs, of which Rs. 6.99 lakhs were more than six months old. The table below gives a few cases noticed by audit as a result of test check where the amounts had remained outstanding for long periods:—

Name of party	Period of supply	Value of goods (Rupees)	Reasons for which outstanding
Government institutions			
A	1971-72 to 1973-74	22,042.75	Shortages (Rs. 2,570.88) pointed out by the party in January 1976.
B	1973-74	17,500.00	Amount pertains to construction of a fountain at Churu but no work order from the party was on record with the Company.
C	1972-73 and 1973-74	27,625.00	For want of acknowledgement against supplies.
D	1967-68	1,438.89	For want of acknowledgement against supplies.
E	1971-72 and 1972-73	4,086.60	For want of acknowledgement against supplies.
Others			
F	1974-75	18,300.00	The party intimated (March 1975) that part of the material was in broken condition.

Name of party	Period of supply	Value of goods (Rupees)	Reasons for which outstanding
G	1972-73	10,483.00	The payment was not made by the party and a civil suit was filed by the Company. A decree was awarded on 21st September 1974 in favour of the Company. Rs. 5,000 recovered and the balance is to be recovered (November 1978).
H	1974-75	2,271.35	For want of acknowledgement against supplies.
I	1975-76	7,839.39	No pursuance.
J	1975-76	30,272.00	Goods despatched by rail against advance of Rs. 601. Party took delivery against forged railway receipt. Claim lodged with Railways.

The dues against Firm I of Australia were lying outstanding in the books of Bombay Emporium since 1975-76. It was stated (July 1978) by the Manager, Bombay Emporium that the recovery in this case was being pursued by Jaipur Emporium. The case was, however, not found being pursued by Jaipur Emporium. For other cases, the Manager, Jaipur Emporium stated (December 1978) that these were being pursued.

(iii) Exports

(*a*) Export of goods without obtaining advance/letter of credit

The Company appointed (8th February 1975) a firm of North St. Paul, U.S.A. as a sole selling agent within the territory of U.S.A. for a period of one year. The agency agreement provided, *inter alia*, that the agent should give either 25 *per cent* advance or open a letter of credit in foreign currency against all orders placed by him.

During the period from 16th May 1975 to 21st July 1975, seven consignments (value: Rs. 1.44 lakhs) were despatched (5 by air and 2 by sea) by the Company; in respect of one consignment advance of Rs. 0.16 lakh only was obtained and in respect of the remaining six consignments neither any advance was obtained nor was letter of credit opened by the agent before despatches. The reasons for not adhering to the terms of agreement for obtaining an advance or letter of credit in respect of six consignments were not on record.

The documents were drawn through bank. The agent managed to obtain delivery of five consignments (value: Rs. 1.36 lakhs) from the airlines without retiring the documents from the bank who returned the documents to the Company on 12th November 1976. The Company filed a suit on 5th January 1978 in the Delhi High Court against the Airlines, bankers and the agent; the case was pending decision (March 1979). In respect of the remaining two consignments (Value: Rs. 0.08 lakh) sent by the sea, documents in respect of which were also not retired by the agent from the Bank, the Shipping Company did not deliver the goods and, to realise custom duty, one consignment (value: Rs. 0.03 lakh) was auctioned by U.S. Customs authorities; the whereabouts of the other consignment (value: Rs. 0.05 lakh) were not known to the Company (November 1978).

Had the despatches been made either against advance or against a letter of credit, the loss to the Company could have been minimised or wholly avoided.

(*b*) The Company entered into (June 1975) an agreement for supply of jewellery, semi-precious stones and cotton textile items to a party in Holland. The agreement, *inter-alia*, provided for advance payment of Rs.0.10 lakh and the opening of a letter of credit by the party before despatch of goods. During the period from June 1975 to October 1975, the Company purchased goods as per requirement of the foreign buyer from a private party and despatched four consignments of the value of Rs. 1.70 lakhs without obtaining the advance of Rs. 0.10 lakh and the letter of credit as envisaged in the agreement.

The documents of these consignments were drawn through bank. The party took part delivery of one of the consignments against payment of Rs. 0.17 lakh; the documents of the remaining three consignments were not retired by the party. Of the undelivered consignments (value: Rs. 1.53 lakhs), two full and one part consignment (value: Rs. 1.02 lakhs) were received back in New Delhi in July 1976 and March 1977 respectively on which expenditure on account of freight to and from Holland, insurance and labour charges incurred by the Company amounted to Rs. 0.27 lakh; the remaining consignment (value: Rs. 0.51 lakh) was disposed of by the Company (June 1977) in Holland to another party at a rebate of Rs. 0.10 lakh. If the advance of Rs. 0.10 lakh had been obtained and letter of credit got opened as required under the agreement, the extra expenditure of Rs. 0.37 lakh could have been avoided. Goods of the value of Rs. 0.17 lakh were lying in stock (March 1979).

(*c*) Readymade garments worth Rs. 0.07 lakh were sent (August 1974) by the Delhi Emporium to the clearing agents at Bombay for shipment to a party of Florida, U. S. A. The goods were not despatched by the clearing agents as their dues of Rs. 618.61 had not been cleared by the Bombay Emporium. The goods were taken back by the Bombay Emporium and returned to Delhi Emporium in January 1976. The goods were reported to have been totally damaged. Had the matter been settled promptly with the clearing agent, the goods could have been despatched to foreign party and loss avoided. Reply of the Management was awaited (March 1979).

1.6 Manufacture/procurement of goat hair *pattis*

The Government of India approved a proposal of the State Government, for canalising export of goat hair *pattis* through the Company and decided to implement the same (April 1976) through Handicrafts and Handloom Export Corporation of India Limited with the Company (R.S.I.C.) as their associate for actual contracting. The Company opened a manufacturing centre at Balotra with effect from 1st November 1976 and manufactured/procured at a cost of Rs.2.54 lakhs, 14,760kgs. of goat hair *pattis* up to August 1977(manufactured at the centre 5279 kgs. and procured from local manufactures 9481 kgs.). The Company incurred a further expenditure of Rs. 0.39 lakh upto June 1978 on establishment, rent of building, etc. at the manufacturing centre and on selling expenses. Under orders of the Managing Director (26th July 1977), all the *pattis* were transferred (September 1977) to the emporium at Bombay for arranging their export. As the *pattis* could not be exported till May 1978, these were sold to a party of Bombay in June 1978 for Rs. 1.77 lakhs resulting in a loss of Rs. 1.16 lakhs in their disposal.

The Management stated (December 1978) that due to competition in rates, foreign exchange rate fluctuations, and taking away of monopoly rights of export of goat hair *pattis* from the Company by the Government of India, export orders could not be obtained.

On further examination, Audit however, noticed the following points:—

(i) The Minister of Commerce, Government of India had pointed out in his D. O. letter dated 23rd December 1976 to the Chief Minister of Rajasthan that Government of India had agreed that H. H. E. C., would not register any more private parties for export of this item after their subsisting contracts were concluded by January 1977, after which this Company would enjoy monopoly rights upto March 1977.

(*ii*) At the instance of the Company, the Government of Rajasthan wrote (April 1977) to the Government of India that the Company (R. S. I. C.), would be willing to export alongwith the private parties.

(*iii*) It was also noticed that the Managing Director of the Company had visited Kuwait (June 1976) and entered into a sale contract with a firm of Kuwait for export of 150 bales (29,700 Kgs.) of goat hair *pattis* of the value of Rs. 6.02 lakhs (at prices ranging from Rs. 20.00 to Rs. 20.50 per kg. *c. i.f.* Kuwait for different varieties of *pattis*) backed by a letter of credit for this amount valid up to

31st October 1976. The goods were to be despatched not later than 31st October 1976. The Company did not, however, finalise any programme for production/procurement of goat hair *pattis* to execute the order by 31st October 1976. On the request (19th November 1976) of the Company, the foreign party extended (28th November 1976) the date of validity of the letter of credit up to February 1977. The Company on 25th December 1976 sent a proforma invoice to the foreign buyer for 187 bales (39,142 Kgs.) of different varieties of goat hair *pattis* for the total value of Rs. 10.16 lakhs (at enhanced rates ranging from Rs. 25.25 to Rs. 26.50 per Kg., *c. i. f.*, Kuwait for different varieties) and requested the foreign buyer to accept these rates and offered to despatch half the quantity in February 1977 and the balance in March 1977.

The foreign buyer did not accept (2nd January 1977) the revised rates and asked the Company to ship the goods within the extended time limit at the rates agreed in the sale contract of 24th June 1976. After expiry of the extended period of the letter of credit, the foreign buyer claimed (12th March 1977) from the Company a sum of Rs. 1.20 lakhs as damages and compensation for non-fulfilment of the contract and has been pursuing the matter through the Indian Embassy in Kuwait for settlement of their claim. The matter was under correspondence between the Company and Government of India, Ministry of Commerce (December 1978).

The matter was again referred (March 1979) to the Management; their reply is awaited.

1.7 Exhibitions and fairs

For the purpose of publicity and sales promotion, the Company has been holding its own exhibitions and also participating in exhibitions/trade fairs organised by other agencies in India and abroad.

Some deficiencies noticed as a result of test check of the accounts relating to exhibitions are indicated below:—

(*i*) As per annual programme for the Emporia Organisation for the year 1977-78 special sales on the occasion of 'Durga Puja' festival were to be organised at the Calcutta Emporium as well as at some prominent places in Calcutta. Though the festival ended on 30th October 1977, the Company organised an exhibition *cum* sale in a Calcutta hotel during the period 6th November 1977 to 17th November 1977. The Company spent Rs. 0.35 lakh on the exhibition against which sales of Rs.0.19 lakh only were made. The reasons for organising the exhibition, when the festival was over, were not on record.

(*ii*) *Shortage of goods*:—The Calcutta Emporium organised an exhibition in a Calcutta hotel during February/March 1975. At the close of the exhibition the unsold stock valuing Rs. 0.23 lakh was shown in the accounts of the exhibition as returned but the goods were not taken on stock ledgers of the Calcutta Emporium. In the accounts of the emporium the goods were treated as goods-in-transit. The case was neither investigated nor recovery of the goods or cost thereof effected from the concerned officials (March 1979).

(*iii*) In June/July 1975, an exhibition under the charge of the Managing Director was organised at Calgary (Canada), for which goods valuing Rs. 1.24 lakhs were despatched from New Delhi Emporium. No sales could be effected in the exhibition and the goods were given to a firm of Calgary for sale. A remittance of Rs. 0.02 lakh was received in August 1975 and goods of the value of Rs. 1.02 lakhs were received back in January 1976. Neither any inquiries were made by the Company about the short receipt of goods (valuing Rs. 0.20 lakh), nor were the accounts of the Calgary exhibition finalised. In addition to the loss of goods, the Company also incurred an expenditure of Rs. 0.51 lakh on freight and travelling expenses.

The Government of India sanctioned on 10th October 1975, a grant-in-aid amounting to Rs. 27,450 from Marketing Development Fund, being 50 *per cent* of the estimated expenditure incurred by the Company for participation in Calgary exhibition. The amount of grant-in-aid sanctioned has not been received as the Company has not submitted the statement of actual expenditure duly signed by the Statutory Auditors (March 1979).

(*iv*) During November-December 1976, the Company participated in an exhibition in London for which goods costing Rs. 2.33 lakhs were sent for sale. The Company incurred a total expenditure of Rs. 1.40 lakhs on packing and forwarding charges, other exhibition expenses and travelling expenses of the Managing Director and the Chairman of the Company. The total net sales were Rs. 1.66 lakhs, including credit sales of Rs. 0.85 lakh for which remittance was not received (March 1979). No export orders were also received as a result of participation in the exhibition. Unsold goods (Rs. 0.86 lakh) were handed over to a firm of London on 3rd December 1976. The goods were not received back by the Company. The position about sale of the unsold goods left with the firm was not ascertained from the foreign firm; pursuance for recovery of the sale proceeds against credit sales was also not made (March 1979).

1.8 **Inventory control**

(*i*) The table below indicates the value of stock held by each emporium at the end of the last three years upto 1977-78:—

	1975-76	1976-77	1977-78
		(*Rupees in lakhs*)	
Jaipur	8.68	10.81	12.87
	(3.2)	(4.9)	(6.3)
New Delhi (including export wing)	14.59	9.37	7.70
	(3.4)	(3.1)	(2.3)
Calcutta	6.64	5.03	5.74
	(6.8)	(6.1)	(6.4)
Bombay	10.46	7.90	8.17
	(7.2)	(5.7)	(5.9)
Mount Abu	3.14	2.95	2.20
	(16.9)	(24.3)	(16.3)
Agra	..	0.98	1.71
		(2.3)	(2.4)
Udaipur	..	..	0.81
			(3.4)
Chandigarh	..	..	1.55
			(9.5)

Note.—Figures in brackets indicate stock holdings in terms of months' sales.

The closing stock at Mount Abu was very high varying from 16.3 times to 24.3 times of the monthly turn over. The main reason for holding disproportionately high stock at Mount Abu appeared to be poor sales which came down from Rs. 2.23 lakhs in 1975-76 to Rs. 1.64 lakhs in 1977-78.

(*ii*) Physical verification of stocks

(*a*) Shortages and excesses in the various emporia (including Central Stores) noticed as a result of annual physical verification of stock for the three years up to 1977-78 were as under:—

	1975-76	1976-77	1977-78
		(*Rupees in lakhs*)	
Excesses	0.30	0.26	0.32
Shortages	2.08	0.55	0.12

Shortages of Rs. 2.63 lakhs relating to the years 1975-76 and 1976-77 were reviewed (September 1976 and October 1977) by a Committee of Directors appointed for the purpose. The Committee regularised Rs. 1.15 lakhs by adjustment, write off or recovery and recommended the balance shortages (Rs. 1.48 lakhs) for further investigations; the investigations had not been finalised (March 1979).

(*b*) In addition, the following cases of shortages were awaiting investigation and regularisation (March 1979):—

(*i*) The store-keeper of Export Wing, Jaipur had left the services of the Company in June 1976 without handing over the charge. Shortage of stock worth Rs. 0.31 lakh were noticed (June 1976) by the Committee of Officers appointed for the purpose of take over of the stocks.

(*ii*) Receipts of goods worth Rs. 0.17 lakh sent by the Export Wing of Jaipur Emporium during 1975-76 were not acknowledged by the New Delhi Emporium. These were treated as 'shortages in transit' in the accounts for 1976-77 without investigating reasons for shortages.

1.9 Misappropriation of cash

The Manager, Jaipur Emporium checked the cash book on 15th March 1978 and observed shortages of cash of Rs. 14,000 (approximately) and ordered detailed checking. On 16th March 1978, the Accountant reported shortages worth Rs. 14,103.66. A sum of Rs. 14,000 was deposited by the Cashier on 17th March 1978. The Accountant had earlier stated (December 1977) in his report that there was delay in writing of cash book. This facilitated temporary misappropriation of the money. No action was taken by the Company against the cashier (November 1978).

1.10 Summing up

The main points noticed in the review of the working of Emporia were:—

(*i*) The emporia were continuously working at a loss. The losses during the last three years were Rs. 0.76 lakh in 1975-76, Rs. 8.24 lakhs in 1976-77 and Rs. 5.47 lakhs in 1977-78.

(*ii*) There was no improvement in sales inspite of heavy expenditure incurred on exhibitions and other promotional expenses.

(*iii*) Exports of goods were made without obtaining advances or letters of credits as envisaged in the agreements resulting in blocking up of Company's funds and also non-recovery of value of goods.

(*iv*) The accounts of participation in Calgary and London exhibitions during 1975-76 and 1976-77 respectively were not finalised.

(*v*) Goat hair *pattis* purchased/manufactured for export had to be sold locally at a loss of Rs. 1.16 lakhs due to failure to execute an export contract of the value of Rs. 6.02 lakhs.

(*vi*) Purchases of goods (Rs. 0.20 lakh) were made without any requirement; of these, goods worth Rs. 0.09 lakh were lying in stock and the balance was lying with Tourism Department.

(*vii*) Purchases of defective goods of the value of Rs. 0.54 lakh were made wherein the Company suffered a loss of Rs. 0.14 lakh.

(*viii*) Goods were sold by Bombay emporium below the prescribed margin resulting in loss of revenue of Rs. 0.17 lakh.

(*ix*) The cases of outstanding dues were not pursued.

(*x*) Shortage of stock noticed in physical verification (Rs. 1.48 lakhs) and transit shortage (Rs. 0.48 lakh) were not investigated. Investigations of the goods (Rs. 0.23 lakh) being shown in transit since March 1975 were not made.

(*xi*) The cash book was not written and checked regularly at Jaipur Emporium facilitating temporary misappropriation of Rs. 0.14 lakh.

The above points were reported to Government in October 1978, reply is awaited (March 1979).

2. Non return of iron and steel material by a Re-roller.

The Company invited (March 1975) tenders for re-rolling 500 tonnes of '100/50 mm', squares into rounds of '10 and 12 mm', diameter. According to the tender notice, the tenderers were required to furnish a bank guarantee of Rs. 0.50 lakh and to return in the first instance about 100 tonnes of material duly re-rolled before 25th March 1975. The offer of a small scale industrial unit of Jaipur was accepted on 13th March 1975 and the firm was asked to furnish the required bank guarantee or to deposit the cost of material at Rs. 1,500 per tonne. The Managing Director, however, ordered (18th March 1975) on his own accord that the material should be released without insisting on the guarantee from the firm, which was a small scale industrial unit.

The firm lifted 29.945 tonnes squares for re-rolling on 23rd/24th March 1975, but did not return the material as required.

A bill for Rs. 0.46 lakh (cost of material : Rs. 0.43 lakh and interest : Rs. 0.03 lakh) was issued to the firm (August 1975) at Rs. 1,450 per tonne although as per the conditions of the work order the cost of material received short was to be recovered at Rs. 1,800 per tonne. The Management stated that the rate was reduced on the basis of prevailing market rates.

The firm requested the Company to reduce the rate by Rs. 50 per tonne (August 1975) on the ground that the Company had sold such material earlier to other parties at Rs. 1,300 per tonne and had also agreed to sell the same to the firm at Rs. 1,400 per tonne. This was not accepted by the Company and a legal notice was issued (January 1976) demanding payment within 15 days. When no payment was made a civil suit was filed (July 1976) for recovery of Rs. 0.52 lakh (cost : Rs. 43,493, interest : Rs. 8,200).

Had the Company obtained either bank guarantee or cost before release of the material as per the condition of the tender and work order the blocking of its funds (Rs. 0.43 lakh) could have been avoided.

The Government intimated (February 1979) that Court proceedings were under progress and that the party had deposited Rs. 0.17 lakh during July-December 1978.

SECTION IV

RAJASTHAN STATE INDUSTRIAL AND MINERAL DEVELOPMENT CORPORATION LIMITED

MINERAL DEVELOPMENT AND MINING OPERATIONS

1. Introduction

The Rajasthan State Industrial and Mineral Development Corporation Limited was set up as a Company in the Public sector on 28th March 1969 under the Companies Act, 1956. According to the Memorandum of Association of the Company, the main objectives are:—

(*i*) to promote, establish and execute industries, projects or enterprises which are likely to promote or advance the industrial development of Rajasthan ;

(*ii*) to aid, assist and finance industrial undertakings, projects or enterprises ; and

(*iii*) to search for, prospect, examine and explore mines and ground likely to yield minerals.

The activities of the Company to the end of 1972-73 were covered in paragraph 77.2 of the Report of the Comptroller and Auditor General of India for the year 1972-73. The scheme for 'Setting up industries under joint sector' was dealt with in section III of the Report of Comptroller and Auditor General of India for the year 1975-76(Commercial) and certain schemes, namely 'Development of Industrial areas', 'Capital participation' and 'Learn and own your industry' were dealt with in section III of the Report of the Comptroller and Auditor General of India for the year 1976-77(Commercial). The activities relating to mineral development and mining operations of the Company relating to the period from 1975-76 to 1977-78, have been discussed in the subsequent paragraphs.

1.1 Mining leases

The table below shows the position of mining leases/working permissions held by the Company as on 31st March 1978 alongwith the investments made therein:—

Name of the Project	Date on which the first lease/ working permission obtained	Amount invested as on 31st March 1978 (*Rupees in lakhs*)
Fluorspar	2nd December 1969	123.07
Gypsum	19th September 1972	2.86
Granite	14th May 1973	34.55
Graphite	14th September 1976	43.90
Lime Stone	6th March 1974	17.05
Tungsten	4th February 1976	10.49
Kaolin	30th December 1974	3.74
Multi-metal	29th January 1977	10.48
Bentonite	28th October 1977	3.30

1.2 Organisation

Since June 1971, the Company has a separate Minerals and Mining Division under a Minerals and Mining Adviser. Mining is carried out in respect of each mineral through a separate unit created for the purpose with a Mining Engineer as head of the unit.

1.3 Working results

The table given below indicates the working results of the mining operations *vis-a-vis* the overall profit or loss of the Company for the three years up to 1977-78: —

Projects×	Working results Profit(+)/Loss(—)		
	1975-76	1976-77	1977-78
		(*Rupees in lakhs*)	
Fluorspar	(—)4.52	(—) 3.39	(—) 7.95
Gypsum	(+)7.27	(+)12.60	(+)12.47
Granite	(—)1.51	(—) 1.02	(—)12.21
Tungsten	(+)7.20	(+)10.51	(+) 8.92
Lime Stone	(+)0.10	(—) 1.49	(—) 3.71
Bentonite and siliceous earth	..	(—) 0.03	(—) 0.31
(*)Total [Profit(+)/Loss (—)]	(+)8.54	(+)17.18	(—) 2.79
Working results of the Company as a whole	(+)1.87	(—)14.60	(—)88.01

Except in gypsum and tungsten the working of all the other mines showed losses.

(×) Excludes three projects *viz.*, Graphite, Kaolin and Multi-metal, where commercial production has not yet started.

(*) Profits/Losses are before providing overhead expenses of head office of the Company.

2. Fluorspar project

2.1 The Company was operating the project at the following places as on 31st March 1978:—

Name of place	Date of commissioning
Mando-ki-pal (District Dungarpur)	December 1969
Karara (District Jalore)	February 1976

2.2 Production performance

(*a*) In the feasibility report of the mines at Karara, annual target of production of 1,500 tonnes was envisaged. However, lower targets were fixed in view of non-availability of proper technical personnel and shortage of labour. In the case of Mando-ki-pal no feasibility report was prepared (February 1979).

The actual production of fluorspar *vis-a-vis* the targets of production for the years 1975-76 to 1977-78 was as under:—

Year	Targets	Production	Short-fall	Percentage of short-fall
		(In tonnes)		
Mando-ki-pal				
1975-76	2,800	2,244	556	19.9
1976-77	3,200	2,610	590	18.7
1977-78	2,800	2,134	666	23.8
Karara				
1975-76 (February 1976 to March 1976)	not fixed	67	..	..
1976-77	750	729	21	2.8
1977-78	1,200	913	287	23.9

The Management stated (June 1978) that—

(*i*) at Mando-ki-pal production came down during 1975-76 to 1977-78 as emphasis was given for production of higher grade ore; and

(*ii*) at Karara, the shortfall was because the mines were not equipped with machinery and there was shortage of skilled labour.

The reply does not seem to take into account the fact that the annual targets were already fixed on lower side after taking all the above factors into account.

(*b*) Labour productivity

The output per-man-shift in the two mines was as given below:—

	Mando-ki-pal			Karara		
	1975-76	1976-77	1977-78	1975-76	1976-77	1977-78
Production (Tonnes)	2,244	2,610	2,134	67	729	913
Labour shift (Number)	2,79,600	2,86,019	2,83,495	5,800	52,162	85,026
Per-man-shift Labour productivity (kgs.)	8.03	9.13	7.53	11.55	13.98	10.74

In the feasibility report of Karara mines production per-man-shift was envisaged as 20 Kgs. The low productivity was attributed (June 1978) by the Management to shortage of trained labour.

The cost of labour per tonne in Mando-ki-pal and Karara for the three years upto 1977-78 was as given below:—

	Mando-ki-pal			Karara		
	1975-76	1976-77	1977-78	1975-76*	1976-77	1977-78
Production (tonnes)	2,244	2,610	2,134	67	729	913
Wages (Rupees in Lakhs)	20.59	20.51	21.59	0.20	3.17	5.47
Labour cost per tonne (Rupees) (excluding other benefits like liveries, medical, etc.)	918	786	1,012	299	435	599

The labour cost per tonne excluding benefits like liveries, medical facilities, etc. during 1976-77 and 1977-78 was Rs. 435 and Rs. 599 respectively as

*The mine was commissioned during February 1976 against Rs. 396 per tonne envisaged in the project report of Karara mines. The wide variations in the cost of labour per tonne at the two mines have not been analysed by the Management (February 1979).

2.3 Sales

2.3.1 Sundry debtors

The year-wise break-up of sundry debtors in respect of sale of fluorspar as on 31st March 1978 is given in the table below:—

Year	Total debtors (Rupees in lakhs)
1971-72	0.38
1972-73	0.46
1973-74	7.30
1974-75	6.96
1975-76	2.68
1976-77	2.79
1977-78	8.27
TOTAL	28.84

The above amount includes Rs. 13.74 lakhs in respect of 11 cases for which the Company had filed suits in the courts of law.

Some cases reviewed in the course of test check in audit have been discussed below:—

(*i*) *Sale without orders*

In March 1975, the Company despatched 48.9 tonnes of fluorspar (valuing Rs.0.60 lakh) to two firms X and Y of Calcutta. Firm X refused (20th March 1975) to accept the consignment as it had not placed any order on the Company. On receipt of despatch advice, firm Y sent a telegram seeking release of the documents (sent through the Bank) without payment. It was explained further in their letter dated 10th April 1975 that as already intimated to the representatives of the Company the material should have been despatched only on receipt of despatch advice and that the material was required only by the end of May 1975. To avoid demurrage the firm expressed its willingness to unload the wagons and sought 60 days' time for payment of the bills. The consignments were, however, diverted (April 1975) to firm Z of Calcutta for storage and disposal at the best possible prices. Against this and other consignments valuing in all Rs.1.04 lakhs, sent to the firm, the Company realised Rs.0.65 lakh in cash and by adjustment of security deposit, etc. leaving a balance of Rs.0.39 lakh outstanding as on 31st March 1978. The firm sent (July 1978) a counter claim of Rs. 0.28 lakh being charges for storage, transportation, demurrage, commission, etc. The accounts between the Company and the firm have not been settled and an amount of Rs. 0.39 lakh is lying outstanding. The Management stated (February 1979) that they have initiated legal action against the firm for recovery of Rs.0.39 lakh.

(*ii*) At Chowkri Chhapoli the Company also mined apatite (a phosphate mineral) in small quantity alongwith fluorspar. The Company entered into (March 1975) an agreement for supply of 500 tonnes of apatite to a firm of Udaipur. The firm took delivery of 254 tonnes (value: Rs. 1.45 lakhs)upto 6th June 1975, and cancelled the order for the balance quantity. The sight draft (payable after 60 days) drawn by the party in April 1975 in favour of the Company was dishonoured by the firm's bankers and was returned to the Company on 11th July 1975. The amount of Rs. 1.45 lakhs is still outstanding.

Under a separate sale agreement supplies of fluorspar of the value of Rs.3.40 lakhs were made by the Company to the same firm on credit from November 1974 to March 1976 which included supplies worth Rs. 2.33 lakhs made after 15th July 1975 *i.e.* after the payment for apatite ore had been refused. The Management stated (February 1979) that the party was purchasing fluorspar of low grade for which there was no good market at that time and that the supplies were continued as at that time the amount outstanding was very large and the stoppage of supplies would have resulted in non-payment of the entire amount outstanding.

It was noticed in audit that out of toal amount of Rs. 4.28 lakhs which was outstanding in June 1976 against the party only Rs. 0.25 lakh was received (October 1976) and the balance amount Rs. 4.03 lakhs was outstanding (January 1979). Legal proceedings were instituted against the party in October 1978 and the case is not yet decided (February 1979).

2.3.2 **Non-recovery of royalty from customers**

Under Section 9 of the Mines and Minerals (Regulations and Deve'opment) Act, 1957, royalty is payable at Rs. 10 per tonne of raw ore. The Company did not keep any record of total production of raw ore but calculated and recovered from buyers royalty at Rs. 10 per tonne on the quantity of ore (excluding ore with purity less than 30 *per cent* Calcium Fluoride) despatched during the period December 1969 to February 1971. Government in the Mines and Geology Department raised (November 1972) a supplementary demand for royalty for the said period for Rs. 0.82 lakh being the royalty on the difference between the total quantity of raw ore extracted (as computed by the Department) and the quantity on which royalty had been already paid. The amount was deposited by the Company in March 1974. For want of detailed records of production (of ore below and above the 30 *per cent* purity) the Company could not recover the said amount of royalty short charged from the buyers and was put to a loss of Rs. 0.82 lakh. Had the Company worked out the royalty correctly as required under the Act of 1957 and recovered the same from buyers, the loss could have been avoided.

2.4 Working results

The working results of the two units of the project for the three years upto 1977-78 are given below:—

Year	Profit(+)/Loss(—) Mando-ki-pal	Karara
	(Rupees in lakhs)	
1975-76	(—) 2.38	Nil
1976-77	(—) 4.19	(+) 8.98
1977-78	(—) 11.84	(+) 4.44

The Management stated (February 1979) that the continuous losses at Mandoki-pal were mainly due to increase in cost of production.

2.5 Stores and stocks

The table below indicates the position of stocks held at the end of each year from 1975-76 to 1977-78:—

Position as on	Fluorspar (Quantity)	Value of closing stock	Sales during the year	Average monthly sales	Closing stock in terms of monthly sales	Percentage of closing stock to sales
	(In tonnes)		*(Rupees in lakhs)*			
31st March 1976	4181	35.87	25.16	2.10	17.1	142.6
31st March 1977	4553	41.12	40.92	3.41	12.1	100.5
31st March 1978	4493	46.34	39.14	3.26	14.2	118.4

Besides, 645 tonnes of apatite valuing Rs. 1.43 lakhs, mined by the Company at its Chowkri Chhapoli unit during the years 1974-75 to 1975-76 were also lying in stock, out of which only one tonne apatite was sold during 1976-77.

The Management stated (February 1979) that efforts were being made to sell the mineral as a substitute of rock phosphate through a Government Company.

3. Gypsum Project

3.1 Mining for gypsum was commenced at the following places from the month noted against each. These mines were handed over to the Company by Government as a matter of policy (this mineral has been reserved for mining in public sector).

Got Manglod	June 1970
Jeevan Bera	October 1970
Dhakoria	December 1970
Makori	January 1975

The estimated quantity of the reserves and the life of the mines were not assessed by the Department of Mines and Geology (February 1979). The Company has also not made any survey of these areas (February 1979).

3.2 Working results

The working results of the gypsum project for the last three years upto 1977-78 are given below:—

	1975-76	1976-77	1977-78
		(*Rupees in lakhs*)	
i. Financial			
Income (including closing stock)	17.87	44.40	41.22
Expenditure (including opening stock)	10.60	31.79	28.75
Profit	7.27	12.61	12.47
ii. Physical		(*Tonnes in lakhs*)	
Production	1.49	1.55	1.33
Sales	0.95	1.59	1.48

3.3 Loss due to incorrect fixation of price

The Company finalised its rates of transportation of gypsum from pit-heads to rail-heads Khatu, Marwar-Mundwa and Nagaur in June 1975. The selling price of gypsum *f.o.r.* at each loading station worked out as under:—

	Khatu	Marwar-Mundwa	Nagaur
	Loading stations (*Rupees per tonne*)		
Selling price ex-pit	15.00	15.00	15.00
Transport charges from mine to railway station	14.92	12.75	12.75
Royalty	3.00	3.00	3.00
TOTAL	32.92	30.75	30.75

In November 1975, the Company agreed to supply to a firm of Satna 35,000 tonnes of gypsum of minimum 75 *per cent* purity at Rs. 30.75 per tonnne *f.o.r.* loading station, Khatu, Marwar-Mundwa and Nagaur according to the convenience of the buyer (cost of transportation from pit-head to rail-head, forwarding and loading, *etc.*, was to be reimbursed to the buyer at rates prescribed by the Company). During December 1975 to September 1977, the buyer lifted the entire consignment (39,294.880 tonnes) from Khatu Railway station.

By agreeing to a flat rate of Rs. 30.75 per tonne and leaving the option open to the buyer to take delivery at any of the above stations, the Company suffered a loss of Rs. 0.85 lakh due to higher transportation charges up to Khatu.

The Management stated (February 1979) "during 1974-75, the Nagaur project had suffered three successive floods as a result of which most of the roads had submerged under water and were badly damaged. In view of this, it is necessary to direct the despatches according to the convenience of the transport facilities available. Before 1975, there was no railway head at Khatu. In view of the opening of the new railway head, the wagons were also available easily at this railway head. Keeping in view to fulfil the commitments with our prospective buyers, the matter was discussed by the top Management and taking into account all the relevant factors, it was decided to continue the despatches from this new railway head, although there is difference of Rs. 2.17 per M.T., in comparison to other railway heads."

The above reply of the Management is not tenable as (*i*) the Company had despatched gypsum *ex-Marwar-Mundwa* and Nagaur to other parties and (*ii*) also supplied gypsum *ex-Khatu* at the rate of Rs. 32.92 per tonne to other parties, during the same period.

3.4 Sundry debtors

The year-wise break-up of sundry debtors in respect of gypsum sale as on 31st March 1978 was as follows:—

Year	Amount (*Rupees in lakhs*)
1972-73	0.04
1973-74	0.08
1974-75	0.61
1975-76	0.16
1976-77	0.63
1977-78	7.41
TOTAL	8.93

3.5 Physical verification

The Senior Surveyor of the Company conducted (February 1978) physical verification of gypsum and reported a net shortage of 37,450.635 tonnes (value: Rs. 5.62 lakhs). The Management stated (July 1978) that stocks having undersized lumps/powder and scattered gypsum which was not in measurable condition had not been taken into account while making physical verification and that the matter had been got examined by the technical and financial experts and final position was being ascertained; the final reply of the Management was awaited (February 1979).

4. Granite project

(*a*) In 1970, Government had transferred a running Granite polishing factory at Jalore to the Company. The working of the factory up to the year 1972-73 was reviewed in the Report of the Comptroller and Auditor General of India for the year 1972-73. The Company obtained eight mining leases (including one working permission) from Government in May 1973, June 1973 and December 1977. The Company started mining operations in seven mines during the period from June 1974 to December 1976 and in one mine during 1978-79.

The mining activities were separated from the factory from June 1976. Production for the period June 1976 to March 1978 was as under:—

Year	Blocks (cubic metres)	Slabs (square metres)	Rough (tonnes)	Targets
1976-77	314.25	295.29	416	Not fixed.
1977-78	566.89	289.02	5,037	900 cubic metres fixed for blocks. No targets in other cases.

The Management stated (February 1979) "the reasons for the shortfall in production of blocks were lack of pulling arrangements and lack of knowledge of granite mine technique of the workers."

(*b*) *Granite polishing factory, Jalore*

(*i*) The working results of the factory for the three years up to 1977-78 were as under:—

	1975-76	1976-77	1977-78
		(*Rupees in lakhs*)	
Income	3.23	3.91	1.25
Expenditure	4.74	4.90	3.25
Loss	1.51	0.99	2.00

The factory has been running at a loss continuously since its taking over by the Company in June 1970. The accumulated loss up to the end of 1977-78 was Rs. 7.77 lakhs.

The Management attributed (May 1978) the losses to the following:—

(*a*) for the production of slabs, the Company had to reduce the thickness of rough slabs from minimum 4" (produced at mines) to about 1½"—the process increased the cost of production; and

(*b*) in order to create a good market for the sale of the product, sales were made below the cost of production.

However, as the cost of production was not worked out by the Company, the extent of increase of cost in the process of reducing 4" slabs to 1½" slabs was not known.

The following details would show that the sale price did not even cover the cost of labour employed on the production:——

	1975-76	1976-77	1977-78
Average number of persons employed	83	60	59
Production (square feet)	1447	896	851
		(*Rupees in lakhs*)	
Wages paid	1.57	0.98	1.24
Value of production at the selling rate of Rs.60 per square feet	0.87	0.54	0.51
Excess of wages over value of production	0.70	0.44	0.73

The Management stated (May 1978) that increased supervision and system of job cards had since been introduced to give better control and productivity.

(ii) Process waste

The minimum size of slabs which can easily be produced in the mines without causing cracks is 4". In order to make it saleable the thickness is reduced from 4" to $1\frac{1}{2}$". The ratio of finished slab to raw material was, thus, 1:2.67.

The Management stated (May 1978) that the ratio of waste to finished product could be brought down only if cutting and polishing machines were installed. It was, however, noticed in audit that even the existing six polishing machines at the factory were utilised only for 51 *per cent* to 82 *per cent* of the actual hours available during 1975-76 to 1977-78 as detailed below:——

	1975-76	1976-77	1977-78
Available working hours*	14,400	14,400	14,400
Actual hours worked	7,554	7,325	11,863
Idle hours	6,846	7,075	2,537
Percentage of utilisation	52.5	50.9	82.4

The reasons for under utilisation of machines as stated by the Management (May 1978) were:——

(*i*) shortage of trained men;
(*ii*) machine break-downs; and
(*iii*) operational time losses.

The Management further stated (December 1978) that small scale operations are not economical and, therefore, the Company is going ahead with the proposal to establish a granite cutting and polishing factory at Jodhpur with machines to be imported from abroad.

(iii) Sales

The position of actual sales made against the targets fixed therefor, for the three years up to 1977-78 were as under:—

	1975-76	1976-77	1977-78
		(*Rupees in lakhs*)	
Targets of sales	1.50	6.50	3.00
Actual sales	0.91	0.81	0.50
Shortfall	0.59	5.69	2.50
Percentage of shortfall	39	88	83
Stock at the close of the year	2.25	2.99	3.59

*For 300 days in a year at 8 hours working for six machines

Sales targets were not achieved in any year resulting in accumulation of huge stocks at the end of each year.

Finished stock items valuing Rs.1.04 lakhs received (June 1970) from Government at the time of transfer of the factory to the Company were lying unsold (February 1979). The Management stated (May 1978) that the items received from Government were uneven and required repolishing to make them marketable. Polishing had not been done even though the existing six polishing machines were not fully utilised.

5. Graphite project

5.1 *Infructuous expenditure*

In December 1972, the National Metallurgical Laboratory, Jamshedpur (N.M.L.) had pointed out that the sample of graphite ore of the Kesarpura mines sent to them by the Director, Mines and Geology (before take over) contained only about 6 *per cent* fixed carbon, which was even lower than the minimum of 7 *per cent* fixed carbon required for beneficiation.

In accordance with the working permission dated 9th June 1973 granted by Government, the Company started mining operations in Kesarpura mines in August 1973. The work continued up to 14th June 1975 and graphite ore weighing 3750 tonnes was extracted during this period at a cost of Rs.1.67 lakhs on labour. Mining operations in Kesarpura area were discontinued with effect from 14th June 1975 on the ground that the graphite extracted was of poor grade and was not worth beneficiation. The Management stated (December 1978) that extraction was done after obtaining production and consumption trend of graphite during the years 1967-71 from the Indian Bureau of Mines in November 1972. When the Company already had the report of N.M.L. of December 1972 there was no justification to work this mine from August 1973. The graphite extracted from this area had no market value on account of its low grade. By not analysing the ore before taking up mining on a large scale (in the light of the observations of the N.M.L.) the company had incurred infructuous expenditure of Rs.1.67 lakhs.

5.2 *Closing stock*

The Company had a closing stock of 40,861 tonnes of graphite (including 3,750 tonnes extracted from Kesarpura mines as mentioned in the above para which is not considered suitable for beneficiation) as on 31st March 1978. The graphite ore does not form an industrial raw material until beneficiated. The Company sent samples to N.M.L. in 1975 and to Regional Research Laboratory, Bhubaneshwar (R.R.L.) in 1977. N.M.L. observed in October 1975 that the ore was worth beneficiation whereas R.R.L. observed (14th September 1977) that it might not be possible to obtain a really high grade material by beneficiation. In view of contradictory test reports the Company discussed the issue with representatives of R.R.L. and N.M.L. in Jamshedpur in May 1978. During discussion, N.M.L. stated that, on its advice, a private firm was going to put up a beneficiation plant of the capacity of 25 tonnes per day at Udaipur, the Company might observe the performance of the plant and then decide for putting up a plant of its own. However, a fresh sample of ore was examined by N.M.L. On the basis of their confirmation test report of September 1978, the Engineers India Limited (E.I.L.) were entrusted to prepare a feasibility report for setting up of beneficiation plant at Tamtia. The graphite beneficiation report of E.I.L., received by the Company in December 1978 was stated to be under examination (February 1979). In respect of the stock (40,861 tonnes) of graphite mined at all the three mines by incurring total expenditure of Rs. 43.90 lakhs up to March 1978, the Mineral and Mining Adviser had observed (April 1978) that the stock had no market value unless it was beneficiated.

6. Lime Stone Project

6.1 The Company held the following mining leases in Nagaur district as on 31st March 1978:—

Particulars of mining lease	Date of sanction	Estimated reserves (*in lakh tonnes*)	Date of starting mining operations
(*i*) Keria, Korli and Gantia villages near Gotan	6th March 1974	10	December 1974
(*ii*) Heera, Sawai and Dhanapa villages near Gotan	18th May 1976	81	June 1976
(*iii*) Pawai near village Basni	19th October 1976	40	November 1976

These mines were being worked by private parties before these were leased to the Company by Government; lease agreement with Government in respect of the mines (*i*) and (*ii*) were executed in July 1974 and December 1976; the other mines at (*iii*) is being operated on the basis of working permission issued by the Government.

6.2 *Production performance*

6.2.1 The Company in its project report of March 1976 had estimated production of 1,50,000 tonnes of lime stone per year. Production achieved against these targets for the two years up to 1977-78, sales, closing stock, etc., were as under:—

	1976-77	1977-78
	(in tonnes)	
Targets of production	1,50,000	1,50,000
Actual production	94,569	96,922
Shortfall in production	55,431	53,078
Percentage of shortfall	36.9	35.4
Sales	91,176	92,764
Closing stock	3,985	8,143

The Management attributed (May 1978) the heavy shortfall against the production targets to non-availability of workers and also lack of sale orders. It was, however, seen in audit that sale orders for 41,033 tonnes were pending with the Company as on 31st March 1978.

6.2.2 *Labour Productivity*

No norms were fixed for assessing labour productivity (August 1978). The production per-man-shift for the three years upto 1977-78 was as under:—

Year	Production (tonnes)	Man-shift (numbers)	Per-man-shift labour productivity (tonnes)
(*a*) Mining done by raising contractors*			
(*i*) 1975-76	51,615	16,953	3.045
(*ii*) 1976-77	94,569	31,367	3.015
(*b*) Mining done by the Company's own labour			
(*iii*) 1977-78	96,922	43,131	2.247

For the low production per-man-shift labour during 1977-78 when mining was done by the Company's own labour, the Management stated (February 1979) that productivity of labour depended not only on labour efficiency but on various

*The work of raising minerals at the mines was got done by private contractors upto 10th April, 1977 other factors such as ratio of over burden to ore, thickness of vein, etc., and that in the earlier years the material was on the surface and the labour productivity was more.

6.3 Working results and sales

6.3.1 The working results of the lime stone project for the three years up to 1977-78 are summarised below:—

	1975-76	1976-77	1977-78
	(*Rupees in lakhs*)		
Income	3.40	10.40	13.09
Expenditure	3.30	11.89	16.80
Profit(+)/Loss(—)	(+)0.10	(—)1.49	(—)3.71

No costing system was introduced in the project. However, on the basis of the expenditure (which does not include royalty, transportation and selling expenses) relating to the production booked in the annual accounts of the project, cost of production *vis-a-vis* sales for the three years up to 1977-78 worked out as under:—

Year	Cost of production	Sale price	
		Kiln grade	Chemical grade
		(Rupees per tonne)	
1975-76	5.96	6.50	9.50
1976-77	8.17	6.50	9.50
1977-78	12.96	6.50	9.50

The sale prices which were based on prevalent market rates were lower than the cost of production during 1976-77 and 1977-78.

A scrutiny of the cost constituents showed that the increase in the cost of production during the year 1977-78 was due to increase in the wage bill of staff which was Rs. 2.59 lakhs during 1976-77 and rose to Rs. 8.16 lakhs during 1977-78. The Management stated (December 1978) that the increase in the wage bill during 1977-78 was due to payment to miners for removal of over-burden which was not done earlier.

6.3.2 Sundry debtors

The following amounts were outstanding against 37 parties for sale of lime stone as on 31st March 1978:—

Year		Number of parties	Amount (*Rupees in lakhs*)
1974-75		5	0.37
1975-76		7	0.81
1976-77		10	2.09
1977-78		15	2.35
	TOTAL	37	5.62

7. Tungsten Project

7.1 The project was transferred by Government to the Company on 1st March 1974. The mines have an estimated reserve of ore of 602 tonnes. Up to March 1978, 322.198 tonnes had been extracted by the Mines and Geology Department (198.200 tonnes) and by the Company (123.998 tonnes), the balance was expected to be mined in about 5-6 years by the Company in accordance with the project report prepared by the Company in November 1976.

7.2 Performance appraisal

The following table indicates the physical and financial performance of the project for the three years upto 1977-78:—

	1975-76	1976-77	1977-78
Production and sales (in tonnes)	27.395	37.639	37.727
Profit (Rupees in lakhs)	7.20	10.51	8.92

Decrease in profits during 1977-78 were attributed (February 1979) by the Management to extension of various benefits (liveries, medical, T. A. etc.) to workers.

8. Summing up

The main points noticed in the working of mineral development and mining operations of the Company were as under:—

(*i*) Excepting gypsum and tungsten the other mining projects *viz.*, fluorspar, granite, lime-stone, bentonite and siliceous earth are running in loss.

(*ii*) The feasibility report of fluorspar project at Mando-ki-pal was not prepared. Output per-man-shift was very low and labour cost per tonne very high.

(*iii*) There was a short fall in production of fluorspar in all the units of the projects as compared to targets fixed. The shortfall ranged from 3 to 24 *per cent* during three years ending March 1978.

(*iv*) At Karara mines there was a steep fall in the output per-man-shift during 1977-78.

(*v*) 48.9 tonnes of fluorspar were despatched in March 1975 to two firms of Calcutta without any purchase orders/despatch instructions. On refusal by these firms the material was delivered to another firm of Calcutta. Rs. 0.39 lakh towards cost of the mineral were outstanding against the firm.

(*vi*) In deviation from its normal terms of sale against cash, the Company made sales of apatite and fluorspar valuing Rs.4.85 lakhs on credit to a firm of Udaipur during November 1974 to March 1976, out of this Rs. 4.03 lakhs were outstanding (January 1979).

(*vii*) Owing to non-maintenance of records of production of raw ore (fluorspar) during December 1969 to February 1971, the Company suffered a loss of Rs. 0.82 lakh on account of payment of supplementary demand of royalty to Government in March 1974, which could not be recovered from the buyers of the mineral.

(*viii*) Due to increase in cost of production of fluorspar, loss at Mando-ki-pal unit amounted to Rs. 18.41 lakhs for 3 years from 1975-76 to 1977-78.

(*ix*) The Company sold 39,295 tonnes gypsum during December 1975 to September 1977 and agreed to a flat rate of Rs. 30.75 per tonne without specifying the quantity to be delivered from the various Rail-heads for which the *f.o.r.* rates were different. The Company suffered a loss of revenue of Rs. 0.85 lakh.

(*x*) Net shortage of 37,450.635 tonnes of gypsum valuing Rs 5.62 lakhs noticed during physical verification were not finally investigated.

(*xi*) Granite polishing factory at Jalore had been continuously running in loss since its take over from Government in June 1970. The accumulated loss upto March 1978 amounted to Rs. 7.77 lakhs.

(*xii*) Sales of granite were declining and closing stock was increasing from year to year. Finished stocks valuing Rs.1.04 lakhs received from Government in June 1970 were lying unsold (February 1979).

(*xiii*) The Company took on lease Kesarpura mines without getting the sample ore tested for quality and extracted 3750 tonnes of graphite ore during August 1973 to June 1975. The expenditure of Rs 1.67 lakhs incurred on cost of labour for extraction of the ore proved infructuous as the ore was said to be of poor quality.

(*xiv*) The closing stock of 40,861 tonnes of graphite lying as on 31st March 1978, which was mined upto March 1978 by incurring total expenditure of Rs. 43.90 lakhs had no market value unless it was beneficiated. The Company has not yet decided for putting up a beneficiation plant.

(*xv*) The lime-stone project showed loss of Rs. 5.20 lakhs during two years ending March 1978. The sale price was less than even the variable cost per tonne.

CHAPTER II

STATUTORY CORPORATIONS

SECTION V

Introduction

There were 4 Statutory Corporations in the State on 31st March 1978. Out of these three Corporations, *viz.* the Rajasthan State Electricity Board, Rajasthan Financial Corporation and Rajasthan State Warehousing Corporation have finalised their accounts for 1977-78. The accounts of Rajasthan State Road Transport Corporation are in arrears for the years 1976-77 and 1977-78. The position of arrears of account has been reported to Government.

(*a*) **Rajasthan State Electricity Board**

(1) **Loan Capital**: The aggregate of long-term loans, including loans from Government, bonds, debentures, and deposits obtained by the Board was Rs. 37,527.37 lakhs (State Government: Rs. 24,327.87 lakhs* and others Rs.13,199.50 lakhs) at the end of 1977-78 representing an increase of Rs. 5,845.44 lakhs over the previous year.

(2) **Guarantees**: Under Section 66 of the Electricity (Supply) Act, 1948, Government had guaranteed repayment of loans aggregating Rs. 15,313.33 lakhs obtained by the Board and repayment of interest thereon against which Rs. 9,581.28 lakhs (excluding interest) were outstanding as on 31st March 1978.

(3) **Surplus**: The Board transferred Rs.201.47 lakhs to the General Reserve during 1977-78 as against Rs. 907.02 lakhs in the previous year.

A synoptic statement showing the summarised financial results of the working of the Board is given in Annexure 'C'.

(*b*) **Other Statutory Corporations**

(1) **Capital**: The break-up of the capital of the remaining three Corporations on 31st March 1978** according to investments by the State Govern-

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*Difference with the Finance Accounts 1977-78 is under reconciliation.

**Figures in respect of the Raiasthan State Road Transport Corporation are for 1975-76.

ment, the Central Government and other parties was as follows:—

	State Govern-ment	Central Govern-ment	Others	Total**
		(*Rupees in lakhs*)		
Rajasthan State Warehousing Corporation	108.02	..	96.02	204.04
Rajasthan State Road Transport Corporation	363.00	128.00	..	491.00
Rajasthan Financial Corporation	136.20	..	163.80	300.00

(2) **Guarantees**: Government had guaranteed repayment of loans aggregating Rs. 1189.34 lakhs obtained by Rajasthan Financial Corporation and Rajasthan State Road Transport Corporation and payment of interest thereon against which Rs.944.16 lakhs excluding interest were outstanding as on 31st March 1978.

Out of paid-up-capital of Rs. 300 lakhs, the State Government had guaranteed repayment of capital of Rs. 250 lakhs of Rajasthan Financial Corporation and payment of minimum dividend of 3½ *per cent* thereon under Section 6 of the State Financial Corporations Act, 1951.

(3) Profits and dividends

(*i*) According to the latest available annual accounts the profit of the two Corporations is given below:—

	Year	Net Profit
		(*Rupees in lakhs*)
Rajasthan State Warehousing Corporation	1977-78	99.38
Rajasthan Financial Corporation	1977-78	90.43

(*ii*) Rajasthan State Warehousing Corporation declared dividend of 11 *per cent* and Rajasthan Financial Corporation declared the minimum guaranteed dividend of 3½ *per cent* for the year 1977-78.

A synoptic statement showing the result of working of these two Corporations is also given in Annexure 'C'.

**Figures as furnished by the Corporations.

SECTION VI

RAJASTHAN STATE ELECTRICITY BOARD

1. Extra expenditure due to delay in finalisation of tender

Tenders for purchase of 400 isolating switches (400 amps.) of 33 KV and 3000 switches of 11 KV, valid up to 28th November 1973, were invited on 22nd June 1973. The nine tenders received were opened on 1st August 1973. Though the Board had prescribed (December 1965) a time schedule of 40 days after opening of the tender for finalisation of such purchase cases, the case was not finalised during the validity period of the tender (120 days). The Board asked (1st December 1973) the firms to extend the validity period up to 31st December 1973. While extending the validity period, all the firms except one firm of Calcutta increased their rates. (The Calcutta firm, however, was not the lowest for either of the items). The Chief Engineer decided on 29th December 1973 to place an order for 400 switches of 33 KV on a firm of Hyderabad, the lowest tenderer, on the revised rates. In the case of 11 KV switches, the order was divided equally (1500 switches each) between a firm of Howrah and another of Calcutta at the lowest and second lowest rates. It was held by the Chief Engineer (December 1973) that the bifurcation of the quantities was in line with the Board's policy of not purchasing the entire requirement from a single firm where large quantities were involved. There was no record to indicate that any attempt was made to negotiate with the second lowest tenderer to bring down its rates at par with that of the lowest tenderer. The delay in finalisation of tenders and bifurcation of supply order of 11 KV switches at different rates resulted in extra expenditure of Rs. 2.31 lakhs as under:—

Name of the firm/ month of order	Specification of switches (400 Amps)	Quantity	Adjusted rate per switch: Original tender (lowest)	Adjusted rate per switch: Revised rates (accepted tender)	Extra expenditure
			Rs.	Rs.	Rs.
Firm A of Hyderabad (March 1974)	33 KV without earthing blade	300	2170.21	2271.15	30,282
	33 KV with earthing blade	100	2573.97	2674.91	10,094
Firm B of Howrah (May 1974)	11 KV	1500	864.84	954.05	1,33,815
Firm C of Calcutta (February 1974)	11 KV	1500	902.94 (lowest was Rs. 864.84 of firm B)	902.94	57,150
				Total	2,31,341

The matter was reported to Government in August 1978; their reply was awaited (February 1979).

2. Extra expenditure on purchase of meters

Tenders for supply of 92,000 meters (along with spares) of different sizes were opened on 16th October 1975. The validity of the offers expired on 13th February 1976 and was got extended up to 31st March 1976. Lowest offers of a firm of Sonepat at Rs. 42.50 (Rs. 67.35 adjusted) per meter and Rs. 30.00 (Rs. 31.51 adjusted) per set of spares were approved. The Chief Engineer, after discussions with the representatives of a local firm (which was claiming price preference under the State Government rules) decided (31st March 1976) to place orders with it after the firm had agreed to bring down its price within the admissible price preference of 3 *per cent* over and above that of the lowest tenderer.

Orders for supply of the meters along with the spares were placed with both the firms in May/June 1976. It was observed that though the prices of the meters were brought down within the admissible 3 *per cent* price preference range, this was not done in respect of the spares. An order for 4,500 sets of spares at Rs. 38 per set (Rs. 40.30 adjusted) was placed with the local firm. The rate of the Sonepat firm was Rs. 30.00 (Rs. 31.51 adjusted) per set. This resulted in extra expenditure amounting to Rs. 0.40 lakh.

The case was reported to Government in August 1978; reply was awaited (February 1979).

3. Purchase of 33 KV and 11 KV isolating switches

On the basis of the tenders finalised in February 1976 the Board placed (March 1976/June 1976) orders for 305 isolating switches of 33 KV and 800 switches of 11 KV respectively on three firms at adjusted rate of Rs. 2894.52 and Rs. 1033.83 per set of each category.

A lower offer of a Calcutta firm for 200 isolating switches of 33 KV at Rs. 2737.84 (adjusted) per set was ignored on the ground that the firm had not furnished the short-time current certificate. (In the technical particulars furnished with the tenders, the firm had indicated the short-time current and duration as 15 KA per second as against the minimum of 13.1 KA per second prescribed by the Board).

Two firms, out of the three on whom orders were placed, had also not furnished the short-time current certificate. These firms were allowed to furnish the certificate later on, before commencement of supplies. The certificate furnished by one firm in September 1976 indicated the short-time current and duration as 11.49 KA per second as against the required minimum of 13.1 KA per second. The condition of furnishing the certificate was waived (February 1978) in the case of another firm.

The Board replied (January 1978) that the lower offer of the Calcutta firm was ignored as it had neither furnished the certificate with the tender nor had it indicated that it would furnish the same on getting the order. It was noticed that in the tender enquiry the Board had only indicated that short-time current should be not less than 13.1 KA per second, there was no specific mention that such a certificate should be furnished with the tender. This firm was also never asked to furnish the certificate. By ignoring the lower offer of this firm the Board incurred an extra expenditure of Rs. 0.31 lakh on purchase of 200 isolating switches, the quantity offered by the Calcutta firm.

4. Non-reconciliation of stores balances with accounts

A test check of the accounts of 9 stores depots (1 central and 8 circle stores) showed that the monthly reconciliation of the value balances of the quantity-*cum*-priced stores ledgers with the accounts balances in the circle accounts was not conducted by the stores. The differences in two sets of records for the four years up to 1977-78 were as follows:—

Year as on	Balance of closing stock		Differences
	As per accounts	As per stores ledgers	
	(*Rupees in lakhs*)		
31st March 1975	631.07	599.92	31.15
31st March 1976	674.82	602.06	72.76
31st March 1977	553.10	474.54	78.56
31st March 1978	412.47	303.28	109.19

The year-wise break-up of the difference was not available as these differences were not analysed by the Board (December 1978). The Controller of Stores, however, gave (January 1979) the following general reasons for the difference in the figures as per stores ledgers and those booked in annual accounts:—

(*i*) Clerical mistakes in posting, totalling, carry forward, misclassification, etc.

(*ii*) Non/delayed accountal of stores issue/receipt notes.

(*iii*) Non/delayed accountal of price adjustment memos in the store ledgers.

(*iv*) Non accountal of the un-used material for want of material credit notes.

5. Diversion of stores material

Prices of the iron and steel despatched ex-steel plants are inclusive of railway freight upto any destination in India. It was noticed in audit that in some cases, iron and steel material received at one destination was re-booked to other destinations shortly after their receipt. This caused avoidable expenditure on transportation, loading, un-loading, etc. A few such cases are discussed below:—

(*i*) Against the purchase order placed on 14th August 1977 by the Superintending Engineer (Procurement) on the suppliers, 1092.500 tonnes of M.S. angle 65×65×6 mm. were received at sub-stores, Bharatpur in the months of September and October 1977. As per directions of the Controller of Stores dated 22nd September 1977 the Superintendent, sub-stores, Bharatpur re-booked 952.182 tonnes in October/November 1977 to sub-stores, Bhilwara, and seven circle stores by incurring an expenditure of Rs. 1.09 lakhs on transportation and handling charges at Bharatpur and railway freight on re-booking.

(*ii*) Against the aforesaid purchase order of 14th August 1977, 1312.100 tonnes of M.S. angle 50×50×6 mm. and 1142.870 tonnes of M.S. channel 100×50×6 mm. were received at central stores, Jaipur in September-October 1977. As per instructions (dated 28th September 1977 and 9th October 1977) of the Controller of Stores 993.250 tonnes M.S. angle and 799.120 tonnes M.S. channel were diverted (without getting the material unloaded at Jaipur) to Bhilwara sub-stores and seven circle stores by incurring an expenditure of Rs. 0.18 lakh on railway freight.

(*iii*) A purchase order was placed by the Superintending Engineer (Procurement II) on 21st February 1976 on the supplier for 2500 tonnes 105 lbs. untested iron rails to be despatched to central stores, Jaipur. While the rails were in transit (booked by supplier on 5th April 1976) the Superintending Engineer (Procurement II) issued instructions on 15th/24th April 1976 to the central stores to re-book a major quantity of rails to places outside Jaipur. Out of 1687.189 tonnes rails received at Jaipur, 1663.421 tonnes rails were diverted to five construction sub-divisions (in one wagon load and more to each place) in April-May 1976 by incurring expenditure of Rs. 0.54 lakh on railway freight.

The Management stated (July 1978) that the material received was further distributed to other places as per requirements. Had the requirement for different units been assessed correctly and intimated to the supplier in time, the need to re-book the material within such a short period at an extra expenditure of Rs. 1.81 lakhs in the above three cases would not have arisen.

6. Recoveries from suppliers

In the course of test check, several cases were pointed out from time to time of recoveries due from suppliers on account of stores articles rejected being defective, damaged, not according to specifications or short weight and on account of penalty for late supplies and demurrage and wharfage charges. The total amount involved in 177 such cases pointed out during 1970-71 to 1977-78 was Rs. 56.06 lakhs as per the details given below:—

Year of issue of audit memo	Number of pending audit memos	Penalty for late supplies	Demurrage/wharfage etc.	Shortages	Defective supplies	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
1970-71	1	1,59,123	..	..	5,798	1,64,921
1971-72	10	11,10,936	8,570	904	7,000	11,27,410
1972-73	24	4,69,248	50,776	1,45,413	72,433	7,37,870
1973-74	6	1,25,853	25,194	..	24,394	1,75,441
1974-75	31	10,56,484	36,234	35,506	1,10,667	12,38,891
1975-76	20	80,074	84,897	10,431	11,396	1,86,798
1976-77	44	7,38,490	1,40,145	51,545	..	9,30,180
1977-78	41	7,72,778	64,196	265	2,07,000	10,44,239
TOTAL	177	45,12,986	4,10,012	2,44,064	4,38,688	56,05,750

The suppliers had received advance payments ranging from 90 to 100 *per cent* against railway receipts. These cases were reported to the procurement circle of the Board from time to time and also to Government in October 1978; reply is awaited (February 1979).

7. Physical verification of stores

(*a*) The following shortages and excesses were noticed as a result of physical verification of stores conducted by the stock verifiers during the four years ending 1977-78:—

Year		Excesses	Shortages
		(*Rupees in lakhs*)	
1974-75		7.04	2.09
1975-76		1.89	0.64
1976-77		5.54	3.84
1977-78		7.18	4.47
	TOTAL	21.65	11.04

(Inventory report for four units for 1975-76; four units for 1976-77 and for one unit (partly) for 1977-78 are awaited).

Out of the above adjustment on account of shortages (Rs. 0.05 lakh) and excesses (Rs. 0.13 lakh) had been made (July 1978). The Controller of Stores stated (July 1978) that for the rest the position was being ascertained from respective units. Final reply is awaited (March 1979).

(*b*) *Shortages*

During physical verification of circle stores, Kota, conducted in January 1977, shortages of 33.406 tonnes of channel iron valuing Rs. 0.65 lakh was noticed. It included transit shortage of 11 tonnes valuing Rs. 0.21 lakh, out of 57 tonnes of channel iron sent to sub-stores, Bhilwara by rail in November 1975, which was made good to the sub-stores on 2nd January 1976 by circle stores without accounting for this issue; no claim for the shortages was lodged with railways. The shortages of 33.406 tonnes were stated to be under investigation (February 1979).

8. Non/slow moving stores

It was noticed in audit that stores material (each exceeding Rs. 1,000) worth Rs. 44.92 lakhs were lying unissued as on 31st March 1978 for periods ranging from 6 to 15 years.

On these being pointed out by Audit, the Controller of Stores had issued (October 1978) instructions to the Deputy Controllers of Stores to inspect the stores and prepare within six weeks survey reports regarding utilisation/disposal of these store materials. Final reply is awaited (March 1979).

9. Penalty for delayed/non-payment of E.S.I. contribution

The Employees' State Insurance Scheme was made applicable to the technical workers of the Board with effect from 1st January 1964. According to Regulations 31 and 26 of the Employees' State Insurance (General) Regulations, 1950, the contribution in respect of an employee should be paid within 21 days of the last day of the wage period in which the contribution falls due and contribution cards bearing the contribution stamps should be sent to the Employees' State Insurance Corporation (*ESIC*) within 42 days of the termination of the contribution period to which it relates. Failure to do so renders the employer liable to pay damages under the provisions of the Employees' State Insurance Act, 1948.

The Board did not deposit the contribution cards in time with the ESIC in respect of 57 sub-divisions for the period from September 1975 to March 1978 for which damages amounting to Rs. 2.17 lakhs were imposed during February 1976 to March 1978; of this, Rs. 0.42 lakh were paid by the Board to the ESIC up to March 1978.

In addition to above, the ESIC had asked the Board in June 1978 to deposit a sum of Rs. 1.02 lakhs being employees' share of contribution not recovered in time in respect of 20 offices of the Board relating to the period from August 1965 to December 1976.

Thus by not adhering to the provisions of the Employees' State Insurance Act, the Board incurred an extra liability of Rs. 3.19 lakhs.

The matter was reported to Government in October 1978; reply was awaited (March 1979).

SECTION VII

RAJASTHAN STATE ROAD TRANSPORT CORPORATION

1. Inventory Control

1.1 Organisation

Purchase and stores department of the Corporation is headed by the Chief Controller of Stores who is assisted by two controllers of stores and six purchase officers. The department deals with purchase, custody and issue of mechanical stores including fuel and lubricants.

The Corporation has one central stores, seven divisional stores, one central workshop stores and thirty depot workshop stores.

The procedure for purchase and storage of mechanical stores, *etc.*, was discussed in Section VII of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial). Certain observations based on a further review in the light of the purchase policy of the Corporation, as amended in May 1975, are given in the succeeding paragraphs.

1.2 Purchase policy

The policy and procedure for purchases of spare parts, fuel, libricants, tyres, plant and machinery, *etc.*, were laid down by the Corporation in August 1965 and were amended from time to time. While amending the purchase policy in May 1975, the Corporation also decided that a manual for purchase system should be prepared. The manual has not been prepared (March 1979).

1.3 Purchase from firms on rate contracts

As per the purchase policy of the Corporation, as amended in May 1975, spare parts and components other than those manufactured by chassis manufacturers themselves were to be purchased from the original equipment (O.E.) suppliers; in case there were more than one original equipment suppliers, the requirements were to be met from them keeping in view their supply position.

In the test check of the purchases made by the Corporation, it was noticed that in the following cases the prescribed procedure was not followed resulting in extra expenditure :—

(*i*) There was variance in rates amongst original equipment suppliers but purchase orders for major/half quantities were placed on the firms whose rates were higher without ascertaining the supply position of the firms whose rates were lower. Had purchase of major quantity been made from the firms whose rates were lower, the Corporation could have avoided an extra expenditure of Rs. 0.74 lakh in eight purchase orders as detailed below:—

Purchase order number and date	Item	Rates per item of original equipment firm on whom order was placed	Lower rate of other firms on whom orders for major/ half quantity could have been placed	Extra expenditure incurred
		Rs.	Rs.	(*Rupees in lakh*)
1. F.1(10)1923 dated 18-3-76	Spring leaves	32.20 to 560.00	28.42 to 480.13	0.11
2. F.1(10)2072 dated 14-5-76	Spring leaves	32.20 to 504.00	27.26 to 422.11	0.07
3. F.1(10)2395 dated 4-9-76	Spring leaves	32.20 to 85.00	29.00 to 84.30	0.04
4. 3179 dated 2-6-77	Piston sets	897.90	841.98	0.10
5. 3226 dated 17-6-77	Batteries	365.52 to 895.54	355.80 to 861.29	0.05
6. F.1(1)3310 dated 12-7-77	Brake parts	2.07 to 13.58	1.22 to 6.00	0.04
7. F.1(1)3308 dated 12-7-77	Brake parts	2.03 to 22.50	1.02 to 14.80	0.04
8. 3439 dated 24-8-77	Batteries	379.88 to 926.90	369.80 to 893.05	0.29
				0.74

(*ii*) Lower rates for Tata piston sets of an original equipment manufacturer (firm 'A') were ignored by the Corporation and purchases of 296 piston sets valuing Rs. 5.71 lakhs were made during June 1976 to October 1976 from distributors of another original equipment manufacturer (firm 'B') whose rates were higher.

The Chief Controller of Stores stated (April 1978) "as per the Corporation's purchase policy while buying piston sets for T.M.B. vehicles preference was given to actual O.E. manufacturer over the firm which claimed to be O.E. manufacturer. As per rate contract of Association of State Road Transport Undertakings (A.S.R.T.U.), firm 'A' claimed to be O.E. supplier to TELCO. It was not until June 1977 that proof was available for the firm's claim to be substantiated." It was, however, noticed in audit that the Corporation had purchased Tata piston sets from the firm 'A' earlier *i.e.*, in January 1976, (Rs. 1.18 lakhs) and December 1976 (Rs. 1.83 lakhs). Had these piston sets been purchased from firm 'A', the Corporation could have avoided an extra expenditure of Rs. 1.55 lakhs. Further remarks of the Corporation and reply of Government are awaited (March 1979).

(*iii*) During the year 1975-76, 2154 cylinder liners for Leyland '370' chassis (which is not a shop made item of the manufacturers) were purchased from five original equipment suppliers which were on rate contract with the Association of State Road Transport Undertakings. In 1976-77, however, the Corporation met the requirement of this item by purchasing 5065 such cylinder liners from the chassis manufacturers on the ground that the cylinder liner was a critical item and the Corporation did not have inspection facilities. The rates paid to the chassis manufacturers were higher than the rates of the original equipment suppliers.

During the subsequent year, *i.e.* 1977-78, no orders were, however, placed on the chassis manufacturers for purchase of this item which they were not producing themselves and, instead, purchase orders for 3800 such cylinder liners were placed with three original equipment and one other supplier.

The Corporation did not follow a uniform policy in purchase of this item. The purchase of cylinder liners for Leyland '370' from chassis manufacturers during 1976-77 at higher rates, when it was available at cheaper rates from original equipment suppliers was not in accordance with the approved purchase policy of the Corporation. The plea that the Corporation did not have proper testing facilities is not tenable as during 1975-76 and 1977-78, this item was purchased from original equipment suppliers and other firms on A.S.R.T.U. rate contract. Further, there was nothing on record to show that the material supplied by such firms had not given satisfactory performance. Instead of purchasing this item from chassis manufacturers during the year 1976-77, had the requirement of such item cylinder liner been met in equal proportion from the two lowest original equipment suppliers (from whom the material was purchased both in the years 1975-76 and 1977-78 and who were also on A.S.R.T.U. rate contract), the Corporation could have avoided extra expenditure of Rs. 0.56 lakh.

1.4 Purchase without inviting tenders

On the basis of an offer received from a local firm on 23rd December 1976, the Purchase Board of the Corporation decided (April 1977) to purchase latex foam rubber sheets after considering the price preference up to 15 *per cent* reimbursable under State Government Price Preference Rules. Two purchase orders (total value: Rs. 3.87 lakhs) were accordingly placed (May 1977) for supply of 2,700 two-seater and 2,800 three-seater foam sheets at Rs. 63.48 and Rs. 76.97 each respectively.

Further order valuing Rs. 6 lakhs was placed with the firm on 21st September 1977 despite the observations of the Accounts Branch that as these purchases were being made without inviting tenders, prior approval of the Corporation was necessary under the existing purchase policy.

In this purchase the Corporation lost Rs. 1.62 lakhs as under:—

(*i*) A claim for re-imbursement of Rs. 0.31 lakh under the price preference rules for two purchase orders placed in May 1977, was lodged by the Corporation on 9th February 1978 with Government. Government disallowed (May 1978) the claim on the ground that no tenders had been invited in this case as required under the rules for re-imbursement. On the total quantity of material received by the Corporation, the claim for re-imbursement, thus lost, amounted to Rs. 0.68 lakh (approximately). The Corporation which examined the case earlier on 10th March 1978 expressed concern about the non-adherence to the normal procedure of inviting tenders and recorded that such lapses be avoided in future. Orders for the balance quantity of 892 and 1350 two-seater and three-seater foam sheets respectively not supplied were also cancelled (March 1978).

(*ii*) The Government of India reduced excise duty on latex foam from 72 *per cent* to 50 *per cent* with effect from 18th June 1977. A letter indicating reduction in excise duty was received by the Corporation on 3rd September 1977 from the Standing Committee of A.S.R.T.U. While placing purchase order on 21st September 1977 the Purchase Board did not take the fact of reduction in excise duty into consideration. The firm was requested (5th April 1978) to refund the amount of excise duty (Rs. 0.94 lakh as calculated by the Corporation) charged in excess; it declined (30th May 1978) to make the refund on the ground that the supplies were made at the price inclusive of Central Excise and that there was no provision in the purchase order to reduce rates on reduction of statutory levies. The Legal Adviser of the Corporation had also opined (4th March 1978) that in the circumstances of the case the claim of the Corporation for refund of Central Excise would not stand in a Court of Law.

The matter was reported to Government in August 1978; reply was awaited (March 1979).

1.5 Local purchase of stores and spare parts

The purchase policy provides that on account of the non-availability of spare parts and to avoid stoppage of production at the Central Workshop and vehicles remaining off the road in the absence of spare parts and accessories, direct purchases may be made by the Officer In-charge of Central Workshop and Depot Workshops respectively. Such purchases are required to be reported immediately (within a fortnight) *post facto* to the Purchase Officer who is required to initiate action for further needs in such a way as to avoid repetition of such (emergency) purchase.

The value of the local purchases made by the Depot Offices and the Divisional and Central Workshops during the three years ending March 1978 were as under:—

Year	Value of stores and spare parts purchased		Total
	By depot offices	By divisional and central workshops	
		(*Rupees in lakhs*)	
1975-76 (From May 1975)	21.39	0.89	22.28
1976-77	5.27	10.45	15.72
1977-78	13.65	29.74	43.39

NOTE:—The above information is based on monthly statements of units available in head office. Statements for certain months were not available.

During test check of local purchases of stores and spare parts the following points were noticed:—

(*i*) Local purchases made by the Depot Offices were not reported at all to the purchase department (Head Office) though required to be reported within a period of fortnight.

(*ii*) During 1977-78, purchases were made in excess of the powers delegated to local purchase committees, to the tune of Rs. 2.24 lakhs in a depot and Rs. 13.99 lakhs in seven divisions. These cases were not regularised by obtaining sanction of the competent authority (March 1979).

1.6 High speed diesel oil

The Corporation generally purchases high speed diesel (H.S.D) from the Indian Oil Corporation Limited (I.O.C.). The supplies are received through the pumps installed at the depot workshops. The following deficiencies were noticed in the accounting of receipts and issue of H.S.D.

(*i*) In December 1975, the General Manager issued instructions that stock of H.S.D. in each storage tank should be checked by the Store In-charge daily and the actual balance found on the basis of dip measurement should be noted in the stock register and a special report should be sent to the Divisional Mechanical Engineer regarding the difference between the physical balance and the balance as per stock register. It was seen in Audit that the instructions were generally not followed. During the period from January 1977 to February 1978 in two depots the opening balance of diesel in each month was taken on the basis of physical verification reports. The cumulative difference between the balance as per stock register and the balance as per physical verification reports worked out to 0.29 lakh litres (valuing Rs. 0.41 lakhs approximately). No reports for these differences were sent to the Divisional Mechanical Engineer. Reasons of differences were also not investigated (March 1979).

(*ii*) Diesel is supplied to vehicles of other State Road Transport Undertakings plying within Rajasthan State on reciprocal basis. As on 31st March 1978, the following amounts were outstanding against the various State Road Transport Undertakings on account of supply of diesel oil, *etc.*

Name of State Road Transport Undertakings	Amount recoverable (*Rupees in lakhs*)
Delhi Transport Corporation	6.27
Madhya Pradesh State Road Transport Corporation	3.82
Haryana Roadways	2.14
Gujarat State Road Transport Corporation	0.08
Uttar Pradesh State Road Transport Corporation	0.97
	13.28

Year-wise break-up of the above outstanding dues was not available (March 1979). In some cases the amounts were outstanding since 1964.

1.7 Non-reconciliation of stores ledger with accounts

The value of balances in the quantity *cum* priced stores ledger at the close of each year is to be reconciled with the balance as per the accounts in the head office. Such reconciliation was not carried out since 1973-74 and there were wide differences between the two sets of figures. The differences at the end of each of the three years up to 1975-76 in the closing balance of Central Stores were as follows:—

Year	Closing balance as per accounts	Closing balance as per ledgers	Difference excess(+)/ less (—)in accounts
		(Rupees in lakhs)	
1973-74	15.93	23.08	(—)7.15
1974-75	32.33	47.27	(—)14.94
1975-76	80.33	54.02	(+)26.31

Closing balances for the years 1976-77 and 1977-78 have not been worked out (March 1979).

1.8 Receipts and accounting of mechanical stores

Up to October 1975, the Corporation had a two-tier system of stores organisation. From November 1975, the three-tier system for issue of mechanical stores was introduced. The Central Stores at Ajmer receives mechanical stores of all types and issues the same to the Central Workshop Stores and the Divisional Stores. The Depot stores receive their requirements from Divisional Stores.

A test check of the transactions of receipts and issues of stores in various units showed the following deficiencies.

(*i*) New stock ledgers were opened during January 1978 in four units on the basis of ground balances found on physical verification; ledgers for the prior period were not completed and reconciled with new ledgers. The loss of stores, if any, up to December 1977 thus remained undetected and un-accounted for. The Divisional Workshop started functioning from 1st December 1976 but stores ledgers (of Leyland parts) were not opened up to November 1978. In the Central Workshop posting of ledgers (of Leyland parts) was not done for the period August 1977 to April 1978. New ledgers were opened from 1st May 1978 on the basis of ground balances.

(*ii*) New parts were to be issued after verifying that the used parts had been returned to stores. No account of old material returned was maintained by the Depots.

(*iii*) Proper record of receipt and verification of suppliers' bills was not kept in the Central Stores. It was, therefore, not possible to know at any time, the details of bills pending verification, period for which the same were pending and the reasons for such delay. As per the records of the Accounts branch at the head office, 387 bills of suppliers relating to the years 1975-76 to 1977-78 were pending verification (March 1979) by the Central Stores against which Rs. 45.32 lakhs were paid as advances as detailed below:—

Year	Number of bills	Amount of advances (*Rupees in lakhs*)
1975-76	121	12.40
1976-77	105	13.39
1977-78	161	19.53
TOTAL	387	45.32

Details for the period prior to 1975-76 were not readily available.

The amount of advance for the pending bills had remained unbooked to the final head of account, *i.e.* purchases.

1.9 **Physical verification of stores**

1.9.1 Physical verification of stores is required to be conducted annually by stock verifier and the shortages/ excesses noticed are required to be investigated by the Chief Accounts Officer. The following shortages/excesses were noticed as a result of physical verification conducted during the three years ending 1977-78:

Year	Value of shortages	Value of excesses
	(*Rupees in lakhs*)	
1975-76	0.79	0.52
1976-77	0.88	1.11
1977-78	0.34	0.27

These shortages and excesses remain to be investigated. The shortages (Rs.2.46 lakhs) and excesses (Rs. 60.18 lakhs) relating to the years 1967-68 to 1974-75 were also not investigated (March 1979).

Physical verification of stores in respect of the following units was not conducted on the ground that the postings in the ledgers were not completed

(March 1979):—

	Year
Jaipur Division	1976-77 and 1977-78
C.T.S. Depot, Jaipur	1977-78
Jaipur Depot	1977-78
Hanumangarh Depot	1977-78
Bikaner Division	1977-78
Kota Division	1977-78
Central Workshop, Ajmer	1977-78

The correctness of stores actually held at these units were not, therefore, ascertained.

1.9.2 The physical verification of major assemblies, plant and machinery, etc. was conducted during January 1977 to March 1978. The reports indicated only the ground balances and were not tallied with the book balances and excess/shortages, if any, not determined (March 1979).

1.10 Transit shortages

For major repairs, vehicles are to be sent by depot/ divisional workshops to the Central workshop. A detailed list of parts missing in the vehicle at the time of such transfer is also to be sent along with the vehicle. In the Central Workshop, the vehicle is to be inspected with reference to the list and a further list of additional parts found missing, if any, is to be prepared. Such additional shortages noticed by the Central Worhshop are to be reported to the Chief Mechanical Engineer and the concerned depot/division for investigation and for fixing responsibility. During the three years up to March 1978, the following additional shortages were noticed by the Central Worhshop and were reported to the concerned authorities:—

Period	Number of buses received	Number of buses in which additional parts were found short	Total number of additional parts found short
1975-76	277	254	3333
1976-77	266	256	7288
1977-78	228	227	6692

The value of 3115 such parts found short in 99 buses received in the Central Worhshop during 5th January 1977 to 31st May 1977 and from 7th October 1977 to 18th November 1977 was assessed at Rs. 0.90 lakh by the Divisional Mechanical Engineer of the Central Worhshop.

The value of remaining shortages for the rest of the period was not assessed (January 1979).

Action to investigate the shortages has not been taken (March 1979).

1.11 Advances to suppliers

Advance payments ranging from 90 to 95 *per cent* of the invoice price are made to suppliers against proof of despatch of material to be adjusted against final payment. The amount of advances outstanding at the end of the five years up to 1975-76 is given below (position for the years ending March 1977 and 1978 is not available as the accounts have not been compiled March 1979):—

As on	Amount (*Rupees in lakhs*)
31st March 1972	5.78
31st March 1973	15.30
31st March 1974	38.79
31st March 1975	165.03
31st March 1976	319.65

The expenditure to this extent incurred on purchase of material was not booked to the final heads of account pending clearance of the advances.

Year-wise break-up of these advances was not available. The subsidiary ledgers were not posted up to date. The reasons for the advances remaining outstanding were not analysed (March 1979).

Actual outstanding dues of the suppliers were not known nor was it known whether material had been received against the advances.

1.12 Old and scrap material

As burnt engine oil has considerable sale value, the Corporation issued instructions in January 1975 to the depots for proper storage and maintenance of stock account of burnt engine oil. It was noticed during audit that though during the years 1976-77 and 1977-78 burnt engine oil was sold for Rs. 1.73 lakhs and Rs. 2.43 lakhs respectively, no account of burnt engine oil taken over from each vehicle was kept at any depot, in absence of which it could not be verified whether the entire quantity of burnt engine oil was taken into account.

1.13 Summing up

The following irregularities were noticed in purchase, custody and issue of mechanical stores:—

(*i*) Purchase manual has not yet been prepared.

(*ii*) Amongst the original equipment (O.E.) suppliers, the Corporation did not make purchases of full or major quantity from the O.E. suppliers whose rates were lowest, resulting in extra expenditure of Rs. 2.29 lakhs in certain cases test checked.

(*iii*) Extra expenditure of Rs. 0.56 lakh was incurred during 1976-77 on purchase of cylinder liners from chassis manufacturers at higher rates though the same were not their shop-made items. During 1975-76 and 1977-78 cylinder liners were purchased at lower rates from original equipment suppliers.

(*iv*) Loss of Rs. 0.68 lakh was sustained due to rejection of a claim for re-imbursement of extra cost incurred due to non-adherance of price preference rules about inviting tenders before purchases.

(*v*) Loss of Rs. 0.94 lakh was sustained due to failure to insert a clause in the purchase order stipulating variation in rates in case of statutory levies, even after a reduction in the rates of Central Excise Duty came to notice of the Corporation.

(*vi*) Difference of 0.29 lakh litres of H.S.D. (valuing Rs. 0.41 lakh) in the opening and closing balance of H.S.D. Stock registers, during January 1977 to February 1978 was not investigated.

(*vii*) Large amounts (Rs. 13.28 lakhs) were outstanding from other State Transport Undertakings on account of claims for supply of diesel oil etc.

(*viii*) Difference since 1973-74 in the value of store balances in the quantity-cum-priced stores ledgers with the balances as per accounts were not reconciled.

(*ix*) Physical verification of stores had not been conducted in 1976-77 and 1977-78 in seven units.

(*x*) Investigation of shortages and excesses pertaining to the period from 1967-68 to 1977-78 was still pending (January 1979).

(*xi*) Action had not been taken to investigate 17313 parts found short in transit of buses from depots to Central workshop during 1975-76 to 1977-78 (January 1979). Value of 3115 parts was assessed at Rs. 0.90 lakh; value of remaining parts was not assessed.

(*xii*) Advances to suppliers of Rs. 319.65 lakhs as on 31st March 1976 were not linked with receipt of material (January 1979); year-wise break-up was also not available.

2. Hiring of Private Buses

2.1 The Corporation decided (December 1974) on hiring of private buses for plying on nationalised routes as a stop-gap arrangement as it could not purchase the required number of bus chassis due to paucity of funds. The scheme was implemented in February 1975 and was continuing (March 1979).

2.2 Excess payment to private operators

(*a*) As per the agreements executed with the private bus owners, the buses were required to be present at the agreed bus stand half an hour before the time of departure. It was, however, noticed that in case of SriGanganagar and Hanumangarh depots payments for hire charges during the period August 1975 to December 1975 were made on the basis of fare tables of the Corporation in force up to December 1975 in which distances were mentioned from workshop of one depot bus stand to the workshop of other depot bus stand. Thus, due to allowing hire charges for the distances from workshops to depot bus stands, excess payment of Rs. 0.68 lakh was made. The Management stated (February 1979) that the bus owners were also asked to present their buses at workshops for taking the log sheets. The reply of the Corporation is, however, not convincing as (*i*) orders in support of reply were not produced to audit and (*ii*) from 1st January 1976 with the change in fare tables based on distances from depot to depot, private bus owners were paid on the basis of these fare tables.

(*b*) On test check it was noticed in Jaipur, Bharatpur and SriGanganagar depots that the private operators claimed and were paid (August 1975 to July 1977) for more distance than those shown in fare tables applicable prior to as well as from 1st January 1976, though the Corporation actually charged fare for the distance as per the fare tables. This resulted in excess payment of Rs. 0.58 lakh.

3. Contract for canteen

Tenders for running a canteen at the Ajmer Depot of the Corporation for a period of five years were invited on 13th February 1976. The terms of the tender notice, *inter-alia*, provided for (*i*) deposit of advance rent for three months and security money equal to six months' rent and (*ii*) increase in the agreed rent by

10 *per cent* in every subsequent year. Twenty-seven offers were received, out of which the offers of first three highest tenderers were as follows:—

Name of the parties	Amount of offer	Terms offered
A	Rs. 2,501 per month	Security deposit of Rs. 7,500 in cash, did not agree to pay any advance rent.
B	Rs. 1,616.16 per month	Security deposit of Rs. 9,696.96 in the form of bank guarantee and advance rent of Rs. 4,848.48 in cash.
C	Rs. 800.00 per month	Deposit of security and advance rent in cash.

Although according to policy formulated in December 1975 the decision on tenders for contracts for shops, canteens and stalls was to be taken by a committee consisting of the Depot Manager, Assistant Accounts Officer/Accountant and In-charge of the Depot Workshop, the contract was awarded to third highest tenderer 'C' by the Depot Manager on 20th March 1976 without seeking the approval of the Committee. The first two tenders were rejected by him on the ground that the terms offered by parties 'A' and 'B' were not acceptable. The decision of Depot Manager was neither according to the accepted policy nor in the best interest of the Corporation as the amount of Rs. 7,200 towards security and advance rent received from firm 'C' was even less than security offered by firm 'A' in cash (Rs. 7,500) and by 'B' in the form of bank guarantee (Rs. 9,696.96). In addition firm 'B' had also offered advance rent (Rs. 4,848.48) in cash.

Computed even with reference to tender of the second highest tenderer 'B', the Corporation suffered a loss of Rs. 0.20 lakh for the period from 20th March 1976 to 19th June 1978. The loss would amount to Rs. 0.61 lakh up to 19th March 1981 *i. e.* for the duration of the contract.

The Corporation stated (April 1978) that disciplinary action was being taken against the Depot Manager for the irregularities committed by him in awarding the contract.

4. Non-recovery of Provident Fund Contributions from employees

According to the Employees' Provident Fund Act, 1952, an employer has, in the first instance, to pay both the contribution payable by himself and the subscription payable by the employee. The employees' contribution paid by the employer can be recovered only from the wages or arrears of wages of the employees relating to the same period.

In respect of 7 employees, the Corporation failed to pay the contribution which had fallen due from November 1966. The liability in respect of these employees for the periods ranging from November 1966 to October 1974 amounted to Rs. 0.25 lakh-employees' share (Rs. 0.13 lakh) and interest for delay in payment of both employees' and employer's contributions (Rs. 0.12 lakh). Of this, Rs. 0.23 lakh-employees' share (Rs. 0.11 lakh) and interest (Rs. 0.12 lakh) in respect of seven employees (full payment in respect of three employees and part payment in respect of four employees) were paid up to January 1979. The Management clarified (November 1976) to the Central Provident Fund Commissioner that the deductions could not be started due to clerical error.

Similarly, provident fund deductions were also not made in time from work-charged/semi-permanent staff working in the Civil Engineering Cell of the Corporation. The Corporation estimated (May 1978) a liability of Rs. 0.47 lakh for non-deduction of provident fund subscriptions in respect of 108 such employees during the period October 1967 to May 1977. The General Manager ordered (3rd May1978) that an enquiry in the matter should be conducted which should be completed within three months and disciplinary procedings should be initiated for major penalty against the delinquent officers/officials. The enquiry has not been completed (January 1979).

Thus, due to non-compliance of the provisions of the Employees' Provident Fund Act, 1952, the Corporation has incurred liability to pay Rs. 0.72 lakh in respect of employees' subscription and interest, out of which Rs. 0.23 lakh had already been paid.

5. Non-payment/delayed payment of E.S.I. contribution-payment of penalties

The Employees' State Insurance Scheme is applicable to the workshop staff of the Corporation. According to Regulations 31 and 26 of the Employees' State Insurance (General) Regulations 1950 made under the Employees' State Insurance Act, 1948, the contribution in respect of an employee should be paid within 21 days of the last day of the wage period in which the contribution falls due. Failure to do so renders the employer liable to pay damages under the provisions of the Employees' State Insurance Act, 1948.

The Corporation did not pay contribution for the period September 1975 to November 1977 within the prescribed period and the Employees' State Insurance Corporation imposed damages amounting to Rs. 0.67 lakh under Section 85-B of the said Act. Out of this, the Corporation had paid Rs. 0.25 lakh to the Employees' State Insurance Corporation, got Rs. 0.30 lakh waived and the balance Rs. 0.12 lakh remained to be paid (January 1979).

In reply to an audit query, the Management gave (July 1978) the following reasons for depositing contribution cards late by various depots:—

(*a*) Delay in sanction of leave to the worker.

(*b*) Non-receipt of Last Pay Certificate of the worker who joined on transfer from other workshop.

(*c*) Refusal by the workers to fill the requisite declaration forms.

(*d*) Dealing clerks being on long leave when the cards were due to be deposited with the Regional Director Office.

(*e*) Heavy rush of work.

The Regional Director, Employees' State Insurance, Jaipur further asked (July 1978) the Corporation to deposit a sum of Rs. 0.13 lakh being the employees' share of contribution not recovered in respect of certain employees of 5 depot workshops for the period from January 1965 to June 1973. This amount would have to be borne by the Corporation as per the provisions of the Act. The Corporation deposited (August 1978) Rs. 0.01 lakh against the above demand and paid Rs. 0.03 lakh as damages thereon. The balance Rs. 0.12 lakh was not deposited (January 1979).

Had the Corporation observed the provisions of the Employees' State Insurance Act, the liability for damages Rs. 0.40 lakh (of which Rs. 0.28 lakh has already been paid) and for employees' share of contribution Rs. 0.13 lakh (Rs. 0.01 lakh already paid) would not have arisen.

S. Jayaraman

(S. JAYARAMAN)
Accountant General, Rajasthan

Jaipur,
The 21st June 1979

COUNTERSIGNED

Gian Prakash

(GIAN PRAKASH)
Comptroller and Auditor General of India

New Delhi,
The 23rd June 1979

ANNEXURES

ANNEXURE 'A'

(Referred in paragraph 5 page (i))

List of Companies in which Government have invested more than Rs. 10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India.

Name of Company	Total investment up to the end of 1977-78 (*Rupees in lakhs*)
1. Jaipur Udyog Limited	75.00
2. Man Industrial Corporation Limited	15.00
3. Shri Sadul Textiles Limited	11.80
4. Jaipur Spinning and Weaving Mills Limited	17.46
5. Aditya Mills Limited	15.00
6. Oriental Power Cables Limited	13.36
7. Metal Corporation of India Limited (Business taken over by Hindustan Zinc Limited, Udaipur—Company under voluntary winding up)	25.00
8. J. K. Industries Limited (Tyre and Tube Project)	88,83

ANNEX

Summarised financial results of

(Referred in paragraph

S. No.	Name of the Company	Name of administrative department	Date of incorporation	Period of accounts
1	2	3	4	5
1.	Rajasthan State Industrial and Mineral Development Corporation Limited	Industries	28th March 1969	1977-78 (ending 31st March 1978)
2.	Rajasthan State Agro Industries Corporation Limited	Agriculture	1st August 1969	1977-78 (ending 31st March 1978)
3.	Rajasthan State Mines and Minerals Limited	Industries	7th May 1947 (Government Company from June 1973)	1977-78 (ending 31st March 1978)
4.	Rajasthan State Dairy Development Corporation Limited	Agriculture	31st March 1975	1977-78 (ending 31st March 1978)
5.	Rajasthan Small Industries Corporation Limited	Industries	3rd June 1961	1977-78 (ending 31st March 1978)
6.	The Rajasthan State Tanneries Limited	State Enterprises	22nd November 1971	1977-78 (ending 31st March 1978)
7.	The Rajasthan State Hotels Corporation Limited	General Administration	7th June 1965	1977-78 (ending 31st March 1978)
8.	The Ganganagar Sugar Mills Limited	State Enterprises	1st July 1956	1976-77 (ending 30th June 1977)
9.	Hi-Tech Precision Glass Limited	State Enterprises	18th March 1963	1976-77 (ending 30th September 1977)

1. Capital invested represents paid-up capital *plus* long-term loans *plus* free
2. Capital employed represents net fixed assets, (excluding capital work-in-

URE 'B'

Government Companies

4 *page* 2)

Total capital invested	Profit(+)/ Loss (—)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
6	7	8	9	10	11	12	13	14
			(*Rupees in lakhs*)					
1504.21	(-)88.01	47.22	47.22	(-)40.79	..	1108.68	(-)40.79	..
352.41	(-)7.84	7.26	0.29	(-)7.55	..	447.46	(-)0.58	..
519.28	(+)63.04	15.50	11.30	74.34	14.3	596.42	78.54	13.2
283.91	(+)1.46	0.17	0.17	1.63	0.6	267.67	1.63	0.6
168.08	(-)7.07	17.45	2.51	(--)4.56	..	293.40	10.38	3.5
157.00	(-)20.63	7.20	4.57	(-)16.06	..	123.18	(-)13.43	..
53.59	(+)0.19	0.24	0.24	0.43	0.8	39.16	0.43	1.1
203.45	(+)32.49	21.55	6.99	39.48	19.4	323.88	54.04	16.7
21.83	(+)0.08	..	..	0.08	0.4	4.59	0.08	1.7

reserves at the close of the year.
progress) *plus* working capital at the close of the year.

ANNEX

Summarised financial results

(Referred in paragraph (a)

S.No.	Name of the Corporation/ Board	Name of administrative department	Date of Incorporation	Period of accounts
1	2	3	4	5
1.	Rajasthan State Electricity Board	Power	1st July 1957	1977-78
2.	Rajasthan State Warehousing Corporation	Co-operative	30th December 1957	1977-78
3.	Rajasthan Financial Corporation	Industries	17th January 1955	1977-78

1. Capital invested represents paid-up capital *plus* long-term loans *plus* free

2. Capital employed represents net fixed assets (excluding capital work-in-

* The amount represents contribution to general reserve in terms of Section 67

@ Represents mean figure for the year (*i.e.*, aggregate of opening and closing including refinance and deposits, divided by two).

URE 'C'

of Statutory Corporations

and (*b*) *page* 49 *and* 50)

Total capital invested	Profit(+)/ Loss(—)	Total interest charged to Profit & Loss account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
6	7	8	9	10	11	12	13	14
(*Rupees in lakhs*)								
42628.92	(+)201.47*	1836.87	1795.55	1997.02	4.7	32862.24	2038.34	6.2
370.25	(+)99.38	0.58	0.58	99.96	27.0	364.55	99.96	27.4
..	(+)90.43	109.23	..	..	..	2230.07@	199.66	8.9

reserves at the close of the year.

progress) *plus* working capital at the close of the year.

(viii) of the Electricity (Supply) Act, 1948.

balances of paid-up capital, bonds and debentures, reserves and borrowings

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