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

नई दिल्ली
New Delhi
दिनांक
Date 21.7.97

अधिप्रमाणित
Authenticated
उद्योग मंत्री
Industry Minister

सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1996
NO. 2 OF 1997

PAPERS LAID ON THE TABLE
OF THE RAJYA SABHA
ON 28 JUL 1997

UNION GOVERNMENT - COMMERCIAL
COMMENTS ON ACCOUNTS

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PREFACE

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

2. The statutes governing some Corporations and Authorities require their accounts to be audited by the CAG and reports given by him. In respect of Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India and Damodar Valley Corporation, the CAG is the sole auditor under the relevant statutes. In respect of Central Warehousing Corporation and Food Corporation of India, the CAG has the right to conduct audit independently of the audit conducted by the Chartered Accountants appointed under the statues governing the two Corporations.

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

4. Three annual reports on the accounts of the

Companies and Corporations are issued by the CAG to the Government.

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

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

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

5. Audit Boards are set up under the supervision and control of the CAG to undertake comprehensive appraisals of the performance of the Companies and Corporations subject to audit by CAG. Each Audit Board consists of the Chairman (Deputy Comptroller and Auditor General), two or three whole-time members of the rank of Principal Directors of Audit under CAG and two technical or other experts in the area of performance of the Company or Corporation who are part-time members. The part-time members are appointed by the Government of India (in the respective Ministry or Department controlling the Company or Corporation) with the concurrence of the CAG. The Reports of the CAG based on such performance appraisals by the Audit Board and other reviews are issued to the Government as separate reports in addition to the annual reports.

6. Extracts from some of the important comments or supplementary audit observations of the CAG made on the accounts of Government Companies and other Public Sector Undertakings for the year 1995-96 are given in this Report. A resume of the reports of Statutory Auditors submitted to the CAG in compliance with the directions issued to them under Section 619(3)(a) of the Companies Act, 1956, covering the accounts for the year 1995-96 (to the extent received) is also given in this Report.

OVERVIEW

I. Comments on Accounts of Public Sector Undertakings

The number of Central Government Companies, including deemed Government Companies and Corporations, for which accounts for 1995-96 were received for supplementary audit under Section 619(4) of the Companies Act, 1956 or for audit under the Statutes governing the concerned Corporation, and in respect of which comments were issued were as follows:-

	Government Companies	Deemed Government Companies	Corporations	Total
a) Total number of Central Government Companies/Corp-orations	263	61	6	330
b) No.of Companies/ Corporations from which accounts were received (upto February 1997)	246	46	6	298
c) No.of Companies/ Corporations the accounts of which were selected for test check	222	34	6	262

d) No.of Companies/ Corporations the accounts of which were revised as a result of test check and consequently no comments were issued	16	2		18
e) No. of Companies/ Corporations the accounts of which were partly revised and comments were issued	21	2	-	23
f) No.of Companies/ Corporations on the accounts of which audit comments were issued	142	15	5	162
g) No.of Companies/ Corporations where no comments were issued on their accounts	37	13	-	50
h) No.of Companies where audit of accounts was in progress (upto February 1997)	6	2	1	9

II. Revision of Profit or Loss in Accounts

As a result of the test audit of the accounts of Government Companies and deemed Government Companies by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act and consequent revision of their accounts by some of the companies, the impact on profits/loss shown in the accounts for 1995-96 was as follows:-

	No.of Companies	Net Effect (Rs. in crores)
i) Increase in Profit	5	7.81
ii) Decrease in Profit	13	42.85
iii) Increase in Loss	11	19.27
iv) Decrease in Loss	3	0.51

(Paragraph 1.1)

III. Nature of Comments

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

i) On Balance Sheet

Assets as on 31 March 1996 were overstated by Rs.156.94 crores in 6 PSUs and understated by Rs.336.45 crores in 3 PSUs. Similarly, liabilities were understated by Rs.174.56 crores in 8 PSUs and overstated by Rs.5.92 crores in 1 PSU.

(Paragraph 1.2)

ii) On Profit or Loss

Had the PSUs revised their accounts on the basis of comments made as a result of supplementary audit, the profits for 1995-96 would have come down by Rs.1208.62 crores in 38 PSUs and would have increased by Rs. 384.47 crores in 3 PSUs. Similarly, loss for 1995-96 would have been increased by Rs.295.65 crores in 23 PSUs.

(Paragraph 1.2)

iii) On Capital Erosion

The paid up capital as on 31 March 1996 had been fully eroded due to accumulated losses in 27 of the PSUs whose accounts were reviewed in test check.

(Paragraph 1.3)

iv) On Inventory

Inventory of raw material, stores, spares and finished goods as on 31 March 1996 was abnormally high compared to total consumption /sales during the year in respect of 7 PSUs.

(Paragraph 1.3)

v) Producing properties valuing Rs.128.95 crores as on 31 March 1996 did not produce any oil during the year due to various technical and administrative reasons (ONGC).

(Paragraph 1.3)

IV. Reports by Statutory Auditors

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

i) Lack of adequacy or effectiveness in the system of financial control and accounts, non-reconciliation of books and deficiencies in the maintenance of asset registers.

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

iii) Deficiencies in cost control system.

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

v) No energy audit conducted.

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

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

CHAPTER 1

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF PUBLIC SECTOR UNDERTAKINGS (PSUs)

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

The number of Government Companies/deemed Government Companies and Corporations of the Union Government whose accounts for 1995-96 were received and audited by the CAG of India are as under :

	Government Companies	Deemed Government Companies	Corporations	Total
i) No. of PSUs (List given in Appendix I, II & III).	263	61	6	330
ii) No. of PSUs whose accounts were not due for audit.	-	2	-	2
iii) No. of PSUs whose accounts for 1995-96 were received for audit.	246	46	6	298

iv) No. of PSUs selected for audit.	222	34	6	262
v) No. of PSUs where audit was in progress. (upto February 1997)	6	2	1	9

As a result of the test check/supplementary audit of accounts, 37* Government Companies and 4** deemed Government Companies revised their accounts for 1995-96. Comments were issued on the accounts of 163* Government Companies and 17** deemed Government Companies for 1995-96. Audit Reports on the accounts of 5 Statutory Corporations were also sent to the Government/Corporations.

*Includes 21 Government Companies and **2 deemed Government Companies which partly revised their accounts on which comments were also issued.

1.1 REVISION OF ACCOUNTS

As a result of test check and consequent corrections made in the accounts for 1995-96, the profit for the year in the following Companies increased (+) or decreased (-) as given below :-

	Name of the Companies	1995-96 (Rs. in lakhs)
1.	Andhra Pradesh Industrial Development Consultancy Organisation Limited	(-)7.57
2.	Bharat Heavy Electricals Limited	(+)739.43
3.	Bharat Coking Coal Limited	(-) 573.00
4.	Bharat Dynamics Limited	(+) 21.54
5.	Central Coalfields Limited	(-)1711.00
6.	Canbank Computer Services Limited	(+)0.14
7.	Dredging Corporation of India Limited	(-)175.13
8.	Eastern Coalfields Limited	(-) 231.00
9.	Hindustan Aeronautics Limited	(-)64.00
10.	Hindustan Latex Limited	(-)107.97
11.	HMT(Bearings) Limited	(-) 33.43
12.	Mahanadi Coalfields Limited	(-)116.00
13.	MECON (India) Limited	(-)164.28
14.	Mishra Dhatu Nigam Limited	(+)13.57

15.	National Mineral Development Corporation Limited	(+) 6.66
16.	Neyveli Lignite Corporation Limited.	(-) 72.85
17.	Steel Authority of India Limited	(-)1028.43
18.	Vibank Housing Finance Limited	(-)0.69
	Total Increase(+)/Decrease(-)	**(+)781.34**
		(-)4285.35

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

		1995-96 (Rs. in lakhs)
1.	Bharat Gold Mines Limited	(+) 26.27
2.	Bharat Refractories Limited	(-) 53.29
3.	Bharat Opthalmic Glass Limited	(-) 36.16
4.	Coal India Limited	(-) 410.77
5.	Cochin Refinery Limited	(-) 5.10
6.	Hindustan Steelworks Construction Limited	(-)392.55
7.	Hindustan Photo Films Manufacturing Company Limited	(-)136.33
8.	Hindustan Shipyards Limited	(-) 45.00
9.	Heavy Engineering Corporation Limited	(-)146.22
10.	Indian Iron & Steel Company Limited	(-)207.76
11.	ITI Limited.	(+) 2.01
12.	National Textile Corporation (WBABO) Limited	(-)61.82
13.	Rashtriya Ispat Nigam Limited	(-)431.92
14.	Visvesvaraya Iron & Steel Limited	(+) 22.56
	Total increase(-)/decrease(+)	**(-)1926.92**
		(+)50.84

1.2 COMMENTS ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Extracts from some of the important comments issued on the Balance Sheet/Profit & Loss Account of Government Companies for 1995-96 are given below :

MINISTRY OF AGRICULTURE

DEPARTMENT OF AGRICULTURE AND COOPERATION

1.2.1 National Seeds Corporation Limited

Loans and Advances included claims of Rs.84.03 lakhs recoverable from Government of India (Current year's claim: Rs.21.75 lakhs) on account of salary and allowances of staff deployed in the Ministry for purposes other than for National Seeds Project Monitoring Unit, which has not been accepted by the Ministry. Hence the Profit for the year was overstated by Rs.21.75 lakhs and Claims Recoverable were overstated by Rs.84.03 lakhs.

The Management stated that the claim for the Salary and Allowances of the staff of the Company posted in the Ministry was being raised as per the indication given by the Ministry on 6 January 1989 to reimburse the expenditure for the year 1986-87 onwards. The Corporation is constantly claiming the amount from the Government of India.

The contention of the Management is not tenable as the claims were being made every year since 1989-90 onwards unilaterally without any acceptance by the Ministry; hence these claims could not be treated as potential claims.

DEPARTMENT OF ATOMIC ENERGY

1.2.2 Electronics Corporation of India Limited

1) The sales were overstated by Rs.90.58 lakhs due to accounting of sales in respect of an item for which the terms of sales were FOR destination. In the instant case, the item was not despatched, the customer's acceptance, as provided for in Accounting Policy and final clearance, were

also not obtained; however, the sales were accounted for in the book of accounts. This resulted in overstatement of profit by Rs.39.50 lakhs.

The Management stated that revenue was correctly recognised in terms of Accounting Policy of the Company.

The reply is not acceptable in view of the fact that the revenue recognition was not as per the Accounting Policy as the customer's acceptance after inspection was not obtained.

2) The income from services did not include Rs.30.66 lakhs being the amounts received/receivable in 1995-96, for the service rendered during the year. As a result, income from service as well as profit for the year was understated by a similar amount.

The Management stated that necessary accounting would be done during 1996-97.

1.2.3 Uranium Corporation of India Limited.

Profit of Rs. 0.51 crore for the year would change into loss of Rs.14.57 crores on account of the following :-

(i) Anticipated loss of Rs.14.04 crores likely to be incurred on the disposal of fixed assets and Capital work-in-progress(CWIP) of abandoned Turamdih Project has not been recognised in contravention of Accounting Standard 10 as the price at which these assets were being disposed of was known to the Company before finalisation of accounts.

The Management stated that assets relating to Turamdih Project had not been put to active use. The project was abandoned as per Government directives. Hence in their opinion Accounting Standard 10 was not applicable as these assets were not retired from active use. However, adequate disclosure had been made in the Notes to Accounts.

The Management's reply is not acceptable as, when the Project had already been closed down and held for disposal, the provisions of Accounting Standard 10 are applicable.

(ii) Over valuation of Closing Stock of by-products (Copper concentrates) by Rs. 0.38 crore had resulted in overstatement of profit, in contravention of the Accounting Policy for valuation of by-products at cost or net realisable value, whichever is lower.

The Management noted the audit comment.

(iii) Fixed Assets - Roads, Bridges and Culverts included Rs. 4.14 crores being the value of high level bridge not owned by the Company. On this, depreciation of Rs. 0.18 crore had been charged in the current year's accounts. As per Guidance Notes of Institute of Chartered Accountants of India (ICAI), such expenditure should be written off over the approximate period of utility or over relatively brief period not exceeding 5 years, whichever is less.

Thus, undercharging of Rs. 0.66 crore from the 1/5th amount of Rs.0.83 crore which should have been written off during current year, had resulted in overstatement of profit for the year.

The Company noted the audit comment.

MINISTRY OF CHEMICALS AND FERTILIZERS

DEPARTMENT OF CHEMICALS AND PETROCHEMICALS

1.2.4 Bengal Chemicals and Pharmaceuticals Limited

Loss for the year (Rs. 358.68 lakhs) had been understated by Rs. 367.82 lakhs on account of :

(i) Non-writing off of the loss of pre-acquisition period (Rs.202.56 lakhs) and post-acquisition period (Rs.26.77 lakhs) shown under Miscellaneous Expenditure.

The Management stated that the pre-acquisition loss of Rs.202.56 lakhs as well as post-acquisition loss of Rs.26.77 lakhs had been provided as per revival scheme approved by Board for Industrial and Financial Reconstruction (BIFR).

The Management's reply is not acceptable as no provision had been made despite assurance given in the previous year.

(ii) Non-provision of interest of Rs. 138.49 lakhs on Government loans.

The Management stated that as per Modified Revival Plan submitted to BIFR the entire non-plan and plan loans provided by the Government of India should be interest free. Accordingly, the Government of India had been approached to convert all the loans under approved Revival Plan from 1 April 1994 as interest free loans. Hence, no provision of interest had been made in the accounts.

As no waiver of interest has been given by the Government of India so far, the amount should have been provided.

1.2.5 Bengal Immunity Limited

1) Capital work-in-progress included Rs. 313.49 lakhs being the value of Chloroquine Phosphate Plant installed in 1985, but not put into operation as it was found incapable of being put into operation at the contracted capacity. The value of the same has been assessed as Rs. 1 crore and included in the claim of Rs.4.76 crores lodged with the Arbitrator to be recoverable from the contractor on account of loss and damages suffered by the Company. Non-provision of Rs. 213.49 lakhs being the loss in value of the asset has resulted in understatement of loss.

The Management stated that the contractor did not give them completion certificate for the Project and the issue had to be referred for arbitration. The case has not been finalised. Hence, Company could not assess/provide for any loss.

Even after expiry of 11 years the plant could not be put to operation. Hence, there had been loss in value of the asset as shown in the CWIP. After adjustment of Rs. 1 crore, being the difference in value between the plant agreed to be purchased and the plant actually installed which was claimed from the party, the balance amount of loss (Rs.213.49 lakhs) should have been provided.

2) Loss had been understated by Rs.321.12 lakhs due to non-charging of the loss of pre-acquisition period shown under Miscellaneous expenditure to the extent not written off.

The Management stated that this Miscellaneous expenditure represented Nationalisation Adjustment Account and was not a revenue expenditure, which had no impact either in the Profit and Loss Account or in the Balance Sheet. The provision for this amount had also not been considered in BIFR Scheme.

The reply is not acceptable as in the sanctioned scheme of BIFR, the amount was not considered for the purpose of financing. Hence, this should have been written off.

3) Non-provision of interest of Rs. 38.81 lakhs payable to the Trustee of Bengal Immunity Employees Provident Fund had resulted in understatement of loss.

The Management stated that Rs. 38.81 lakhs was only an estimated figure and not an audited figure and the Company was awaiting the views/opinion of the Regional Provident Fund Commissioner (RPFC) on this issue.

The reply is not acceptable as the request of the Company had already been turned down (May 1996) by the RPFC, and the Company was advised to make good the shortfall of interest.

1.2.6. Hindustan Insecticides Limited

Other liabilities, under Current liabilities and provisions did not include Rs.54.50 lakhs payable to M/s Durgapur Chemicals towards supply of MCB(Monochloro Benzene). The amount was incorrectly deducted from Advances though no such advance was made to the party. Consequently, Current assets, loans and advances was understated by Rs.54.50 lakhs. (Udyogamandal Unit)

The Management noted the audit comment.

1.2.7 Indian Petrochemicals Corporation Limited

Sundry Debtors included Rs.519 lakhs outstanding against a firm towards supplies made during 1994-95 for which a legal suit has been filed and winding up notice also served. Neither any provision was made in the accounts for this amount nor a disclosure made.

The Management stated that various alternatives for recovery were being explored and adjustments, if necessary, would be made at an appropriate time.

The reply is not convincing as the repeated attempts to recover the dues from the firm yielded no results. Even after invoking bank guarantee for Rs 1 crore, an amount of Rs 5.19 crores remained due from the firm for which criminal suit was filed and winding up notice also served and, therefore, recovery of this amount was doubtful.

1.2.8 Uttar Pradesh Drugs & Pharmaceuticals Company Limited

1) There was a short provision of Rs. 0.97 lakh towards premium payable to the Insurance Company for a gratuity policy. This has resulted in understatement of other liabilities as well as loss for the year by the same amount.

The Management stated that the revised demand was received after the cut off date i.e.30 June 1996.

The Management's reply is not acceptable as the Company should have made a provision based on revised demand since the same was received before finalisation of the accounts of the Company.

2) Interest liabilities amounting to Rs.5.96 lakhs payable to the employees at the rate of 12 per cent per annum towards Employees' and Employer's contribution to Provident Fund (P.F.) amounting to Rs. 85.54 lakhs to be deposited with P.F. Trust has not been provided for. This has also resulted in understatement of loss by the same amount.

The Management stated that necessary provision would be made during the current year 1996-97.

3) Interest of Rs.167.95 lakhs did not include interest liabilities amounting to Rs.21.88 lakhs payable to the Bank against 'Advance Bills Account'. This has resulted in understatement of loss to the same extent.

The Management stated that since the Bank did not intimate the amount of interest against Advance Bills Account, no provision was made.

DEPARTMENT OF FERTILIZERS

1.2.9 Fertilizer Corporation of India Limited

Loss had been understated by Rs.118.16 lakhs because of non-provision of water charges due to Government of Orissa for drawal of water from the Brahmani river for the period 1 November 1990 to 31 March 1996 on the plea that a request was made to the State Government for exemption from payment.

The Management stated that earlier exemption by Government of Orissa for payment of water charges expired on 31 October 1990 and the Company had approached Orissa Government for extending the exemption from such payments for further period of 10 years, which they hoped to get shortly. Pending issue of Government's orders, disclosure had been made in the Notes forming part of Accounts.

The reply is not acceptable as there was no favourable response from the Orissa Government to the request of the Company. Hence, the liability should have been provided.

1.2.10 Hindustan Fertilizer Corporation Limited

Loss for the year (Rs.474.41 crores) had been understated by Rs.7.24 crores due to :

(i) Under-charge of consumption of furnace oil for the year to the extent of Rs.0.31 crore as the store receipt voucher was not raised.

The Management stated that a railway rake containing 58 tank wagons of furnace oil was despatched by Indian Oil Corporation(IOC), Vizag to Fertilizer Corporation of India

(FCI), Sindri Unit, which was later diverted to Barauni Unit. As IOC could not furnish the despatch documents even on 27 September 1996, this quantity had not been accounted for.

The Management's contention is not acceptable as the materials had already been consumed though not charged to stock.

(ii) Non-writing off of residual value (Rs.0.99 crore) of Fixed Assets (Electrostatic Precipitator-ESP) which had already been damaged and dismantled. Consequently, fixed assets were overstated to that extent.

The Management stated that the damaged ESP was part of Boilers of Captive Power Plant (CPP). The Insurance Company rejected the claim for damage as ESP was not specifically mentioned in the policy. As per the Accounting policy of the Company, adjustments in the value of the damaged assets would be made after its disposal.

The reply is not tenable as the exhibition of dismantled assets under Fixed Assets and charging of depreciation on the same were not as per accepted accounting principles.

(iii) Non-provision of transport charges (Rs.5.94 crores) as claimed by the Assam Gas Company Limited (Transporter) for shortfall in minimum off-take of the natural gas by Namrup Unit.

The Management stated that the amount had been shown as contingent liability out of total claim amounting to Rs.610.20 lakhs of Assam Gas Company Limited (AGCL) due to non-availability of gas at the suppliers' take off point. The minimum demand charges claimed by AGCL had been disputed by the Company as per Force Majeure clause of the agreement which included suspension of supplies by the suppliers due to various reasons, rendering performance of transporters impossible.

The Management's reply is not acceptable as in the agreement it was not clearly indicated that minimum demand charges were not chargeable in the event of non-supply of gas by IOC.

1.2.11 Madras Fertilizers Limited

1) Profit before tax of Rs.2107 lakhs has been overstated to the extent of Rs.79.08 lakhs due to inclusion of finance charges in the valuation of inventories.

The Company stated that as the interest on short term loan forms a major item of direct expenditure, exclusion of the same would not reflect the correct value of inventories and that the AS 2 was still recommendatory in nature.

The Management's reply is not tenable as the Company had excluded the interest on long term loan from the inventory valuation for the current year after this was pointed out by Audit during the previous years. Similarly, interest on short term loans should have also been excluded. Further, all Accounting Standards are to be followed by Public Sector Undertakings as per Government of India guidelines dated 24 July 1991.

2) Claims recoverable Rs.71.61 crores included Rs.18.77 crores being unrealistic, rejected claims in respect of depreciation (Rs.422 lakhs), interest (Rs.273 lakhs), subsidy (Rs.980 lakhs) and sales (Rs.202 lakhs), from Fertilizer Industry Coordination Committee(FICC).

The Company stated that it was under the impression that the FICC would be allowing depreciation on the basis of annual review of actual capital addition. As the retention price for VI Pricing Period had not taken into account the capital additions the Company had reckoned subsidy on the basis of actual additions. Regarding interest, the Company stated that FICC would review interest on short term loan based on weighted average interest rates on actual basis. As regards VI pricing subsidy, it was stated that the Company accounted for the subsidy for VI pricing on the lines of V pricing and the matter was under examination by FICC.

Further, claims relating to sales were stated to be under active consideration of the Government of India.

The Company's reply is not tenable as there is no documentary evidence of admission of these claims nor any commitment from FICC for settlement of these claims. Hence, the accounting of these claims as recoverable was not in order.

1.2.12 Paradeep Phosphates Limited

Profit for the year of Rs.222.19 lakhs would get converted into loss of Rs.88.61 lakhs due to :

(i) Non-charging of loss of Rs.145.03 lakhs arising from abandoned Low Sulphur Heavy Stock (LSHS) storage and handling system.

The Management stated that alternative use of the LSHS storage and handling system was being examined. Appropriate accounting treatment, if required, would be made in the accounts after final decision on the project.

The reply is not tenable as after dismantling the project in March 1996, the value of the usable materials as assessed by the Management was Rs.60.87 lakhs. The balance amount of Rs. 145.03 lakhs of Capital work-in-progress represent value of missing stores, unusable materials and erection cost. Hence, the amount should have been charged in the Profit & Loss Account.

(ii) Non-provision of interest of Rs.26.19 lakhs for belated payment of fixed berth hire charges to Paradeep Port Trust.

The Management stated that their request for waiver of interest on delayed payment to Paradeep Port Trust (PPT) was under consideration.

The above reply is not tenable, as Paradeep Port Trust did not respond to the request of the company for waiver of interest.

(iii) Short provision of depreciation on Automatic Ship Unloader by Rs. 52.47 lakhs.

The Management stated that depreciation had been charged as per Schedule XIV of the Companies Act, 1956. However, this would be re-examined during the current year.

(iv) Non-provision of interest of Rs.27.86 lakhs on excess cash credit amount, though availed of by the Company.

The Management stated that their counter claim (Rs.75 lakhs approx.) with the bankers for non-accounting of remittances in time as well as the aforesaid amount of interest of Rs.27.86 lakhs as pointed out would be accounted for on settlement/demand.

The fact remains that the interest should have been provided without awaiting demand for the same from the bank in view of the fact that the credit had already been availed of.

(v) Non-provision of penal interest of Rs.16.50 lakhs on Government of India loan.

The Management stated that the matter was being taken up with Government of India for waiver of penal interest.

The reply is not acceptable as the same had not yet been waived by the Government.

(vi) Write back of liabilities of Rs.42.75 lakhs based on unilateral decision taken by the Company.

The Management stated that excess provision of liabilities had been written back after careful evaluation as a part of the regular process.

The reply is not tenable as the liabilities should have been retained in the accounts till withdrawn by/settled with the parties.

1.2.13 Rashtriya Chemicals & Fertilizers Limited

1) Debtors unsecured and considered good included Rs.7.80 crores due from a State Government undertaking against invoices raised during 1984-85 to 1989-90 and dues from a

Public Sector undertaking amounting to Rs.14.75 lakhs, for which no provision has been made inspite of the fact that these amounts were lying outstanding over seven years. This resulted in overstatement of profit by Rs.7.95 crores.

The Management stated that as per Company's policy, dues from Government Departments/Public Sector Undertakings, were generally considered recoverable. However, efforts were continuing to recover the amounts through legal process and as a result, a sum of Rs.20 lakhs had been recovered during 1995-96. In the opinion of the Company, the amount was considered good and recoverable.

The reply is not convincing as the progress in recovery of dues was dismal.

2) Claims of Rs.109.77 crores included Rs.2.51 crores claimed from Fertilizer Industry Coordination Committtee (FICC) and pending for over five years towards subsidy on purchase of Di-Ammonium Phosphate (DAP) in 1991. Though the claim was outstanding for over five years, no provision has been made. In the absence of FICC's approval/acceptance of the claims and considering the age of the claims, the amount was doubtful of recovery resulting in overstatement of profit by Rs.2.51 crores.

The Management stated that as per Company's policy, dues from Government Departments/Public Sector Undertakings, were generally considered as recoverable. Further, FICC had already taken up the Company's claim for scrutiny and the claim was expected to be settled.

The reply is not convincing as there is no progress in recovery of dues even in 1995-96.

3) Estimated amounts of contracts remaining to be executed on capital accounts and not provided for included an amount of Rs.1.12 crores towards purchases, which were paid and capitalised during 1995-96. This has resulted in overstatement of undischarged commitments on capital account by Rs.1.12 crores.

The Management accepted the audit comment.

4) An amount of Rs.88.58 crores was due from two Public Sector undertakings which have been referred to BIFR. Though the amount is outstanding for periods ranging from three to six years and have been considered doubtful of recovery by the Company, no provision for doubtful debts has been made resulting in overstatement of profit by Rs.88.58 crores.

The Management stated that since the Company was pursuing with the concerned companies and also through Ministry of Chemicals & Fertilizers for recovery of dues, no provision for doubtful debts had been made in the Accounts. Further, it was stated that as these companies had been referred to BIFR, provision would be made in due course as required based on packages formulated by BIFR.

The reply is not tenable as the chances of recovery of dues were remote on the date of balance sheet and hence, suitable provision should have been made.

MINISTRY OF CIVIL AVIATION AND TOURISM

DEPARTMENT OF TOURISM

1.2.14 Hotel Corporation of India Limited

In terms of clarifications given in August 1987 by Ministry of Civil Aviation, turnover tax to Airports Authority of India (AAI) in respect of Centaur Hotels at Mumbai and Delhi Airports has to be paid once the Company starts making profits. Even though the Company earned profit during 1994-95 and 1995-96, no provision for turnover tax of Rs.206.74 lakhs was made on the plea that there was no lease agreement between the Company and AAI and as a result, 'Other liabilities' were understated by Rs.206.74 lakhs.

The Management stated that though the Ministry of Civil Aviation had written in August 1987 i.e. over 9 years ago regarding the turnover tax, the Company did not see justification in Airports Authority of India (AAI) levying 2 per cent tax on the gross turnover of Centaur Hotels, Mumbai and Delhi Airports over and above the lease rent. Accordingly, the Company had taken up the matter with AAI and expected the same to be amicably settled shortly, after which necessary treatment would be given in the books of accounts. It was also mentioned that although the land was given possession in 1971 for Centaur Hotel Mumbai Airport and in 1980 for Centaur Hotel Delhi Airport there was no lease agreement between HCI & AAI for these two properties and hence it was Company's stand that AAI could not arbitrarily levy this charge which did not exist at the time when the possession of the land was given to HCI.

The reply of the Management is not convincing as the liability to pay turnover tax accrued because HCI started making profit. The argument that there existed no lease agreement between HCI and AAI does not absolve the Company from meeting the liability.

1.2.15 India Tourism Development Corporation Limited

The turnover of Rs.5679.46 lakhs in respect of Ashok Hotel, New Delhi could not be vouched in audit due to non-maintenance of adequate records by the hotel relating to billing as observed during a test check of the bills. The bills were not sequentially numbered, some of the bills were missing and no authority in support of allowances, discounts and special rates allowed to the customers was made available to audit.

Similarly, the closing stock of inventory (Rs.1208.91 lakhs) of the Duty Free Shop at New Delhi of the Duty Free Trade Division of the Company could not be vouched in audit due to non-depiction of transfer of stock to various shops and the resultant adjustments accurately, and also due to non-carrying forward of closing balances in some months as opening balances of the next months.

As regards Ashok Hotel, New Delhi the Management stated that the front office operations including Billing System was computerised during June 1995 and wherever records were not computerised the same were maintained manually. It was further stated that the computer system provides for all the requisite control techniques and gives accurate and prompt billing. The Management maintained that bill numbers are automatically generated in the sequence by the computer system on its first print and that the records and bills and the files containing special rates, discount approval statements and discount registers alongwith printed serially numbered vouchers for allowances were maintained and were shown to audit and as such the turnover (Rs.5679.46 lakhs) duly audited by the Branch Statutory Auditors of Ashok Hotel has been correctly shown in the accounts.

The reply of the Management is not tenable due to (i) non-production of requisitioned records like bills, authority pertaining to allowances, discounts and special rates, (ii) lack of supporting vouchers for bills produced to audit and (iii) non-numbering of bills sequentially.

As regards Duty Free Shop, New Delhi, the Management stated that the closing stock of Rs.1208.91 lakhs has been correctly shown in the Accounts after taking into account transfer of goods to various shops and physical verification.

The reply is not tenable as the Management failed to explain the reasons for the discrepancies in the balances in certain months as pointed out by audit and could not reconcile the discrepancies. Also the Company should have reflected the transfer of stock to tax-free shop on the computer itself and carried forward the closing balances at end of those months as opening balances of the next months.

MINISTRY OF COAL

1.2.16 Bharat Coking Coal Limited

1) Loans & advances were overstated by Rs.9.94 crores due to inclusion of advances given to different parties lying unadjusted even after lapse of periods ranging from 10 to 19 years from the date of payment of advances.

The Company stated that these related to Advances against which supplies had been received at different mines for which liabilities have been created. Continuous efforts were being made to link up the outstanding advances with liabilities for necessary adjustments. Special drive for linking up would also be made during next year.

2) Sundry Debtors were overstated by Rs.10.90 crores due to inclusion of the disputed amount lying outstanding for more than 3 years. Non-provision of the same has resulted in overstatement of Sundry debtors as well as net profit for the year by Rs. 10.90 crores.

The Company stated that negotiations/ discussions with Steel Authority of India Limited had been going on for settlement of disputes, and it is expected that settlement would be arrived at shortly. The provision already made in the Accounts was considered adequate.

The reply is not tenable as the provision for bad and doubtful debts made by the Company was not based on any detailed and scientific analysis of debtors.

3) (i) Non-provision of full liability of Gratuity in contravention of Accounting Standard 15 resulted in overstatement of net profit for the year by Rs. 138.16 crores and understatement of Current liabilities and provisions to the same extent. With this, the net profit of the Company would convert into net loss of Rs.35.90 crores (Rs. 138.16 crores-Rs. 102.26 crores) for the year.

The Company stated that as per guidelines issued by the holding company, the mandatory provision of creating liability for gratuity as per Accounting Standard 15 was being implemented in phased manner. Full disclosure had also been given in the Accounting Policies and Notes to Accounts.

The fact, however, remains that the mandatory provisions of Accounting Standard 15 were not followed fully by the Company.

1.2.17 Coal India Limited

1) Loss for the year was understated by Rs.5.57 crores due to non-provision of full liability of Gratuity in contravention of Accounting Standard 15. This had also resulted in overstatement of Miscellaneous Expenditure (to the extent not written off) by Rs.5.57 crores.

The Management stated that till 1994-95 (after which Accounting Standard 15 was made mandatory) the Company and its subsidiaries were charging gratuity on "cash-cum-retirement basis". It further stated that because Coal Industry in India was highly labour intensive and the expenditure on wages and salaries constitute 52 per cent of the total expenditure, if full liability of gratuity as worked out on actuarial valuation for the past and current period had been charged, the same would have been highly, disproportionate to the current year's revenue and expenditure. Hence, Management took a conscious decision to charge the current year's liability in full and 1/5th of the liability for the past period. Necessary disclosure to this effect had been made in the Notes to Accounts.

The reply is not tenable as the Accounting Standard 15 issued by the Institute of Chartered Accountants of India has become mandatory with effect from 1 April 1995. Hence, full provision for gratuity should have been made on actuarial basis.

2) Investment of the Company in share capital of Bharat Coking Coal Limited (BCCL) and Eastern Coalfields Limited (ECL) as on 31 January 1996 amounted to Rs.1122 crores and Rs.1039 crores respectively. As BCCL had become sick as on 31 January 1995 and had been referred to BIFR, and ECL had become potentially sick under the Sick Industrial Companies Act, 1985, the fact of their sickness should have been disclosed in the Notes to Accounts.

The Management noted the audit comment.

1.2.18 Central Coalfields Limited

1) Equipment valuing Rs. 4.29 crores procured in 1983/1989 for a project turned out to be damaged/ obsolete in 1995-96 due to prolonged and inefficient storage in open space. Since such abnormal losses are subject to amortisation at the earliest not later than over a period of 3-5 years, non-provision of at least 1/5th of the said abnormal loss had resulted in understatement of loss by Rs.0.86 crore, understatement of Miscellaneous Expenditure (to the extent not written off or adjusted) by Rs.3.43 crores and overstatement of Capital work-in-progress by Rs.4.29 crores.

The Company stated that the issue had been dealt with as per Accounting Policy followed by the Company. However, matter would be taken up with the Holding Company for review of the Accounting Policy.

2) Fixed assets were overstated by Rs. 3.33 crores due to inclusion of expenditure incurred in 1989-90 for advance action for development of Magadh OCP. As the NTPC's Super Thermal Power Station for which the Magadh OCP was undertaken is not likely to come up, expenditure of Rs. 3.33 crores incurred on advance action should have been written off instead of capitalisation of the same.

The Management stated that the benefit of this expenditure would be derived as and when the Super Thermal Power Station to be constructed by NTPC in North Karanpura coalfields would be taken up for development. In view of this, the Board, while approving for dropping the advance action decided not to write off any amount.

The Company's reply is not tenable as the future of the Magadh OCP is still uncertain and the amount should have been written off.

3) Sundry debtors also included Rs. 805.18 lakhs outstanding against Bihar State Electricity Board (BSEB) since 1985-86. As per reply of the Management Rs. 548 lakhs received from BSEB in 1993-94 could not be adjusted for want of linkage and adjustment. A sum of Rs. 265.84 lakhs is still pending for realisation from BSEB.

The Company stated that linking and reconciliation work had been taken up and adjustment would be carried out during 1996-97.

4) Loss for the year had been understated by Rs.84.23 crores due to non-provision of full liability of Gratuity in contravention of the Accounting Standard 15. This had also resulted in overstatement of Miscellaneous Expenditure (to the extent not written off) by Rs. 84.23 crores.

The Company stated that provision for gratuity in accounts based on actuarial valuation was a new obligation as per Accounting Standard 15 and the policy in this respect had been framed at holding company level. As such, the stand of Audit was discussed with the holding company and it was decided that in the labour intensive industry like Coal, the whole impact of the new provision could not be borne in one year Account and their policy of deferment was fair and reasonable.

The Company's reply is not tenable since the Accounting Standard 15 has become mandatory with effect from 1 April 1995 for all Companies.

1.2.19 Eastern Coalfields Limited

1) Profit had been overstated by Rs. 150.40 crores due to non-provision of full liability of Gratuity in contravention of the Accounting Standard 15. This had also resulted in overstatement of Miscellaneous Expenditure by Rs. 150.40 crores.

The Management stated that till 1994-95 (after which Accounting Standard 15 was made mandatory) Coal India Ltd. and its subsidiaries were charging gratuity on "cash-cum-retirement basis". It was further stated that because Coal Industry in India is highly labour intensive and the expenditure on wages i.e. salaries constitute 52 per cent of the total expenditure, if full liability of gratuity as worked out on actuarial valuation for the past and current period would have been charged, the same would have been highly, disproportionate to the current year's revenue and expenditure. Hence, Management took a conscious decision to charge the current year's liability in full and 1/5th of the liability for the past period. Necessary disclosure to this effect had been made in the Notes to Accounts.

The reply of the management is not tenable as Accounting Standard 15 issued by the ICAI has become mandatory with effect from 1 April 1995. Hence, full provision for gratuity should have been made on actuarial valuation basis.

2) (i) An amount of Rs. 2.65 crores paid in October 1995 to the contractor as compensation for reduction in the scope of work for construction of Coal Handling Plant (CHP) at Sonepur Bazari Project was treated as deferred revenue expenditure and Rs. 0.53 crore was charged to Profit & Loss Account during the year. As a result, profit as well as Capital work-in-progress had been overstated by Rs. 2.12 crores.

The Management stated that during construction of Coal Handling Plant (CHP) the scope of work had been curtailed by some modifications which resulted in savings of Rs. 20 crores. However, a compensation of Rs. 2.65 crores was paid to the contractor to cover its losses on orders placed. Since the nature of the expenditure was not normal, this had been amortised in five years instead of charging in one year.

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

(ii) Similarly, out of Rs. 32.25 lakhs incurred on civil works relating to the truncated portion of above work, only Rs. 16.12 lakhs had been provided as loss of assets. This had resulted in overstatement of profit as well as Capital work-in-progress by the balance amount of Rs. 16.13 lakhs.

The Management stated that as there was a scope for recovery from the overhead bunker particularly from iron and steel materials, which could be gainfully utilised in CHP construction job, as a measure of precaution, a provision of Rs. 16.12 lakhs was considered adequate.

The reply of the Management is not tenable as the Management had taken no action till date to gainfully utilise the material.

(iii) Capital work-in-progress included one 125 HP Man Riding Haulage System costing Rs. 1.29 crores purchased in March 1988 and lying idle for want of special repairs. The Company, instead of charging the full amount, charged Rs.0.36 crore to Profit & Loss Account as provision for loss of assets. Non-charging of full cost of the assets resulted in overstatement of profit as well as Capital work-in-progress by Rs. 0.93 crore.

The Management stated that though the equipment was taken to site for installation in 1990-91, the commissioning of machine was pending due to non-availability of the requisite spares. Though the machine had not been put to use, the provision of Rs.0.36 crore had been considered adequate, since the machine was still considered useable.

The reply of the Management is not tenable as from records it was noticed that the machine was beyond repair and its further use was doubtful.

1.2.20 Mahanadi Coalfields Limited

Profit for the year had been overstated by Rs. 15.61 crores due to non-provision of full liability of gratuity in contravention of the Accounting Standard 15 resulting in overstatement of Miscellaneous Expenditure (to the extent not written off) also by the same amount.

1.2.21 Northern Coalfields Limited

1) Profit for the year had been overstated by Rs. 11.93 crores due to non-provision of full liability of gratuity in contravention of the Accounting Standard 15 resulting in understatement of current liabilities and provision by Rs.11.93 crores.

The Company stated that this was done as per policy adopted by the Holding Company in this regard. The Company's reply is not tenable since Accounting Standard 15 was made mandatory and the retirement liability should have been provided fully.

2) Rs.75.85 lakhs being provisions made in earlier years against doubtful advances were written back during 1995-96 on the ground that no such provision was required in case of Government Companies. As during the year the Company could link up only Rs. 24.54 lakhs of such advances with receipt of materials, writing back of the balance amount of Rs. 51.31 lakhs without such linking up had resulted in overstatement of profit by Rs. 51.31 lakhs.

The Company stated that all efforts were being made to link up and adjust remaining balance of Rs. 51.31 lakhs.

3) Current liabilities were understated by Rs.1.86 crores due to non-inclusion of penalty charged and claimed by Uttar Pradesh State Electricity Board (UPSEB) for late submission of raw water charges for the period from November 1987 to October 1995. As no formal protest for non-acceptance of the charges levied by UPSEB has been made by the Company, the provision for Rs. 1.86 crores should have been made.

The Company stated that formal protest would be made. However, in view of substantial dues outstanding from UPSEB, liability provision pending formal protest against their claim was not considered.

The Management's reply is not tenable because for proper exhibition in accounts the liability should have been provided for.

4) Contingent Liabilities included a sum of Rs.104 lakhs representing supervision charges (24 per cent of construction cost of Rs. 431.00 lakhs upto 1991-92 of Public Works Department (PWD), Madhya Pradesh to whom the work regarding strengthening/ construction of a road not belonging to the Company was entrusted as a deposit work. As PWD (MP) had already reduced its supervision charges from 24 per cent to 16 per cent in July, 1992 and no further

reduction was agreed to by them, the liability on account of supervision charges was a contractual liability and not contingent liability and, therefore, the same should have been provided for.

Non-provision of liability on account of supervision charges amounting to Rs. 75.20 lakhs (16 per cent of construction cost of Rs. 4.70 crores upto 1995-96 adjusted against grant of Rs. 5.10 crores received from Ministry of Coal for that purpose) had resulted in understatement of current liabilities for contractual capital expenses by Rs.75.20 lakhs and correspondingly overstatement of current liabilities on account of unutilised Government Capital grant by Rs. 40 lakhs being the unutilised amount of grants received for the work and also understatement of Loans and advances amount due from Government of India for road development grant by Rs. 35.20 lakhs.

The Company stated that necessary rectification would be made during 1996-97 to reduce contingent liability by Rs.104 lakhs.

1.2.22 South Eastern Coalfields Limited

The profit for the year had been overstated due to short provision of liability towards gratuity (Rs.85.02 crores) and non-provision of liability towards leave encashment (amount unascertained) payable to the employees. The Auditors, however, made a mention of non-compliance by the Company in their revised report.

The Management stated that matter would be referred to Coal India Limited, being a policy matter.

1.2.23 Western Coalfields Limited

Current liabilities and provisions were understated with corresponding overstatement of profit by Rs.62.13 crores due to non-provision of full liability of gratuity (Rs.61.83 crores) and liability as estimated by the Company on account of leave encashment (Rs.0.30 crore) payable to the employees.

The Management stated that non-provision of full liability of gratuity had been disclosed in Accounting Policy and Notes to the Accounts, and as regards the liability of leave encashment, it would be provided during 1996-97 after ascertaining the actual liability on actuarial basis.

The reply is not acceptable in view of the fact that the Company has to maintain their Accounts on accrual basis under Section 209(3)(b) of the Companies Act, 1956.

MINISTRY OF COMMERCE

1.2.24 Export Credit Guarantee Corporation of India Limited

1) The interest on claims paid for the period 1 January 1995 to 30 June 1995 amounting to Rs. 492.08 lakhs has not been included in the accounts resulting in understatement of Other Income to that extent.

The Management's contention that as the payment of interest was irregular and the recoverability was considered uncertain, the Company had not accounted for the interest income is not tenable as the interest pertaining to the period 1 January 1995 to 30 June 1995 was actually received by the Company on 25 June 1996 i.e. well before the approval of Annual Accounts by the Board of Directors on 18 July 1996 and hence, could have been incorporated in the accounts.

2) The Company's practice of making provision for claims on the basis of assessment of individual claims has resulted in deviation from the established accounting practices and non-provision for liability in respect of claims amounted to Rs. 8651.55 lakhs.

The Management stated that this method had been consistently followed by the Company and that the cases referred to in the comment had not been preferred on the Company as on 31 March 1996. Hence, provision was not made.

The contention of the Company that no provision for payment of claim was made as the claims have not been preferred on the Company as on 31 March 1996 is not tenable as the liability to pay the claims had been established and at the time of approval of Annual Accounts on 18 July 1996, claims were preferred on the Company in three out of four cases mentioned in the comment, and even in the fourth case, the payment of liability has been confirmed by the Exim Bank/Working Group of the Government, as detailed below:

(a) In regard to the claim by Exim Bank (Account Bank Algerienne De Development) the Management accepted and approved payment of claim amounting to Rs.5280.65 lakhs on 15 July 1996 but provision was made for Rs.3451.42 lakhs, leaving a balance of Rs.1829.23 lakhs.

(b) In another case of Exim Bank (Account Imexin, Cuba), provision for liability amounting to Rs.235.48 lakhs was not made stating that the claim was preferred only on 9 May 1996 even though the liability pertains to the period 20 July to 30 December 1995.

(c) Claim amounting to Rs.215.84 lakhs was not made by the Company for want of certain documents even though there was valid claim as on 31 March 1996.

(d) Under Iraqi Deferred Payment Claims, Exim Bank had certified further receivables of US $ 59.818 million and the Working Group appointed by the Government to study the case had recommended (September 1995) payment of claims. ECGC estimated its liability to the extent of Rs.6371 lakhs and disclosed the same in the accounts for 1995-96 but no provision was made in the accounts.

3) The estimated recoveries in respect of claims paid/provided for had been overstated by Rs. 206.90 lakhs in respect of two claims which were doubtful of recovery resulting in overstatement of income.

The Management stated that they made recovery provision on the basis of 75 per cent of the net realisable value based on value impaired debts in London Market and the recovery provision was considered realistic and conservative.

The fact remains that the Company recovered a sum of US

$ 1.9 million on the basis of an agreement between India and Mozambique in 1989. Since then, no recovery was made from Mozambique and the recovery agent appointed by the Company could not recover any amount. In the case of Zambia, no amount was recovered from that country since 1990. Hence in both the cases the recovery estimated by the Company was doubtful.

4) The Company has not provided for arrears of salaries and allowances due to staff on account of revision of pay scales amounting to Rs. 190.76 lakhs.

The Management stated that approval of the Government was received by the Company only on 18 July 1996 and the process of working out the arrears had not been completed and that provisions would be made in the next year.

The reply is not convincing as the Board had authorised (January 1996) the C&MD to approach the Government that the revised pay scales of Life Insurance Corporation of India (LIC) be made applicable to the Company also. Since the Government had approved the revised pay scales for LIC in February 1996, the liability on this account for ECGC should have been estimated and provided for.

5) The Company has not made provision for stamp duty and fees payable amounting to Rs. 100 lakhs on account of increase in its authorised capital to Rs. 30000 lakhs resulting in understatement of expenses by Rs. 100 lakhs and overstatement of profit by the same amount.

The Management's reply that the liability in this case arose only when the documents were filed and executed with the Registrar is not convincing as in the General Body Meeting of the Company held on 25 March 1996, the authorised capital was increased and the same was reflected in the Accounts for the year 1995-96. Hence, the liability for stamp duty and fees was known and should have been provided for.

6) Contingent liability in respect of claim payable due to Export Import Bank of India (Account Bank Algeriene De Development) amounting to Rs.8355.30 lakhs has not been disclosed.

The Management stated that the amount of Rs. 8355.30 lakhs referred to by Audit had neither fallen due for payment by Bank Algerienne De Development nor claimed by Exim Bank from ECGC as on 31 March 1996. Therefore, question of disclosing the same as Contingent Liability did not arise.

The reply is not tenable as the Management accepted on 15 July 1996 its total liability to the extent of Rs.13635.95 lakhs, out of which an amount of Rs.5280.65 lakhs was approved for payment. The balance amount of Rs.8355.30 lakhs should have been disclosed as contingent liability.

7) The Company has underwritten risks amounting to Rs.28447 crores as on 31 March 1996 as against permitted maximum liability of Rs. 20000 crores, without obtaining prior permission of the President of India in violation of the Articles of Association of the Company.

The Management contended that the Board of Directors in their meeting held on 10 July 1995 had resolved to request the Government to enhance the liability from Rs. 20000 crores to Rs. 30000 crores and they had applied to Government of India for the same. Further, they also stated that when the growth in export and advances had been continuously rising, it was not possible for the Company to stop issuing policies and guarantees.

Had the Company taken timely action to get the limit enhanced, the violation of provisions of Articles of Association could have been avoided.

8) The Company has not disclosed in the Notes to Accounts the total amount under default. Default reported by Delhi Regional Office as on 31 March 1996 was Rs. 153.69 crores and in respect of other Regional and Branch offices the amount could not be ascertained.

The Management stated that disclosure of the default figure had not been made as there was no statutory requirement to do so.

A default is the first indication of a likely claim on the Company and the Company should have ascertained and disclosed the amount under default for the sake of transparency.

Taking into account the above comments of the C&AG of India on the accounts of the Company for 1995-96, the net profit of Rs.3909 lakhs shown by the Company would be converted into loss of Rs.4748 lakhs.

1.2.25 India Trade Promotion Organisation

The Income and Expenditure Account did not include Rs.141.30 lakhs being the amount of customs duty payable on 12 display-aid units costing Rs.94.20 lakhs imported in 1982, resulting in understatement of expenditure by Rs.141.30 lakhs and overstatement of excess of Income over Expenditure by the same amount.

The Management stated that since the option of re-exporting the system, for use in exhibitions abroad, was under consideration, the question of making provision for customs duty did not arise.

The reply is not tenable as it had already been decided not to re-export the system and the request of the Company for the customs duty exemption on the system had been turned down by the Ministry in October 1993. The bonds have also expired.

1.2.26 MMTC Limited

1) Current liabilities were understated due to non-provision for Rs.271 lakhs payable to National Mineral Development Corporation Limited(NMDC) in terms of an agreement resulting in overstatement of profit.

The Management stated that the settlement with NMDC for procurement of iron ore is an ongoing process each year and as the agreement with NMDC was reached on 31 July 1996, the effect of the same shall also be given in the current year (1996-97) as in the past.

The reply of the Management is not tenable as all the issues pertaining to NMDC for the period ended 31 March 1996 were finalised on 31 July 1996 but before the finalisation of the accounts for the year 1995-96 and, as such, should have been provided for as per AS-4.

2) Inventories were overstated by Rs.637.50 lakhs due to non-adoption of realisable value in respect of closing stock of DAP and MOP fertilizers resulting in overstatement of profit.

The Management stated that stock of DAP and MOP have been valued at lower of the cost and realisable value as on 1 April 1996 as per approved Accounting policy followed consistently. Further, the realisable prices adopted by the Company are also comparable and even lower on weighted average basis when compared with the realisable prices of certain other competitors in the trade including some PSUs. Also, the subsequent events have shown that the realisable value of the stocks has gone up. Even the AS 4 on this subject recognises that adjustment for events occurring after the balance sheet date may be made only for permanent loss such as insolvency of a customer, destruction in fire, etc. i.e. as if the loss is irreversible.

The reply of the Management is not acceptable as the Regional Offices of the Company indicated that the realisable value fixed by the Company as on 1 April 1996 was unrealistic and no sale could be effected at that price. Accordingly, the same was revised by the Company downward effective 9 April 1996. As the first invoice for sale of the fertilizers was raised after 9 April 1996 at the revised rate, the stock of fertilizers should have been valued at the revised realisable value.

3) Sundry debtors were overstated by Rs.866.37 lakhs due to non-provision for the following resulting in overstatement of profit:

i) Overdue export bills (Rs.763.75 lakhs) in respect of export by jewellery exporters on "Account MMTC" basis for which remittances were required to be made within 180 days in terms of RBI regulations.

ii) Accrued interest(Rs.73.72 lakhs) accounted for in respect of above export bills upto 1994-95.

The Management stated that out of total overdue export bills of jewellery, the Company has since received arbitration awards for Rs.3.85 crores and has also realised Rs.75 lakhs. A provision of Rs.5 crores has already been made in the accounts and since recovery proceedings are ongoing in the remaining cases and are before various enforcement agencies, no further provision was considered desirable at this stage.

As regards accrued interest, the Management stated that in view of uncertainties in the collection, no further amount of interest has been accounted for on accrual basis in and after 1994-95 and that the same shall be accounted for as and when realised.

The reply is not tenable as at the time of audit of the accounts the Management confirmed that aggregate amount of the debtors in question was Rs.1163.75 lakhs. The arbitration awards(Rs.2.5 crores stated earlier by the Management) were ex-parte decisions and no amount was considered recoverable by the Law Department of the Company itself in regard to such awards. Against the stated provision of Rs.5 crores, the amount of packing credit was to the extent of Rs.4 crores. Hence, taking into account, the above factors, the balance of Rs.763.75 lakhs related to exports for which remittances were overdue requiring provision.

iii) Rent (Rs.22.86 lakhs) & security charges(Rs.6.04 lakhs) shown recoverable from eight jewellery export units who have defaulted in export of gold and payment of interest or have ceased their operations.

The Management stated that the liability for payment of rent arose on 1 April 1988 after the completion certificate was issued for the building and the liability referred to by audit relates to the earlier period.

The reply is not relevant because the comment is in respect of rent/security charges recoverable from the units in Jhandewalan (New Delhi) which were already on defaulters' list on account of non-export of gold and some of which have closed their operations.

4) Sundry debtors also included Rs.1373.47 lakhs recoverable from a foreign buyer for the wheat supplied in 1991-92. The receivable amount has neither been updated nor interest earned accounted for since March 1992. Non-provision for dues unrecovered for over four years has resulted in overstatement of debtors and profit by Rs.1373.47 lakhs.

The Management stated that they made exports against irrevocable Letter of Credit(LC) confirmed by a Nationalised Bank and the Government of the country of the foreign buyer and their Central Bank had given guarantees for the amounts payable under the contracts signed by their government sponsored delegation. It was further stated that they have taken up the matter at Government level and, therefore, no provision was considered desirable.

The reply of the Management is not acceptable as despite the efforts made by the Company at all levels during the past four years it has not been able to realise the outstanding dues. The Management by invoking the LC or the guarantee of the Central Bank of the recipient country have also not updated the debt at the current rate of foreign exchange since 1992 inspite of approved Accounting policy in this regard. The debts were, therefore, doubtful and should have been fully provided for.

5) Notes to Accounts disclosed that the loans and advances and sundry creditors included Rs.705.14 million (Rs.7051.40 lakhs) being notional value of 1620 Kgs. of gold belonging to Union Bank of Switzerland (UBS) issued on loan basis. Out of this 265 kgs. of gold (value Rs.1147.24 lakhs) issued to various units in Jhandewalan (New Delhi) and New Okhla Industrial Development Authority (NOIDA) was not exported for 1 to 4 years against the maximum specified period of 300 days in terms of Government of India's scheme of 1988. The liability in respect of this gold in default devolves on the Company in terms of loan agreement with UBS.

The realisability of the value of this gold (Rs.1147.24 lakhs) in default is doubtful due to non-availability of gold with the units on verification and should have, therefore, been provided for. This has resulted in overstatement of loans/advances and profit by Rs.1147.24 lakhs.

The Management stated that out of 265 Kgs. of gold, 93 Kgs. has already been recovered by the Customs and that, for the remaining quantity, the matter is being looked into by various enforcement agencies. Accordingly, therefore, no provision has been considered necessary.

The reply of the Management is not acceptable in view of the fact that even if 93 Kgs. of gold has been recovered by Customs as per Customs Act, the Customs Authorities have first charge over confiscated gold to meet the customs duty. But under the agreement with UBS, the Company is fully liable to make good the gold in default. Provision should, therefore, have been made to cover the liability for gold in default. The Company is not having any financial security to recover the value of the balance quantity of gold in default from EOU and EPZ units. The Company had discontinued the operation of Associate Scheme from 1996-97 onwards.

6) A reference is invited to Notes to the Accounts. The purchases and sales were overstated by Rs.7201 lakhs and Rs.7269 lakhs respectively due to the inclusion of purchases and sales of Associates, which is not in accordance with AS 9, as the Company received only service charges amounting to Rs.68 lakhs on these purchases/sales.

The Management stated that they entered into purchase/sale orders for Rs.5939.40 lakhs (purchase) and Rs.5999.40 lakhs (sales) and only Letter of Credit(LC) was assigned in favour of Associates and, therefore, legitimately taken the same in its turnover. It was further stated that for the remaining amounts also, the exports have taken place with the assistance and involvement of the Company and accordingly, purchases and sales have been accounted for as per approved Accounting Policy.

The reply of the Management is not correct because the accounting of the purchases/sales was in contravention of AS-9 as the Company is entitled to a service margin/commission only on these purchases/sales.

7) A reference is invited to the Statutory Auditors' Report regarding customs duty demands amounting to Rs.138.10 million (Rs.1381 lakhs) payable for gold on default. In addition to the amount of duty stated by the Auditors as payable, as per the Company's own calculation, Rs.3.83 crores was payable as customs duty on 122 Kgs. of gold given on loan by the Company to jewellery units in Noida Export Processing Zone(NEPZ) which is in default.

The Management stated that the Company is not liable for any customs duty on 122 Kgs. of gold to the units in NEPZ. The individual units are liable for the same by virtue of the bonds executed by them with the Customs Authorities.

The reply is not tenable as customs duty of Rs.3.83 crores in respect of NEPZ units was based on the same lines and conditions as of the customs duty demand raised by the Customs Authorities in respect of Jhandewalan Units(New Delhi) and has been worked out by the NOIDA unit of the Company itself.

8) The Statutory Auditors in their Report have mentioned that the Company has not maintained proper books of accounts in respect of fertilizers at Sub-Regional Office(SRO) Bhopal, Gold loan records at NOIDA/Jhandewalan and financial records of goods received on consignment. The Report of the Statutory Auditors did not bring out the fact that the Company has not maintained financial records in respect of gold loans for over seven months (from April-October, 1995) during the financial year 1995-96 and that the Company has not maintained party-wise details of gold loaned under various schemes and the airway bill-wise details of exports

made against each of these loans.

As against gold issued to the jewellery manufacturing units, the Company could not produce the complete and reconciled figures/details relating to the gold issued on loans and export of jewellery party-wise.

In view of the above, the accuracy of the turnover of the Company relating to gold transactions amounting to Rs.1358.43 crores, as depicted in the trading account of the Company, could not be vouched in audit.

The Management stated that (i) stock registers have been maintained in various godowns located in several towns of Madhya Pradesh; (ii) that complete financial records in respect of gold loans for the financial year 1995-96 have been and were being maintained by NEPZ/Jhandewalan offices, alongwith the party-wise details of gold loaned, repaid and exported and that such records are also maintained for gold issued under all the schemes and that the details of export, Bill of Entry-wise, have also been verified by Customs; (iii) that they maintain complete records of gold issued to the exporters under the various schemes of the EXIM Policy and the quantity in stock was intimated by them to foreign suppliers periodically; and (iv) that complete reconciled figures/details branch-wise for the period 1988-89 to 1996-97 (upto-date) in regard to gold imported by the Company, gold issued, gold exported and closing stock of gold with the Company have been furnished to audit on 4 December 1996 and details in respect of all individual exporters are available at the various offices of the Company importing and supplying gold to the exporters.

The reply of the Management is not correct due to:

(i) The consolidated information claimed to have been furnished by the Management in December 1996 does not match with that shown in the annual accounts of the Company.

(ii) The Regional Office Santacruz Electronics Exports Processing Zone (SEEPZ) of the Company which accounts for about 30 per cent of gold imported/issued/exported by the Company have already admitted that they did not maintain any record, whatsoever, to indicate the details of export of gold jewellery by any of their units.

Taking into account the above comments together with other comments of the C&AG of India on the accounts as per the Annual Report of the Company for the year 1995-96, the profit of Rs.5246.67 lakhs would be drastically reduced to Rs.410.97 lakhs.

1.2.27 State Trading Corporation of India Limited

1) Investment (Rs.30657.26 lakhs) was overstated by Rs.300 lakhs due to valuation of investment in Tea Trading Corporation of India Limited (TTCI), a wholly owned subsidiary of the Company, at the carrying cost in disregard of decline in the value of investment as required in terms of Accounting Standard 13 as the net worth of TTCI was negative.

The Management stated that in view of long term involvement of the Company in TTCI and pending disposal of tea gardens of the latter with the approval of the Government of India, no provision has been made in the accounts for the probable decline in value of the investment in TTCI and that suitable disclosure appeared in the Notes to Accounts.

The reply of the Management is not acceptable as decline in the value of investment in such cases has to be taken into account as per Accounting Standard 13.

2) Claims Suspense Account(Rs.4735.63 lakhs) represented claims, the recognition of income in respect of which has not been made in Profit and Loss Account as per its Accounting Policy thereby avoiding the necessity of making provisions for such claims as were not found recoverable.

The Management stated that recording of uncertain claims through suspense account was in accordance with Accounting Policy consistently followed by the Company.

The reply is not acceptable as the Company booked claims which are ab-initio doubtful of recovery under the Claim Suspense Account and the Claims Recoverable were shown net of Claims Suspense Account resulting in avoidance of making provision for such claims through Profit and Loss Account.

3) Provision for Doubtful Debts, Loans and Advances (Rs.216.91 lakhs) was understated by Rs.8077.59 lakhs due to non-provision for the following resulting in overstatement of profit:

(a) Bills of Exchange(Rs.42.15 lakhs), where the dates of maturity have expired 3 years ago and the Company is yet to initiate any action for enforcing recovery of the amount.

The Management stated that the amount was duly secured by an undertaking from the party and their bankers and that since steps are being taken to realise the amount, no provision is required at this stage.

The reply of the Management is not tenable as the dates of maturity of all the Bills of Exchange have expired and the Company is yet to initiate action for enforcing payments.

(b) Rs.6033.44 lakhs shown receivable from the Government of India towards interest on the dues relating to fatty acid transactions for the period from 1988 to 1992-93. Since the Company has expressed doubt about the recovery of the dues by keeping an amount of Rs.1615 lakhs receivable during 1993-94 under Claims Suspense Account and did not recognise the dues for 1994-95 and 1995-96, accounting for the amount upto 1992-93 as claims recoverable without adequate provision was not in order.

The Management stated that the matter is still under consideration of the Committee of Secretaries and pending their final decision, no provision was considered necessary.

The reply of the Management is not acceptable as the Ministry of Industry has clearly stated (October 1992) that the Company could not arbitrarily charge interest on Government dues with retrospective effect and, therefore, proposal for recovery of interest on Government dues was unacceptable to the Ministry. Also in view of the fact that the Company has kept an amount of Rs.1615 lakhs recoverable during 1993-94 under claim suspense account and interest due for 1994-95 and 1995-96 has not been recognised considering it as doubtful of recovery, the recovery of interest of Rs.6033.44 lakhs upto 1992-93 was also doubtful.

(c) Rs.2002 lakhs shown recoverable from Newsprint Industry as (i) there was no recovery from them during the last 3 years, (ii) both the Newsprint Industry and the Information and Broadcasting(I&B) Ministry have not responded to reimburse the amount to the Company and chances of recovery appeared remote.

The Management stated that the matter has been taken up with the Ministry of Commerce/I&B for receipt of devaluation loss of Rs.1568 lakhs. Regarding recovery of Rs.434 lakhs being deficit on newsprint operations for 1991-92, it was stated that efforts were being made for recovery of the same.

The reply of the Management is not tenable as there was no recovery from the Newsprint Industry during the last 3 years and with the decanalisation of Newsprint in 1992, the chances of recovery of the amount are remote.

Taking into account the above comments together with other comments of the C&AG of India on the accounts as per the Annual Report of the Company for the year 1995-96, the profit of Rs.3266.96 lakhs would be converted into a loss of Rs.5135.69 lakhs.

MINISTRY OF COMMUNICATIONS

DEPARTMENT OF TELECOMUNICATIONS

1.2.28 Mahanagar Telephone Nigam Limited

1) The Company had been providing depreciation on cables

and lines and wires at the rate of 11.31 per cent instead of at the rate of 5.28 per cent prescribed in Schedule XIV of the Companies Act, 1956 for the last 3 years i.e. from 1993-94 to 1995-96 although there is no change in their life as fixed by the Department of Telecommunications. This had resulted in understatement of profit by Rs.320.77 crores (prior period-Rs.215.58 crores and current year Rs.105.19 crores) and understatement of net fixed assets by the same amount.

The Management stated that depreciation on cables, lines and wires etc. were charged at higher rates as the Company felt that the rates prescribed in the Companies Act were not adequate.

The Management's reply is not tenable as their decision for charging higher rates of depreciation was not based on any sound technical assessment and neither approved by the Board of Directors nor by the Telecom Commission. The Company has, however, now agreed to carry out a fresh technical evaluation in this regard.

2) Fixed assets as on 31 March 1996 were understated by Rs.12.92 crores due to non-capitalisation of completed works and fixed assets were overstated by Rs.6.65 crores due to non-transfer of the residual value of decommissioned exchanges from fixed assets to inventory (Rs.3.87 crores), spill over items of apparatus and Plant (Rs.1.25 crores) to inventory and inclusion of scrapped cable (Rs.1.53 crores) in fixed assets, with consequential understatement of inventory by Rs.2.63 crores.

The Management stated that necessary adjustments would be carried out in the accounts for 1996-97 after receipt of confirmation of completion of works from the concerned executing authorities.

3) Non-provision for doubtful debts against absconding and non-traceable subscribers resulted in overstatement of sundry debtors by Rs.58.79 lakhs and overstatement of profit by that extent.

The reply of the Management that the cases were under investigation and necessary adjustments would be carried out on its completion is not tenable as the police authorities had already declared these subscribers untraceable.

4) Non-provision of liability for sales tax of Rs.23.46 crores for the years 1988-89 to 1992-93 on the plea that the Company had gone in for appeal after making payment of Rs.1.39 crores against the total demand of Rs.23.46 crores as raised by the Sales Tax Authorities for unauthorised use of 'C' forms in the purchase of goods/material for use in the generation or distribution of electricity had resulted in overstatement of profit by Rs.23.46 crores and loans & advances by Rs.1.39 crores. For want of details of purchases made during 1993-94 to 1995-96, the impact on profitability of such sales tax liability could not be ascertained.

The reply of the Management that the sales tax payments from 1988-89 onwards are still under appeal and payment of Rs.1.39 crores was made for going in appeal in the Tribunal is not tenable, as the Company was in no way engaged in the generation and distribution of electricity and also the fact that the use of 'C' forms was stopped by the Company from 1996-97.

5) Advances recoverable in cash or in kind or for value to be received were understated by Rs.259.71 lakhs due to non-inclusion of Rs.221.88 lakhs being the cost of equipment/material inclusive of all other charges transferred to various units of DOT, and Rs.37.83 lakhs relating to 391 cases of loss due to theft of fixed assets/work-in-progress under investigation by the Police.

Further, the advances were overstated by Rs.6.01 crores due to non-adjustment of advance against the supply of 25K lines D-Tax exchange equipment commissioned in July 1995, but a separate liability of Rs.8.02 crores was created while capitalising the said equipment. This also resulted in understatement of profit by Rs.0.76 crore, overstatement of work-in-progress by Rs.1.75 crores and current liabilities by Rs.5.92 crores.

The Management stated that the bills were issued to the concerned circles of DOT and necessary adjustment would be carried out during 1996-97. In respect of non-inclusion of cost of items under theft cases, the Management stated that these cases would be reviewed after obtaining the details from the units concerned. As regards, non-adjustment of Rs.6.01 crores, the Management stated that necessary adjustment could not be carried out for want of fixation of rates by DOT. The reply is not tenable as the net liability of Rs.2.01 crores should have been shown in the accounts after adjusting advance of Rs.6.01 crores.

6) Approval of the Government to the adoption of Industrial Dearness Allowance(IDA) pattern and related scales of pay to the Executives (below Board level) and non-executives of the Company recruited directly on or after 1 January 1989 was received by the Company in February 1996 but provision for arrears of Rs.46 lakhs (Approx) being firm liability on this account was not made resulting in understatement of expenditure and overstatement of Profit for the year.

The Management stated that IDA scales and related benefits were still under finalisation.

The Management's reply is not tenable as the revised scales in respect of non executives were implemented with effect from 1 August 1996 before signing of annual accounts. As such, provision should have been made on estimation basis.

7) The Company had been allocating establishment charges to self constructed fixed assets and capitalising work-in-progress as a percentage of capital expenditure in terms of their Accounting policy even though these expenses were not directly related/allocable to specific assets. This is contrary to the AS-10 of the Institute of Chartered Accountants of India. The expenditure so capitalised during the year 1995-96 was Rs.78.44 crores.

The Management stated that Rs.78.44 crores was attributable to capital works in general and allocable to the specific assets on the basis of percentage fixed by DOT every year. This policy was being followed since the inception of MTNL and they have maintained consistency with the past. However, the Company stated that a Committee would be set up to give a fresh look into this question.

8) Understatement of Current liabilities due to non-provision of network charges payable to DOT for use of National Net Work in respect of two zones in Mumbai resulted in overstatement of profit by Rs.49.41 lakhs .

The Management accepted the facts and agreed to examine the cases for carrying out necessary adjustments during 1996-97, if found necessary.

9) Understatement of lease rentals resulted in overstatement of profit by Rs.87.47 lakhs due to non provision of the same as payable to Industrial Finance Corporation of India Limited (IFCI) under lease finance agreement.

The Management stated that lease rental was provided taking into account different periods on which advance was capitalised by IFCI and was as per MOU between MTNL and IFCI.

The reply is not tenable as the Company was liable to pay interest on overdue lease rent as per the relevant clause of the agreement between MTNL and IFCI.

1.2.29 Videsh Sanchar Nigam Limited

1) Profit was overstated by Rs.499.70 lakhs due to:

(i) non-provision of Rs.188.89 lakhs on account of network charges being the rent on land/lines payable to Department of Telecommunications (DOT);

(ii) non-provision of Rs.36.63 lakhs on account of maintenance charges for optical fibre cable and VSB-LNSB link;

(iii) understatement of consumption of stores by Rs.22.92 lakhs due to omission of customs duty paid on imported spares; and

(iv) non-provision for Euro-issue expenses of Rs.251.27 lakhs, for which bills were received by the Company.

2) Cash and Bank balance in Current Account was overstated by Rs.84.27 lakhs being the amount of interest claimed by the Company but not credited by the Banker.

3) Rent receivable was overstated by Rs.279.37 lakhs with consequential overstatement of current year's profit by Rs.22.45 lakhs as in the absence of agreement with DOT/MTNL for charging of rent from DOT/MTNL for the premises occupied by them, revenue recognition was uncertain and indeterminate at this stage.

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION AND SUPPLIES

1.2.30 Bharat Dynamics Limited

1) The Cash & Bank Balances were overstated by Rs.50 lakhs due to non-accounting of a cheque dishonoured, about which the Company received intimation in March 1996. This resulted in understatement of loans and advances - deposits with companies.

The Management stated that the Company received back the dishonoured cheque in the month of April 1996 after closure of Bank book. Hence the Bank balance as on 31 March 1996 was correctly shown and the fact of dishonour has been amplified by way of a Note.

The dishonouring of the cheque was known to the Company in March 1996 itself as indicated in the comment. Hence, the amount should not have been included in the cash & bank balances.

2) During the current year, the Company introduced a new Accounting Policy amending the existing policy, to the effect that the gratuity payable to eligible employees is administered by a separate Trust which has taken a policy with Life Insurance Corporation(LIC), effective from 1 April 1996.

As the new Accounting policy is effective only from 1 April 1996, it has no bearing on the Accounts for the year 1995-96.

As a result of giving effect to the new Accounting policy in the current year itself, the profit for the year was overstated by Rs.130.53 lakhs being the difference between the provision written back and the contribution paid to LIC.

The Management stated that gratuity liability has been assessed on actuarial valuation basis by the LIC of India, upto 31 March 1996 and that liability has been transferred to LIC by making a payment of Rs.647.27 lakhs during 1995-96, so that the LIC would start making the gratuity payment as and when due to the employees through "BDL Employees Group Gratuity Trust". In view of the above, the balance of provision for gratuity lying in books as on 31 March 1996 had been written back. Hence, the treatment given in the books was in order.

Since the liability of LIC for gratuity payment commenced from 1 April 1996 the withdrawal of the existing gratuity provision was not proper. The new Accounting policy was also not applicable for the current year. Therefore, the Management's reply is not tenable.

1.2.31 Garden Reach Shipbuilders & Engineers Limited

The profit for the year 1995-96 was overstated by Rs.244.07 lakhs due to non-provision against advance (Rs.68.22 lakhs) lying with the Income Tax Department which became time-barred for refund claim, and due to non-passing of the credit of Rs.175.85 lakhs on account of sales of scrap to the customer.

The Management accepted the audit comment.

DEPARTMENT OF ELECTRONICS

1.2.32 CMC Limited

1) Work-in-progress (at cost) included Rs.70.80 lakhs relating to the period upto March 1995. The above items comprised equipment/software for customers and considering Company's inability to raise bills, it could not be

ascertained whether these represent genuine work-in-progress.

The Management stated that this represented work-in-progress not billed to the customers as in most cases the installation and commissioning had not been completed as per the conditions of the contract. Acceptance certificates from customers were awaited in some cases. The Management had already initiated process of review and expected the billing to be done in the financial year 1996-97.

The reply is not tenable as the inability of the Company to raise bills even after a lapse of considerable period of time raises doubt about genuineness of work-in-progress. As regards equipment, it could not be ensured that the items have actually been delivered. The defect is fraught with the scope for serious irregularities.

2(a) Profit of Rs.12.66 crores for the year is to be viewed in the light of the fact that profit on sale of office space (Fixed Assets) at Mumbai of Rs.24.79 crores is included under "Other income" in Profit & Loss Account.

The Management accepted the audit comment.

(b) An amount of Rs.617.67 lakhs has been written off towards obsolescence against stores and spares. In the computation of obsolescence surplus items having a unit value of more than Rs.1,000 (worth Rs.86.68 lakhs) have not been taken into account. As obsolescence is not value related, items having unit value greater than Rs.1,000 should also have been written off. This has resulted in overstatement of profit to the extent of Rs.86.68 lakhs.

The Management's reply that the obsolescence/surplus items in respect of stores and spares was determined on the basis of the recommendations of the Inventory Advisory Committee (IAC) is not tenable because the method of determining obsolescence is based on values and has no relation with actual obsolescence. However, the Management stated that they have started reviewing the parameters and would make necessary changes.

MINISTRY OF FINANCE

1.2.33 General Insurance Corporation of India

1) Interest, Dividend and Rents (Rs.36665.50 lakhs) included Rs.98.87 lakhs due to accounting of interest on debentures/term loan outstanding for more than two quarters which is in contravention of its Accounting policy/Reserve Bank of India (RBI) norms. Consequently profit was overstated by Rs. 98.87 lakhs.

The Management accepted the point. The amount disputed by the Company is also required to be provided for as a prudential measure as it was outstanding for more than two quarters.

2) In four BIFR cases, RBI guidelines on classification of assets were not observed, resulting in overstatement of profit by Rs. 100.65 lakhs and also overstatement of value of Debenture stock to the same extent.

The Management stated that the interest payments were being received by the Corporation. Hence no provision was considered necessary.

The reply is not tenable as the guidelines stipulate that once an asset has been declared as non-performing, the classification has to be continued for two more years even if payments have been received subsequently.

3) The Company and its four subsidiaries did not have an adequate system of reconciliation of balances due to/due from each other and huge amounts were lying unreconciled in their accounts for long. A test check of the accounts of New India Assurance Company Limited (NIA) revealed that an amount of Rs. 2530.26 lakhs was receivable from the subsidiaries of General Insurance Corporation (GIC) which had not been confirmed by them. However, on the other hand, the accounts of subsidiaries of GIC revealed that they had to receive Rs.4505.06 lakhs from NIA which was also not confirmed. Thus, there was a difference of Rs. 7035.32 lakhs between the companies.

The Management stated that they were seized of the matter and were making all efforts to reconcile the account and elaborate guidelines had been issued to the companies and despite all efforts, some old balances remained unreconciled. It added that there was bound to be some overlapping due to time lag in the schedule of closing of accounts among the operating units of various companies.

4) The profit of the GIC and its subsidiaries was to be viewed in the context of the fact that the RBI guidelines/prudential norms regarding income recognition, asset classification, provisioning and other related matters have not been adhered to. Had the above guidelines been observed, the profit would have been less by Rs. 249.99 crores.

The Managements of GIC and its subsidiaries have stated that RBI guidelines were not applicable to insurance industry, which was regulated by provisions of Insurance Act 1938. Further, as regards investments in Government securities are concerned, there is no need for change in current practice as the securities are held to maturity and also that the market value of Government securities is disclosed in Form AA.

The replies are not tenable as Section 45-I of RBI Act defines financial Institutions to include insurance companies also. As per Section 45-L of the said Act, RBI has been given powers to issue guidelines to financial institutions. Further the investment activities of GIC and its subsidiaries are similar to that of other financial institutions who are to adopt the prudential norms so as to reflect the true value of their assets. Mere disclosure of market value in Form AA is not adequate. The Companies should have provided for the entire depreciation to reflect the true and fair view of their assets as on 31 March 1996.

1.2.34 National Insurance Company Limited

1) The profit of the Company is to be viewed in the context that outstanding claims provisions were reduced by Rs. 10035.34 lakhs after verification of accounts by the

Divisional offices, which were not unanimously accepted by the Divisional Auditors.

A test check of some of the outstanding claim provisions revealed inadequate provision/unjustified reductions amounting to Rs. 1230.89 lakhs.

The Management stated that the revision of provision was considered necessary in view of some major deviations from standard norms and guidelines observed in the provision made by Divisional offices. It was also stated that the Company was satisfied that the total provisioning was adequate to take care of liabilities of the Company.

The reply is not tenable as test check in audit revealed cases of unjustified reductions resulting in overstatement of profit. The Management's contention that reductions or revisions were not made without the concurrence of auditors hides the fact that where Divisional Auditors refused to agree to the reductions, the revisions were got approved from the Regional office Auditors. Repeated revisions were also made in the case of some Divisional offices' accounts.

1.2.35 New India Assurance Company Limited

1) The profit is overstated by Rs. 198.82 lakhs as the equity shares in respect of certain companies having negative net worth were not written down in accordance with the accounting policy of the Company.

The Management stated that in the nine cases referred, it was Company's considered opinion that all the four criteria adopted at Industry level for write off/write down of equity shares were not applicable and, therefore, no write off/write down was considered necessary during the year.

The reply is not tenable as the net worth of the companies had been eroded and investments should have been written down as a prudent measure.

2) Profit of the Company was overstated on account of :-

i) Excess booking of opening and closing balances of outstanding claims pertaining to Japan Branch by Rs. 243.75 lakhs and Rs.41.89 lakhs, respectively, resulting in overstatement of profit by Rs. 202 lakhs.

The Management stated that necessary corrective steps had been initiated to strengthen the system.

ii) Excess booking of commission on re-insurance by Rs. 1806.72 lakhs.

The Management accepted the comment and stated that this would be rectified in 1996-97 accounts.

iii) Non-provision for outstanding claims to the extent of Rs. 235.22 lakhs.

The Management stated that corrective steps had been initiated to streamline the system.

iv) Inclusion of Rs. 498.45 lakhs being the amount of interest charged under Income Tax Act as deductible expenditure for computation of Taxable income in the year 1994-95 and consequent under provision of income tax to that extent.

The Management's contention that they were hopeful of getting the refund is not tenable as income tax liability is not affected by the refund.

1.3.36 United India Insurance Company Limited

1(i) Accounting for the recovery of claims from the reinsurers twice had resulted in understatement of loss in Miscellaneous Revenue Account and consequent overstatement of profit by Rs.165.26 lakhs.

The Company admitted the fact and stated that this would be taken care of in the statement to be rendered to reinsurers.

(ii) Non-provision for arrears of lumpsum Domiciliary Medical Grant of Rs.149.25 lakhs paid to employees during April 1996 has resulted in understatement of loss in Miscellaneous Revenue Account by Rs.149.25 lakhs.

The Company took note of the audit comment.

(iii) Non-inclusion of additional premium of Rs.724.91 lakhs recoverable from New India Assurance Company Limited towards Staff Medi-Claim Scheme resulted in understatement of Reserve for Unexpired Risk by Rs.362.45 lakhs and overstatement of loss in Miscellaneous Revenue Account and consequent understatement of profit by Rs.362.45 lakhs.

The Company replied that pending Industry level decision, the additional premium, if any, due from New India Assurance Company Limited under the Staff Medi-Claim policy on account of adverse claims experience had not been recognised.

The Company's contention is not tenable as any alteration/modification of the scheme had to be got approved by Government of India. As per the terms of the Staff Medi-Claim Scheme, additional premium of Rs.724.91 lakhs was to be recovered.

(iv) Non-inclusion of additional premium of Rs.543.11 lakhs payable towards Staff Medi-claim Scheme and Rs.7.96 lakhs towards Group Personal Accident (GPA) Policy to Oriental Insurance Company Limited resulted in understatement of Management expenditure to that extent. Since Sundry debtors did not include Rs.181.04 lakhs (one third of the premium) recoverable from the employees in this respect, the profit of the Company was overstated by Rs.370.03 lakhs.

The Company's contention that pending Industry level decision, it had not recognised the demand of the Oriental Insurance Company Limited towards additional premium payable under staff Medi-Claim and Group Personal Accident policy does not take into account the fact that the modifications/alterations in the Staff Medi-Claim Scheme and Group Personal Accident policy needed approval of Government of India which has not been obtained.

2) Loans included Rs.488 lakhs, being the interest accrued but not due (Rs.157 lakhs) and interest receivable for the year 1996-97(Rs.331 lakhs) on certificate of deposits and bills rediscounting made during the year resulting in its overstatement. This has also resulted in overstatement of sundry creditors by Rs.331 lakhs.

The Management stated that the practice followed by them with regard to interest received on certificate of deposit/bills rediscounted is an accepted accounting practice and is consistently followed over the years.

The Management's reply is not tenable as no such amount(Rs.331 lakhs for 1996-97) towards interest had actually accrued.

3) Against Rs.103.27 crores being the contributions made to Pension fund, the actual liability as per the actuarial valuation made as on 31 March 1996 was Rs.113.73 crores. This had resulted in short-provision of Rs.10.46 crores and consequent overstatement of profit by the same amount.

The Management drew reference to Notes forming part of Accounts for the year ended 31 March 1996, where the balance actuarial liability was rounded off to Rs.10.00 crores.

The Management's reply is not tenable as the liability to the extent required has not been provided for and only the fact of non-provision of liability has been disclosed in Notes. Further, the actuarial liability of Rs.10.46 crores has been rounded off to Rs.10.00 crores which was incorrect as all figures in the accounts were furnished upto two decimals.

MINISTRY OF INDUSTRY

DEPARTMENT OF HEAVY INDUSTRY

1.2.37 Braithwaite & Company Limited

The loss for the year 1995-96 was understated by Rs.90.51 lakhs due to under-provision of lease rent payable to the Government of West Bengal.

The Management stated that yearly rent has been enhanced by more than 92 times over the earlier rent by the Government of West Bengal at the time of renewal of lease. The Company considered the enhanced rent as arbitrary and irrational, and accordingly has moved the appropriate highest authority in the Government of West Bengal highlighting the background and the special merits for correct determination of the yearly rent. The purported increase in the annual rent, therefore, has been considered under contingent liability pending final decision in the matter.

The Management's reply is not acceptable as pending acceptance by the Government of West Bengal the liability for lease rent should have been provided at the revised rate.

1.2.38 Bharat Ophthalmic Glass Limited

The loss for the year 1995-96 is understated by Rs.253.56 lakhs due to non-provision of liability for gratuity in contravention of Accounting Standard 15.

The Management while accepting the point stated that necessary correction would be made in the next financial year.

1.2.39 Bharat Process & Mechanical Engineers Limited

Loss for the year was understated by Rs. 52.92 lakhs due to non-provision of full liability of gratuity in contravention of Accounting Standard 15. The Management agreed to make suitable provisions in 1996-97.

1.2.40 Bridge & Roof Company (India) Limited

The profit for the year 1995-96 is overstated by Rs.213.23 lakhs due to under provision of liability towards gratuity for earlier years, in contravention of Accounting Standard 15.

The Management stated that the balance amount of Rs.213.23 lakhs will be provided in the Accounts and contributed to the Gratuity Fund in future years.

The Management's reply is not acceptable in the context of Accounting Standard 15.

1.2.41 Burn Standard Company Limited

The loss for the year 1995-96 was understated by Rs.192.76 lakhs due to the following :

i) Recognition of interest (Rs.105.18 lakhs) as income on margin money pending settlement of dispute with the Bank and is thus uncertain of realisation.

The Management stated that disputes raised by the Bank were not recognised by the Company as it was legally not tenable and this had been clarified to the Bank. The Management was, therefore, certain of its realisation.

The contention of the Management is not acceptable due to the fact that since the interest is doubtful of realisation, it should not be recognised as income.

(ii) Under-provision of penalty (Rs.36.55 lakhs) payable to a client towards non-achievement of contractual guaranteed heat on carbon bricks supplied.

The Management, while accepting the point stated that the issue of penalty on account of heat failure has been taken up with the concerned authority and necessary provision, if required, would be made in 1996-97.

(iii) Over-valuation of closing stock of bricks (Rs.51.03 lakhs) by inclusion of administrative overhead and due to non-accounting of credit for rejections in cost.

The Management accepted the audit comment.

1.2.42 Engineering Projects (India) Limited

During the year 1995-96, the Company adjusted a net loss of Rs.342.40 lakhs relating to exchange variation out of the carried over balance of Rs.4685.65 lakhs from Exchange Variation Reserve and adopted the exchange rate prevailing as on 31 March 1990. The net loss of Rs.342.40 lakhs should have been charged to Profit and Loss Account as per provisions of Accounting Standard 11.

The Management stated that the Accounting Standard 11 has not been followed due to reasons disclosed in Notes to Accounts.

The reply of the Management is not tenable as the Notes to Accounts violate the Company's Accounting policy and also the provisions of Accounting Standard 11.

1.2.43 Hindustan Cables Limited

The accumulated loss of Rs.65.08 crores as on 31 March 1996 has to be seen keeping in view the fact that sundry debtors include Rs.119.59 crores which were disputed/un-acknowledged debts pending since long, and for which provision has not been made in the accounts towards bad and doubtful debts.

The Management's reply that the Company is pursuing the settlement of the dues at various levels of DOT/MTNL and is quite hopeful of realisation is not acceptable in view of the fact that these debts are outstanding for a considerable period of time and are disputed.

1.2.44 Heavy Engineering Corporation Limited

Cumulative loss of Rs.1152.86 crores would further increase by Rs.42.60 crores in view of the following:

a) Short provision for 'Employees & Benefits' by Rs.1.13 crores on account of recurring as well as non-recurring expenditure in respect of the Kendriya Vidyalaya sponsored by the Company. The Management replied that as this was not the acknowledged liability, the same had been shown as contingent liability.

The reply is not tenable as the Company had made commitment to the Vidyalaya to pay the arrears in suitable instalments as soon as the fund position of the Company improves.

b) Non-provision of liability of Rs.41.47 crores on account of electricity dues payable to Bihar State Electricity Board (BSEB). The Management stated that since the matter was yet to be sorted out with BSEB, the same was shown as contingent liability.

The reply is not tenable as the Company is liable to pay this amount after the year 2005 as per revival plan approved by the BIFR.

1.2.45 Nagaland Pulp and Paper Company Limited

The profit for the year 1995-96 has been overstated by Rs.920.42 lakhs due to conversion of loan to grant and write-off of accrued interest on temporary accommodation from holding company without approval of the Government of India.

The Management's reply that this has been disclosed in the account is not acceptable in view of the fact that the holding company had not given any effect in this respect in its books of accounts and the proposal for conversion of loan to grant was awaited.

1.2.46 National Instruments Limited

The loss for the year 1995-96 is understated by Rs.165.39 lakhs due to the following :

i) Under-provision of liability for gratuity (Rs.136.90 lakhs) in contravention of Accounting Standard 15.

The Management contention that the Company has been following consistent policy of charging gratuity in the accounts on actual payment basis is not tenable as this practice is not in conformity with Accounting Standard 15.

ii) Non-provision of interest on overdue sales tax (Rs.28.49 lakhs).

The Management stated that since the Company is a sick company and has been referred to BIFR, no provision for interest on unpaid sales tax has been made in the accounts.

The Management's reply is not acceptable in view of the fact that Sales Tax Act/Rules are equally applicable to a sick Public Sector Undertaking and so long as interest on overdue sales tax is not waived by competent authority provision for the same has to be made.

1.2.47 NEPA Limited

Profit for the year had been overstated by Rs.182.68 lakhs due to non-provision of liability of leave encashment payable to the employees.

The Management stated that this liability was un-ascertainable on account of options given to the employees to avail or encash the leave as per rules.

The reply is not tenable in view of the fact that the Company has to maintain their Accounts on accrual basis under Section 209(3)(b) of the Companies Act, 1956.

1.2.48 Rehabilitation Industries Corporation Limited

1) Loss for the year was understated by Rs.98.41 lakhs with corresponding overstatement of sundry debtors/and loans and advances due to non-provision for doubtful debts/loans & advances recoverable from various parties including PSUs for over 5 years.

The Management stated that detailed scrutiny would be made during 1996-97 and necessary provision as deemed fit would be made in the accounts.

2) The retirement benefits (Gratuity and Leave salary) had neither been ascertained on actuarial basis nor the same had been provided in the accounts as required under Accounting Standard 15. The loss for the year and Current Liabilities and Provisions stand understated by Rs. 619.77 lakhs due to non-provision of gratuity (Rs. 484.23 lakhs) and leave salary (Rs. 135.54 lakhs) estimated departmentally by the Company.

The Management stated that though the Accounting Standard 15 requires the liability of Gratuity and Leave salary to be provided in the accounts on actuarial basis, it was not possible to compute the actuarial valuation of

Gratuity and Leave salary within a short time. The Company would make necessary provision on account of Gratuity and Leave salary on actuarial basis in the accounts for 1996-97.

The Management's reply is not tenable as the Accounting Standard 15 is mandatory with effect from 1 April 1995 so the full liability on account of gratuity should have been provided for.

DEPARTMENT OF SMALL SCALE INDUSTRIES, AGRO AND RURAL INDUSTRIES

1.2.49 National Small Industries Corporation Limited

Current liabilities and provisions did not include provision of Rs.686.70 lakhs relating to gratuity which resulted in understatement of current liabilities and provisions and overstatement of profit each by Rs.686.70 lakhs.

Referring to Note to the Accounts, the Management stated that out of total liability of Rs.811.70 lakhs as on 31 March 1996, a provision of Rs.125 lakhs has been made till that date and that entire amount has not been provided in a single year to avoid drastic change in the financial results of the Company. It was also stated that the Company was paying gratuity to retiring employees on actual payment basis also every year and this was also disclosed in the Notes to Accounts.

The reply of the Management is not tenable as according to Accounting Standard 15, which has become mandatory with effect from 1 April 1995, full provision of gratuity is necessary.

MINISTRY OF MINES

1.2.50 Bharat Aluminium Company Limited

To rectify the omission of earlier years, the Company capitalised materials valued at Rs.351.59 lakhs during the year which were used for the initial fill in the Smelter and

Alumina plants. However, depreciation amounting to Rs.298.88 lakhs on the amount capitalised has been charged in the current year although it relates to prior periods and should, therefore, have been taken to the prior-period adjustment account in terms of Accounting Standard 5. As a result, profit for the year has also been understated by Rs.298.88 lakhs.

The Management stated that the transaction is of the nature of "extra-ordinary items" for which adequate disclosure has been given by way of Notes on Accounts in compliance of Accounting Standard 5.

The Management reply is not tenable as the Company has only rectified the mistake/omission on their part and, therefore, the Company should have routed the depreciation through prior period expenditure in line with provisions of Accounting Standard 5.

1.2.51 Hindustan Copper Limited

Profit for the year 1995-96 was overstated by Rs.1632.08 lakhs due to the following :-

(i) Write back of provisions (Rs.109.23 lakhs) made in earlier years towards interest payable on overdue amount to the small scale and ancillary industrial undertakings and non-provision of liability on this account for the year 1995-96 (Rs.51.18 lakhs).

The Management's reply that claims for payment of interest have not been raised/pursued by the concerned parties is not acceptable due to fact that payment of interest on overdue amount to small scale and ancillary industrial undertakings is a statutory liability in terms of the 'Interest on Delayed Payments to Small Scale & Ancillary Industrial Undertakings Act 1993'.

(ii) Under-provision of liability towards insurance premium (Rs.95.66 lakhs) for gratuity fund by omission of the impact of revision of salary & wages of employees.

The Management stated that the Life Insurance Corporation of India(LIC) from whom the Employees' Gratuity Fund Master Policy had been taken, had advised the Company to continue payment of annual premium at the rate of 2.26 per cent of annual wage bill till next review due on 1 April 1997. It had been confirmed by LIC (May 1996) that the premium payable under the captioned policy for the year 1995-96 was Rs.226.42 lakhs only.

The Management's reply is not acceptable as the Company did not clarify to LIC the fact of upward revision of salary and wages of its employees in 1995-96. Pending revision of rate of premium by the LIC, the Company is liable to pay additional premium at least at the rate of 2.26 per cent on the extra amount paid towards pay revision.

(iii) Under-amortisation of mine development expenditure by Rs.175.42 lakhs by inclusion of additional 65 per cent of drill proved and drill probable ore reserve in respect of two mines involving departure from the practice followed earlier for determining the rate of amortisation taking into account the balance of proved reserve plus 65 per cent of the probable reserve.

The Management stated that the Company has been consistently considering the drill proved and drill probable reserves of ore for the purpose of amortisation of Mine Development Expenditure.

The Management's reply is not acceptable because it was not a fact that the Company had followed the practice consistently. Till the year 1993-94 the drill proved and drill probable reserves were not taken into account for determining the rate of amortisation.

(iv) Under-provision of depreciation (Rs.173.02 lakhs) due to application of lower rate.

The Management's reply that the Company has been providing depreciation consistently is not acceptable in view of the fact that the Company had neither followed its own accounting policy nor the rates prescribed in Schedule

XIV of the Companies Act, 1956.

(v) Understatement of materials, spares & components consumed (Rs.1027.57 lakhs) by under-valuation of incidental ore raised.

The Management stated that as per Accounting policy No.3.3, the expenditure on removal of waste and overburden in respect of open cast mines is capitalised and the same is amortised in relation to actual ore production during the year and the stripping ratio of the mine as determined by the Company at the weighted average rate.

The Management's reply is not acceptable due to the fact that the Accounting policy No. 3.3 does not indicate the mode of adjustment regarding the ore obtained during development activity. It is Accounting policy No. 3.1 which states that the ore obtained during development activity is adjusted against such expenditure at its derived realisable value. Accordingly in this case, the Company should have valued the incidental ore raised during development activity at its realisable value.

1.2.52 National Aluminium Company Limited

The Company should not have recognised the interest of Rs.7.13 crores as income due to uncertainty about its realisation.

The Management's reply that there is no uncertainty about recovery/realisation of interest is not acceptable in view of the fact that the settlement of dues with the Andhra Bank Financial Services Limited has been referred to Special Court and the verdict was awaited (July 1996).

MINISTRY OF PETROLEUM & NATURAL GAS

1.2.53 Bongaigaon Refinery and Petrochemicals Limited

The profit for the year 1995-96 was overstated by Rs.463.62 lakhs due to inclusion of non-factory expenses and general administrative overheads in the finished goods.

The Management has accepted the point.

1.2.54 Engineers India Limited

1) Income pertaining to share of profit on Trade Investment did not include an income of Rs.87.87 lakhs for the year 1994-95 and Rs.151.77 lakhs upto 1993-94 which had been credited to the Company's account by an Association of Persons. This resulted in understatement of (i) income for the year by Rs.87.87 lakhs, (ii) prior-period income by Rs.151.77 lakhs and (iii) investment by Rs.239.64 lakhs.

The Management agreed to review the accounting treatment.

2) Income of Rs.1548.85 lakhs in respect of cost-plus jobs has not been accounted for in violation of the matching concept of accounting even though the proportionate expenditure of Rs.1164.40 lakhs on account of revision of pay scales with effect from 1 January 1992 on these jobs has been provided for in the accounts. This resulted in understatement of profit by Rs.1548.85 lakhs.

The Management stated that in terms of contracts for the jobs, the Company would raise the bills and recognise the income only after the expenditure had been incurred and not on the basis of provision. The Management added that payment to the employees was not made during the financial year 1995-96, and that the fact has been disclosed in Notes to Accounts.

The reply is not tenable as the expenditure of Rs.1164.40 lakhs on the jobs done under cost plus contract has been accounted for and, therefore, the corresponding income on these jobs should also have been taken into account in the Profit and Loss Account.

3) The Company has not accounted for an income of Rs.1950.25 lakhs in violation of its Accounting Policy even though minimum undisputed terms and fees receivable from a client were finalised. This has resulted in understatement of income by Rs.1950.25 lakhs, overstatement of work-in-progress by Rs.950.57 lakhs and understatement of profit by Rs.999.68 lakhs with a consequent effect on provision for income tax (understatement) by Rs.459.85 lakhs (at the rate of 46 per cent of profit).

The Management stated that the accounting treatment given by the Company was correct as the minimum terms were not agreed to by the client.

The reply of the Management is not tenable as minimum terms have been agreed upon and as the income, to the extent the terms were agreed upon, should have been recognised.

4) Accounting policy in respect of adjustment of obligations towards guarantees, warranties and penalties etc. was not in conformity with Item No.3(ix) of Part-II of Schedule VI of the Companies Act, 1956 read with Para 17.4 of Accounting Standard 7 and Para 12 of Accounting Standard 9. This resulted in postponing of income of Rs.2661.02 lakhs and understatement of profit to this extent.

The Management stated that the treatment regarding Company's obligations towards guarantees, warranties and penalties was in conformity with the Company's declared Accounting Policy adopted consistently over the years, no change has been made during the year 1995-96 and that the accounting treatment given by the Company in this regard is in accordance with the opinion of the Institute of Chartered Accountants of India (ICAI).

The reply of the Management is not tenable as no provision has been made as per the requirement of the Companies Act, 1956. Further its contention that the opinion of the ICAI has been followed is also not correct as, instead of making a separate provision based on past experience, income itself has not been recognised to the prescribed extent.

1.2.55 Gas Authority of India Limited

The Company was not maintaining a separate Bank Account for depositing Pool Money amounting to Rs.959.72 crores as on 31st March, 1996 as required by the Ministry of Petroleum and Natural Gas. The Gas Pool Money did not belong to the Company and was eventually to be transferred to the Ministry. Thus, all interest income accruing to this would also appropriately belong to the Ministry. The Company earned an average yield of 13.84 per cent on the surplus funds invested by it in Inter-corporate deposits during the year 1995-96. Computed at this rate, the interest income on the Gas Pool Money during 1995-96 works out to Rs.111.65 crores, which has not been shown as payable to the Ministry. Thus, the liability of the Company has been understated and the profit overstated to this extent.

The Management stated that in accordance with subsequent clarifications given by the Government on 24 July 1995, a separate account for Gas Pool Money has been maintained in the books of accounts of GAIL. Government has also approved these accruals as part of internal generations for funding of the projects under execution.

The Company's contention is not tenable as it has been made abundantly clear in the Ministry's letter dated 15 June 1994 that interest earned on the Gas Pool Money would also be payable to the Government and later in their letter dated 24 July 1995 the Ministry has requested GAIL to advise them of the balance available in the account from time to time.

1.2.56 Oil India Limited

Notes to the Accounts did not disclose the full value of consideration to be received by the Company under the production sharing contract with the Joint Venture contractor for parting with 60 per cent share of oil expected to be produced from Kharsang Oil field.

The Management stated that the full value of consideration based on estimated discounted net cash flow over the life of the project period was estimated at Rs.39.78 crores. However, this was only an estimated amount which was subject to review at the end of each year and hence, not disclosed in the above note. In any case, since the unamortised value of the Producing Property and the written down value (WDV) of the fixed assets taken together amounting to Rs.26.33 crores was less than the estimated value of consideration, it was disclosed in the note that this amount of Rs.26.33 crores was not subject to impairment based on the ceiling test.

The Management's reply is not acceptable, as the Company should have worked out and disclosed the appropriate full value of consideration to be received by the company under the production sharing contract with the Joint Venture contractor.

1.2.57 Oil and Natural Gas Corporation Limited.

1) Exploratory and pre-producing wells-in-progress-(Rs.1767.92 crores) included Rs.103.17 crores being the cost of 15 exploratory wells remaining un-exploited for over three years.

The Management stated that continuous review of wells was carried out to determine the development of area, that all these wells were either hydro-carbon bearing or required further testing and suitable adjustments would be made on determination of the final status of the wells.

The Company's reply is not tenable as these wells were not producing for many years in the past. ONGC had not reviewed these wells so far nor does it have any concrete plans for future.

2) Current liabilities (Rs.2045.37 crores) were understated by Rs.10.06 crores due to non/under-provision for known liabilities.

The Management stated that these current liabilities included liabilities on account of sundry creditors for supplies/works and other liabilities amounting to Rs.1168.28 crores and adjustments for Rs.10.06 crores wherever necessary would be carried out in the current year.

Reply did not contest the fact of understatement of liabilities.

3) Expenditure during the year was understated by Rs.58.17 crores on account of: (a) production, transportation, selling and distribution expenses etc.- Rs.11.25 crores, (b) provisions and write-offs.- Rs.43.75 crores and (c) recouped costs-Rs.3.17 crores.

(a) The Management stated that out of Rs.11.25 crores an amount of Rs.8.78 crores was on account of expenses incurred by Joint Venture Operator subsequent to the transfer of custody of crude and this was to be borne by Government of India nominee as per production sharing contract due to which no liability was provided in ONGC books. It was also stated that adjustment for the balance amount shall be carried out during 1996-97.

(b) As regards provisions and write offs, the Management stated that the same included an amount of Rs.21.16 crores being the cost of wells in a particular project where drilling had been suspended due to environmental reasons and that adjustment shall be carried out based on final status of these wells.

The Management further mentioned that the above included a sum of Rs.1.75 crores on account of transfer of pipeline to another PSU where no provision was considered necessary and in respect of the balance amount, adjustment, wherever, considered necessary would be carried out during 1996-97.

(c) The Management assured that necessary adjustment shall be carried out during 1996-97 for recouped costs.

Reply is not tenable on account of the following:

i) The Company's contention that the claim was recoverable from the Government of India nominee had been denied by the Government.

ii) In so far as suspension of drilling in a particular project due to environmental reasons is concerned, since management had withdrawn its left out equipments from these sites, and there has been no activity for the past 2 years, provision for loss due to premature abandonment of drilling activities should have been made in the accounts for the year. Further, the PSU concerned did not accept the pipeline in question.

4) Joint Venure Accounting

During the previous year, the Company entered into production sharing contracts (PSC) with some private parties under joint venture arrangements. As per terms of these contracts, the Company has retained 40 per cent share of profit arising from production of oil from the reserves given over to joint venture partners; the remaining 60 per cent share has been surrendered in favour of joint venture partners for which the Company had received a sum of Rs.219.76 crores as consideration. The Company has not been fully compensated for the past costs (Rs.985.78 crores) incurred by it upto March 1996 in respect of the fields brought under joint venture arrangements.

In reply, the Management, *inter-alia*, stated that as per terms of the production sharing contracts, ONGC has 40 per cent participating interest and would be required to contribute 40 per cent of the cost of development of these fields and the book value of the properties reduced by the amount of compensation received has been reflected as the value of the assets and facilities, the benefit of which would accrue over the period of the contract. It was further averred by the Management that this fact had also been disclosed in Notes to the Accounts.

The reply is not tenable as the control and possession of the assets in question are no longer with the Company for the remaining contract period (24 years). Although the Company owns these assets, the benefit from their use would be shared by all the joint venture partners.

1.2.58 ONGC Videsh Limited

1(a) Miscellaneous Expenditure to the extent not written off and adjusted was overstated by Rs. 2.47 crores (US $ 722969) due to inclusion of the unspent balance lying with M/s. 'B' of U.K. (Yemen). Consequently, loans & advances were also understated by the same amount. This was due to accounting of cash call money on cash basis in violation of Section 209 (3) (b) of the Companies Act, 1956.

The Management stated as the Company's entire activity involves participation in joint venture projects abroad and all the international contracts were based on cash accounting, they had been consistently following the cash accounting policy for the last three decades making due disclosure in Notes to accounts and the Accounting policy. However, the Management agreed to review the Accounting Policy in the next year.

(b) An amount Rs.64.76 lakhs being the amount recoverable from the Operator towards geo-science studies and miscellaneous works carried out for the Vietnam Project, has been incorrectly accounted for as Miscellaneous expenditure (to the extent not written off and adjusted) and not as amount due from the operators. Miscellaneous expenditure has been overstated to that extent.

The Management stated that the policy would be reviewed.

MINISTRY OF POWER

DEPARTMENT OF POWER

1.2.59 National Thermal Power Corporation Limited

1) Non-provision of interest amounting to Rs. 1836 lakhs for the current year and Rs. 4099.08 lakhs for the period 1992-93 to 1994-95 on bonds of the face value of Rs. 10800 lakhs registered in the name of Canara Bank and cancelled during the year 1994-95 had neither been disclosed in the Notes to the Accounts nor shown as contingent liability despite being pointed out in the comment of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March 1995.

The Management's contention that provision for interest on bonds had not been made in the accounts as they had been cancelled with due approval is not tenable because the cancellation had not been accepted by the bank.

2) No provision had been made for payment of guarantee fee of Rs. 12613.15 lakhs to the Government of India (at normal rates) on guarantees given by the latter on internal and external borrowing(s) of the Company as required in Ministry of Finance instructions of 24 April 1992 and 4 June 1993. This had resulted in overstatement of profit for the year by Rs. 4545.17 lakhs (previous year : Rs. 5831.26 lakhs) and understatement of Current liabilities and provisions by Rs. 12613.15 lakhs and Capital work-in-progress by Rs. 16.87 lakhs (previous year : Rs. 2219.85 lakhs). Further, the Company had also since become liable to pay guarantee fees at double the normal rate.

The Management's contention that the matter was under correspondence with the Government of India is not tenable as in the absence of a specific waiver, the liability should have been duly provided for in the Accounts.

3) No provision had been made for liability on account of liveries/uniforms to be provided to the employees, resulting in overstatement of profit by Rs. 297.62 lakhs and understatement of Capital work-in-progress by Rs. 36.78 lakhs. Consequently, Current liabilities and provisions had also been understated by Rs. 334.40 lakhs.

The contention of the Management that pending introduction of voluntary pension scheme, the issue of uniforms had been kept in abeyance is not acceptable since in the absence of a final decision, the employees remain entitled to uniforms in accordance with the Uniform Rules of the Company.

1.2.60 National Hydro-electric Power Corporation Limited

1) Funds from Government of India (Rs.571.94 crores) included the assets of Jammu and Kashmir(J&K) transmission lines transferred to Power Grid Corporation of India Limited (PGCIL) with effect from 1 April 1993 for which the PGCIL had taken over the liability of the Government of India loan of Rs. 10.31 crores and were discharging it directly. The

Company has, however, continued to depict the aforesaid loan as well as interest accrued and not due amounting to Rs.0.66 crore thereon in its books of accounts.

The Management stated that the Company was still awaiting orders from the Government of India regarding transfer of the loan to PGCIL for the J&K transmission lines. Necessary adjustment would be carried out on receipt of the orders.

The reply is not acceptable as PGCIL have already taken over the liability of the Government of India loan in their books and discharging it directly. There was no need to provide interest accrued but not due.

2) Gross Block was overstated by Rs.137.61 crores in respect of Chamera-I and Tanakpur Projects alone as the depreciation charged on original assets/equipment used during construction period had not been reduced from the gross value of these original assets/equipment at the time of capitalisation on commencement of commercial operation of the respective plants. This had consequent effect on excess fixation of tariff chargeable from beneficiary States/State Electricity Boards.

The Management stated that the Company was recovering the fixed charges on provisional basis as per K.P.Rao Committee's recommendation pending notification of the tariff by Central Electricity Authority. The recommendations had been taken into account while recommending fixation of tariff to Government of India.

The reply is not tenable as the depreciation of equipment used during construction period which was capitalised on commencement of commercial production of plant was not reduced from gross block of equipment resulting in overstatement of gross block. As the tariff was fixed on the basis of gross block, inflated gross block had resulted in fixation of excess tariff.

3) Despite comments of the Comptroller and Auditor General of India on the accounts of the Company for the year 1994-95, the Company had capitalised and allocated to 'projects under construction' the remuneration of Rs. 16.90 crores paid to surplus staff, instead of treating it as revenue expenditure. Accordingly, Profit as well as Incidental Expenditure during Construction (IEDC) were overstated to this extent.

The Management stated that they had been consistently following Accounting policy No. 9 regarding allocation of Corporate office expenses including surplus labour.

The reply is not acceptable as the expenses related to surplus staff working in the projects which had since been completed and commissioned and should, therefore, be charged to Profit and Loss Account.

4) Interest payments did not include interest amounting to Rs.0.81 crore short paid on delayed repayment of instalments of Government of India loan for the period of delay. It also did not include Rs.2.72 crores representing interest on working capital loans, cash credit and 'K' series bonds allocated to Salal-II project and capitalised subsequent to its commissioning, resulting in overstatement of profit to that extent.

The Management noted the audit comment.

5) Despite comments of the Comptroller and Auditor of General of India on the accounts for the year 1994-95, the Company had neither paid nor provided for the guarantee fee of Rs. 16.45 crores for the current year payable to Government of India in terms of the instructions of the Ministry of Finance dated 4 June 1993 (accumulated to Rs. 36.48 crores up to 31 March 1996). This had resulted in overstatement of profit for the year by Rs. 11.31 crores, understatement of Incidental Expenditure during Construction by Rs. 25.17 crores and of Current liabilities and provisions by Rs. 36.48 crores.

The Management stated that the position had been explained in Notes to the Accounts wherein it had been mentioned that the matter was still under correspondence with the concerned authorities.

The reply is not tenable as the liability of the

Company in terms of the instructions of the Ministry of Finance is unambiguous and should have been provided for in the absence of a specific waiver by the Government.

6) Construction plant and machinery included Rs.4.68 crores of exchange rate variation allocated to surplus construction equipment on which no depreciation was charged. The full amount therefore should have been charged to Profit and Loss Account in accordance with AS 6. Accordingly, profit was overstated by Rs. 4.68 crores.

The Management stated that no adjustment had been carried out since as per its Accounting policy, the construction equipment declared surplus in the projects were shown at lower of book value or realisable value.

The reply is not tenable as the exchange rate variation on assets declared surplus has to be charged to Profit and Loss Account.

1.2.61 North Eastern Electric Power Corporation Limited

Profit for the year 1995-96 was overstated by Rs. 1443.25 lakhs due to the following :

(i) Non-provision of minimum demand charges (Rs.1076.37 lakhs) for purchase of natural gas.

The Management stated that it was not possible to ascertain the liability and hence the claim of Oil India Limited was shown as contingent liability.

The Management's reply is not acceptable as the Company would have to pay the minimum demand charges for supply of gas as per amended MOU and has already paid certain amount to Oil India Limited.

(ii) Non-provision for arrears of salary (Rs.81.89 lakhs) consequent upon implementation of revised Industrial Dearness Allowance (IDA) pay scales.

The Management's reply that due to constraints of time and various intricate processes involved in individual pay fixation the full provisions could not be ascertained and provided for, is not acceptable since there was ample scope to provide the liability in the accounts.

(iii) Unilaterally writing back of interest (Rs.275.81 lakhs) on Government loan and depreciation (Rs.9.18 lakhs) on assumed debt equity ratio of 1:1 without prior approval of the Government.

The Management stated that during the year the Ministry of Power has already rescheduled debt and equity as per the approved pattern and Ministry of Home Affairs was presently engaged actively for the same realignment of loan and equity and final approval was expected shortly.

The Management's reply is, however, not acceptable as no adjustment should have been made before approval of the Government.

1.2.62 Power Grid Corporation of India Limited

1) While on the one hand there has been an overstatement of Capital Reserve by Rs.112.06 crores due to restoration of its deposits during 1994-95, on the other hand a liability under Loan Funds amounting to Rs.124.20 crores towards forfeited bonds with Canbank Financial Services Limited and Andhra Bank Financial Services Limited and Rs.78.26 crores of cumulative interest thereon has been kept out of accounts. Showing an external liability as Capital Reserve is a distortion of accounts as also pointed out in the comment of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31st March 1995.

The contention of the Management that deposits were restored by crediting the Capital Reserve account during 1994-95 as per the legal advice obtained to protect the financial interest of the Company in case of any civil suit arising in future, is not acceptable since showing an external liability as Capital Reserve constituted a distortion of accounts as the Company has neither made any payment in cash to CANFINA and ABFSL against these deposits' nor realised any capital profit from redemption/disposal of bonds.

2) An amount of Rs. 413.73 lakhs available with the Company on customers' account had been reduced from the Cash and Bank balances (under Current assets, loans and advances) instead of being included in Current liabilities and provisions (under Deposits, retention money from contractors and others), resulting in understatement of both Current Assets, loans and advances and Current liabilities and provisions.

The Management stated that the practice of depicting funds held on Customers' account was being followed consistently. However, the same would be reviewed during 1996-97.

3) Profit for the year 1995-96 and that for previous years were overstated by Rs. 1230.93 lakhs and Rs. 2092.65 lakhs respectively and Current liabilities and provisions were understated by Rs. 3323.58 lakhs due to non-payment/ provision for payment of guarantee fee to Government of India on external borrowing even at the normal rate of 1.2 per cent per annum as required in Ministry of Finance instructions of 4 June 1993. Further, the Company had also since become liable to pay guarantee fee at double the normal rate.

The Management stated that the matter had already been taken up with the Government of India for non-payment of the guarantee fee.

The reply is not tenable as in the absence of a specific waiver, the liability has to be provided for in the Accounts.

1.2.63 Rural Electrification Corporation Limited

1(i) Loans & Advances included Rs.189.19 crores being the amount of loans disbursed to 12 States under the 'Minimum Needs Programme (MNP)' as against the revised allocation of Rs. 132 crores. The Company made inter-State adjustments of loans sanctioned under the MNP in contravention of the terms of the MOU entered into with the Government of India under which inter-State adjustments of funds were allowed only in respect of non-MNP funds.

The Management stated that the amount disbursed under loans and advances was not Rs.189.19 crores but Rs.146.59 crores as indicated in Table IV as additional information. The Company has not made inter-State adjustments of MNP allocations made by the Planning Commission and has thus not contravened the provisions of Memorandum of Understanding entered into with the Government of India.

The Management's contention that the amount disbursed was Rs.146.59 crores and not Rs.189.19 crores is not acceptable because while arriving at the figure of Rs.146.59 crores the Management has adjusted Rs.81.46 crores paid as inventory loan during the earlier years and added Rs.38.86 crores paid as inventory loan during the year. Since the Inventory loan was not a part of MNP, any adjustment against inventory loan was not in order. Therefore, the correct figure was Rs. 189.19 crores.

Further, the Management's contention that no inter-State adjustment were made is not correct as inter-State adjustments were made in respect of Uttar Pradesh, Assam, Bihar, Madhya Pradesh, Manipur, Meghalaya, Orissa, Rajasthan, Tripura and West Bengal.

(ii) Against the existing allocation of Rs.45 crores under MNP, UPSEB was sanctioned/disbursed loan of Rs.53.60 crores. No cash payment was made and the entire sanctioned loan amount was adjusted against outstanding inventory loans - Rs.34.74 crores and overdue interest instalments - Rs 18.86 crores. The adjustment of interest (Rs.18.86 crores) was contrary to RBI guidelines as the past dues were in arrears for more than two quarters. This has resulted in overstatement of profit by Rs. 18.86 crores.

The Management stated that allocations were based on estimates while the disbursements were made within the ceiling of sanction depending upon value of work done by the respective SEB's against the sanction. The adjustment of dues against the disbursement is an accepted commercial practice and has been consistently followed by the Company. The Company's accounting policy recognises income through realisation, which as per commercial and accounting parlance includes realisation through adjustments. It also stated that guidelines referred to were not applicable to REC as clarified by RBI vide their letter dated 31 December 1996.

The Management's reply is not acceptable as the accounts were finalised in September, 1996 and the Accounting policy of the Company itself mentions that the guidelines on the Income recognition issued by the RBI and amended from time to time wherever applicable have been followed. The adjustment of interest against credit facility, which were actually non-performing assets, is contrary to the RBI guidelines and the Company's Accounting Policy.

2(i) Income from operations included Rs.27.08 crores being the adjustment of outstanding dues recoverable from various SEBs on account of interest/interest tax for the period 1993-95 against the Central Assistance (Rs.52.75 Crores) allocated by the Government of India. The appropriation of interest income by the Company out of the Central Assistance was not in order as the Government of India vide its letter dated 6 January 1993 had contemplated that overdues as on 31 May 1992 only be adjusted. As on 31 March 1995 dues relating to the period prior to 31 May 1992 had already been recovered/adjusted in full by the Company. As such the unspent funds were to be surrendered but the Company adjusted the entire Central Assistance of Rs.52.75 crores (against interest overdue of Rs.27.08 crores, and principal instalments overdue of Rs.25.67 crores). Since this amount was refundable to Government of India, it should have been classified under "Current liabilities". The present accounting treatment has led to overstatement of profit by Rs. 27.08 crores.

The Management stated that the Company was recognising income on realisation basis. The dues as and when received were appropriated between interest and principal as per the Accounting Policy of the Company. It also stated that the Government has since confirmed vide their letter dated 24 December 1996 that the practice followed by REC in accounting the amount recovered through Central

Appropriation is in order.

The Management's reply is not acceptable because the allocation was for the period prior to 31 May 1992, and the Company was not authorised to adjust this money against the overdues of principal and interest for the period after 31 May 1992. However, the letter dated 24 December 1996 referred to by the Management in their reply has been received from Ministry of Power and not from Ministry of Finance, as required.

(ii) Against the allocation of Rs. 62 crores (Normal-Rs.30 crores, MNP - Rs.27 crores & System Improvement Rs. 5 crores), the Company made disbursements to MPEB to the tune of Rs 150.55 crores during the year i.e. an excess disbursement of Rs. 88.55 crores(143 per cent). The entire amount of disbursement was adjusted in 1995-96 against the old outstanding dues and nothing was paid in cash. The adjustment of interest income (Rs.56.67 crores) which was in arrears for more than two quarters was in violation of RBI guidelines and has resulted in overstatements of income as well as profit for the year by Rs. 56.67 crores. Consequently, loans and advances were also overstated to the extent of Rs. 31.87 crores.

The Management stated that REC's target for sanction/ disbursements are fixed on the basis of allocation made by Government and internal resources available with REC. As such, the targets fixed in "Memorandum of Understanding" signed with the Government are always higher than the Central Plan allocation. Actual disbursements, however, depend upon the work done and claims submitted by the different SEBs and thus the actual disbursement can be different from Central Plan allocation and variation therein is within the competence of the Company. The disbursements made to MPEB are based on actual claims of works done duly verified by the Corporation and are therefore regular and in consonance with past practice. The amount recovered through adjustment has been appropriated between interest and repayment of principal in accordance with Accounting Policy. RBI has since clarified that referred guidelines are not applicable to REC.

The Management's reply is not acceptable because the Company made disbursement of Rs.150.55 crores to MPEB against the allocation of Rs.62 crores through adjustments without obtaining their consent during the year. The consent was obtained in April, 1996 only. Further the RBI guidelines with regard to income recognition were applicable to the Company on the date of finalisation of the Company's accounts as brought out in Accounting policy.

1.2.64 Tehri Hydro Development Corporation Limited

1) Capital work-in-progress included Rs. 195.43 lakhs being sales tax levied and paid to the Sales Tax Department on construction material issued to the contractors during 1985-86 to 1990-91 but not allocated to the works already completed and in use. This has resulted in overstatement of Capital work-in-progress and understatement of fixed assets/Incidental Expenditure During Construction (IEDC) by Rs. 195.43 lakhs.

The Management stated that due to non availability of workwise detailed records of use of such material, the amount of sales tax shown under capital work-in-progress shall be appropriated to various works on prorata basis during the year 1996-97.

2) Current assets, loan and advances included Rs.1460 lakhs paid to Special Land Acquisition Officer - II (SLAO-II), Tehri during the period March 1990 to October 1990 for acquisition of land and buildings in Old Tehri Town. Although disbursements of compensation for acquisition of land etc. in this regard (wards 6 to 10) have been completed except in a few disputed cases, the advances have not been adjusted due to non-submission of the accounts thereof by SLAO-II to the Company due to seizure of records by the Central Bureau of Investigation (CBI). This has not been suitably disclosed in the accounts.

The Management stated that due to seizure of the records by Central Bureau of Investigation (CBI) the authenticated records of the payments already disbursed to oustees could not be made available by the Special Land Acquisition Officer (SLAO). As soon as the statements of accounts in Form 11-A duly signed by the SLAO are received necessary adjustment would be carried out.

3) The Accounting policy of the Company that "depreciation is not provided on fixed assets till they are put to use, though included in the gross block of fixed assets" is in contravention of the provisions of Section 211 of the Companies Act, 1956.

Non-charging of depreciation on the assets valuing Rs.5292.00 lakhs (Tunnels, Electric Shovel, Fixed Assets in store) which are fit for use, has resulted in overstatement of fixed assets by Rs.251.37 lakhs.

The Management stated that the accounting policy regarding charging of depreciation on fixed assets would be examined and necessary corrections/amendments, if any, would be carried out during the year 1996-97.

MINISTRY OF RAILWAYS

1.2.65 Container Corporation of India Limited

1) The Company had proposed a dividend of Rs.7.80 crores instead of Rs.10.62 crores (20 per cent of post tax profit) in violation of Ministry of Finance's instructions dated 14 August 1995 which provided that dividend to be paid to all the shareholders including Government be 20 per cent of the post-tax profit.

The Management had not offered any comment.

1.2.66 IRCON International Limited

1) 'Other expenses' did not include Rs. 4.44 crores being the liability, in terms of Ministry of Finance instructions of 24 April 1992 and 4 June 1993, on account of penal guarantee fee on outstanding amount of principal plus interest guaranteed by the Government of India. This resulted in overstatement of Profit by Rs. 4.44 crores (Current year : Rs. 0.36 crore and prior period : Rs. 4.08 crores).

The Management stated that the matter relating to payment of guarantee charges to the Government in respect of guarantees issued by the Ministry of Railways and outstanding on 4.6.1993 was being reviewed by the Ministry of Finance. The reply is not tenable as the liability of the Company in terms of Ministry of Finance's instructions is unambiguous and should have been provided for unless specifically waived off by the Government.

1.2.67 Rail India Technical And Economic Services Limited

1) Capital work-in-progress of Rs. 2.21 crores represented value of residential quarters completed in March 1994 which, as such, should have been capitalised. This also resulted in understatement of Fixed Assets.

The Management stated that the cost of these quarters could not be capitalised pending settlement of the final claim of the contractor.

The reply is not tenable as the settlement of final claim was a procedural matter and the residential quarters had been completed two years back.

MINISTRY OF STEEL

1.2.68 Rashtriya Ispat Nigam Limited

1) The Expenditure during construction awaiting allocation is overstated by Rs.496.23 lakhs due to accounting of the remuneration and benefits relating to the employees of the Construction Group. As all the units and sub-units were already commissioned and capitalised, treatment of the said expenditure as Expenditure during construction was not appropriate. This resulted in understatement of loss for the year by a similar amount.

The Management stated that the construction activity was continuing in the Company during the current year and since this is an on-going process, the remuneration & benefits paid to those employees of Construction Group have to be debited to Expenditure during construction.

The reply of the Management is not tenable as all the units and sub-units were already commissioned, it was not correct to treat the expenditure incurred on the employees of construction group as Expenditure during construction irrespective of whether certain construction activity was continuing.

2(a) As per the Company's Accounting policy, the quantity of 39000 tonnes of steel scrap in the L.D. slag was valued at Rs.5782 per tonne (being the 90 per cent of net realisable value (NRV) of pig iron) as against Rs.3465 per tonne being the estimated net realisable value based on the offers received during February, 1996. As the steel scrap is the residue remaining in the L.D slag and is therefore different, equating the same with the other steel scrap and linking the same to the NRV of the pig iron for valuation is not appropriate. This resulted in overstatement of inventories and understatement of loss by Rs.903.63 lakhs.

The Management stated that the rate of Rs.3465/- per tonne cited by the audit related to unaccepted tender floated in the month of February 1996. This could not be considered as estimated realisable value. The Company has consistently been following valuation of steel scrap at a rate equivalent to 90 per cent of the NRV of the pig iron.

The reply of the Management is not acceptable as the steel scrap in L.D.slag should have been valued on the estimated net realisable value based on the offers received (February 1996).

(b) Similarly, 35060 tonnes of iron scrap was valued at Rs.4768 per tonne (being 75 per cent NRV of pig iron) as against Rs.3751 per tonne being the NRV applicable as at 31 March 1996. This resulted in overstatement of inventories and understatement of loss by Rs.356.56 lakhs.

The Management stated that the valuation of iron scrap at a rate equivalent to 75 per cent of the pig iron value was being consistently followed by the Company.

The reply of the Management is not tenable as the Company should have valued the iron scrap based on the scrap wise NRV applicable as at the date of Balance Sheet instead of valuing the entire scrap at 75 per cent of the NRV of pig iron.

MINISTRY OF SURFACE TRANSPORT

1.2.69 Cochin Shipyard Limited

Non provision of depreciation for docks and quays at the rates applicable to "Plant and Machinery" had resulted in overstatement of profit for the year by Rs.76.90 lakhs as the Company had adopted the rates applicable for factory buildings in this regard.

The Company's contention that dry docks and quays were only civil structures and they were not apparatus or tools to enable the Company to treat these items as Plant and Machinery, does not hold good by applying the tests for determining whether a structure is a plant or a building as laid down in the judgement of the Supreme Court in the case of Scientific Engineering House (Pvt) Ltd. v/s CIT (157 ITR 86).

The Docks and Quays are therefore to be taken as apparatus or tool to carry on the activity/business and should be rightly treated as 'Plant' for the purpose of depreciation.

1.2.70 Hooghly Dock & Port Engineers Limited

1) The valuation of work-in-progress (WIP) of 400 passenger vessel for Andaman & Nicobar Authority as per Accounting policy of the Company (valuation as per stage of completion) worked out to Rs.993.51 lakhs as against Rs.1351.40 lakhs provided for in the accounts. This had resulted in understatement of loss and overstatement of WIP by Rs.357.89 lakhs.

The Management stated that the computation of realisable price with reference to the total price of the vessel and percentage of completion was not applicable in this case, as the amount of advance actually received from the customer was Rs.15.47 crores, which was more than the WIP of Rs.13.51 crores as shown in the accounts. Further, as the order was cancelled by the customer in 1993-94, the amount actually received was considered as realisable/ realised price of the vessel and percentage of completion after taking into account future loss was not applicable in this case. Further, revised price of vessel had been fixed as Rs.45.28 crores (including delivery charges of Rs.0.25 crore) as per short-term revival proposal which was expected to be approved.

The Management's contention that no provision was made against the future loss is not acceptable as it was not based on sound accounting principles. Upward revision of WIP to match with the receipt of advance was also not correct as there was no relation between actual cost and the advance received, more so when the order had been cancelled in July 1993. Refixing the price of the ship at Rs.45 crores by the company was not based on any offer or acceptance of price by the customer. There was, therefore, no justification for upward revision of value of WIP from Rs.993.51 lakhs to Rs.1351.40 lakhs.

2) Non-provision for doubtful Advances recoverable from various parties amounting to Rs.52.84 lakhs had resulted in understatement of loss and overstatement of advances by Rs.52.84 lakhs.

The Management stated that ship-building was a long cycle production process and required 60 to 70 per cent of bought out items. The Company made these advance payments for purchase of various equipment and machines for two specific orders of Union Territory of Andaman & Nicobar Islands and Department of Light House. As these orders were cancelled in mid-way in 1993-94, the delivery of material could not be obtained after making balance payments. As these orders were likely to be revived, the company was expecting to receive advance from these parties. The company would start releasing the balance payment to its suppliers to get the delivery of the equipment, then the related advances would be adjusted accordingly.

3) A concessional rate of interest of 11 per cent against normal rate of interest of about 18 per cent is chargeable by bank on overdraft by the Company in case the same was guaranteed by the Government. Although there was no such guarantee given by the Government during 1994-95, the Company provided interest at the rate of 11 per cent leading to under-provision of liability and understatement of loss in the current year and prior period by Rs.5.15 lakhs and Rs.52.65 lakhs respectively.

The Management stated that the Company has taken more conservative approach and provided liability on ad-hoc basis, since no definite liability was ascertainable at that stage. Further, Company's appeal to debt recovery tribunal was resting on the plank that SBI should charge interest at the rate of 11 per cent from the inception of Cash Credit account.

The reply is not tenable as the guarantee was not extended by the Government in this case. As such, the Company should have provided interest liability at 18 per cent instead of 11 per cent.

1.2.71 Shipping Corporation of India Limited

1) Depreciation included a sum of Rs. 700.88 lakhs being additional depreciation due to addition in fixed assets as a result of foreign exchange fluctuations made retrospectively instead of prospectively which resulted in understatement of profit and overstatement of depreciation to that extent.

The Management's contention that depreciation was provided for the entire year in which fluctuations in foreign currency had been accounted for and not retrospectively from the date of acquisition, in accordance with AS 6 is not tenable as the audit has not implied the depreciation be provided retrospectively from the date of acquisition. As per AS-6, depreciation on the revalued amount should be provided prospectively over the residual useful life of the asset. As the revaluation of the assets took place on the last day of the year (1995-96), the depreciation claimed for the year 1995-96 was not correct.

2) The Accounting policy No. 6 (d) states that stores and spares issued to ships which can not be delivered immediately are shown as "Stores/Spares in transit" and are cleared on receiving the acknowledgement from the ship. A sum of Rs. 1352.54 lakhs being adjustment made towards consumption of stores and spares delivered to ships during 1985 to 1993 remained to be reconciled. The Management stated that this had no bearing on the profit of the Company for the year since the entire amount had been charged to consumption with adequate disclosure in the accounts.

The reply does not cover the main issue and the serious deficiency in the system by which the spares delivered to ships during 1985-93 were shown as consumed without receiving any acknowledgement from the ships. Till all deliveries are reconciled, there is no assurance that all deliveries have reached the ships and/or consumed.

3) Provision of Rs. 3268 lakhs included a sum of Rs. 460 lakhs being the provision made on account of foreclosure of lease agreement for containers acquired through lease and hire purchase. At the same time, the lease rent and instalment on hire purchases were continued to be paid and debited to Profit and Loss Account despite the fact that the containers were lost in transit. Since the payment was being made as per the agreement and no foreclosure has taken place, the provision made was not necessary. This has resulted in overstatement of provision with corresponding understatement of profit by Rs. 460 lakhs.

The Management stated that the lease rent and instalment of hire purchases were being paid as per the agreement and foreclosure of the lease was not finalised.

The reply is not tenable because as long as lease rent and instalment for hire purchases were being paid as per agreement and foreclosure of the lease was not finalised there was no need for making a provision for foreclosure.

4) Sundry Steamer expenses of Rs. 1661 lakhs included a sum of Rs.406 lakhs being the expenses towards pension liability payable in instalment upto the year 2000. Against the first instalment due of Rs. 22 lakhs during 1995-96, the Company charged the entire amount of Rs. 406 lakhs resulting in overstatement of direct expenses and understatement of profit by Rs. 384 lakhs.

The Management stated that as per the accrual system of accounting, the Company was required to provide for the entire liability in the year in which it accrued, and hence there was no understatement of profit.

The Company has taken a very conservative method of accounting because the payment was spread upto the year 2000. A disclosure would have been sufficient for future liability as the Company was contemplating contesting the liability in the Court of Law.

5) In terms of Government of India, Ministry of Finance, Department of Revenue instructions of 4 June 1993, the Company was liable to pay guarantee fees at the rate of 1.2 per cent per annum on the outstanding amount of principal plus interest on external borrowings guaranteed by the Government of India. Further, the Company was also liable to pay guarantee fees at double the normal rate for the period of default where the guarantee fee was not paid on due dates.

The Company has provided (but not paid) Rs. 2423 lakhs @ 1.2 per cent as guarantee fee for the period 1993-94 to 1995-96 (4 June 1993 to 31 March 1996). However, no provision for the guarantee fee at penal rate has been made for failure to pay for the period of default. Consequently, there was under-provision of liability for guarantee fee by Rs. 2,423 lakhs with corresponding overstatement of profit by the same amount.

The Management's contention that the original sanctions for guarantee issued by Government of India did not stipulate even charging of guarantee fee and the Government was considering waiving of guarantee fee in such cases is not tenable as Government of India's orders of 4 June 1993 clearly stipulate that provision at penal rate was required to be made for failure to pay the guarantee fee for the period of default and the guarantee fee was leviable on the outstanding amount of principal plus interest on external borrowings guaranteed by the Government of India.

MINISTRY OF TEXTILES

1.2.72 British India Corporation Limited

1) Against the total guarantee fee of Rs. 128.70 lakhs payable to the Government in respect of guarantee extended to the Company, a provision for Rs.60.06 lakhs only has been made. This has resulted in short provision of Rs. 68.64 lakhs and understatement of loss to the same extent.

The Management stated that confirmation to this effect has been sought from Ministry in December 1996.

2) A package of measures proposed to achieve economic viability and financial rehabilitation of the Company viz. grant of interest free funds by Govt. of India, grant of concessions by way of reduction in the rate of interest by State Bank of India and Financial Institutions (Note No.20 to the Accounts). Though the approval of Government of India to these proposals was not received, the Company has given effect to the same in the accounts which was not in order and has resulted in understatement of loss as well as liability by Rs. 195.98 crores (including liability of Rs.25.52 crores for the current year) as detailed below :-

	Rs. in crores
Non provision of Interest on Government of India loans.	142.54
Short Provisions of interest on SBI loans	51.51
Short provisions of interest on FI's loans	1.93
	195.98

1.2.73 Cotton Corporation of India Limited

1) Sundry debtors and profit were overstated by Rs.33.65 crores due to non-provision of debts outstanding for more than three years.

The reply of the Management that they were confident of recovering these amount and hence no provision was felt necessary is not tenable as there has been no recovery in the last three years. Further as on date, NTC is a sick company with huge accumulated losses and the chances of recovery are remote. Hence suitable provision should have been made.

1.2.74 National Textile Corporation (Uttar Pradesh) Limited

The Accounting policy regarding gratuity stated that no provision has been made for the liability upto 31 March 1988 and that this would be accounted for in the year of payment. This was in contravention of the provisions of AS 15 which was mandatory from 1 April 1995.

Non-provision in this regard amounting to Rs.332.23 lakhs has resulted in understatement of loss by this amount.

The Management stated that the non-provision of gratuity liability upto 31 March 1988 was as per the uniform Accounting Policy / practice followed by NTC group of companies.

The contention is not tenable as the Accounting Policy followed by the Company was contrary to the provisions of Section 209(3)(b) of the Companies Act, 1956, which requires accounting on accrual basis.

1.2.75 North Eastern Handicrafts & Handlooms Development Corporation Limited

The Loss for the year 1995-96 was understated by Rs.689.21 lakhs due to non-provision of interest of Rs.20.21

lakhs on cash credit account and non-provision of interest of Rs.669 lakhs on Government loans.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

DEPARTMENT OF URBAN DEVELOPMENT

1.2.76 Housing and Urban Development Corporation Limited

1) Government guarantee fee on statutory liquidity ratio (SLR) debentures did not include an amount of Rs. 9.82 crores being unpaid guarantee fee on the outstanding amount of internal borrowings payable to the Government of India in terms of Ministry of Finance instructions of 24 April 1992, read with instructions of 9 September 1992. This also resulted in overstatement of profit to the same extent (current year : Rs. 2.50 crores and prior period : Rs. 7.32 crores).

The Management stated that all demands made by the Government on account of guarantee fee had already been paid upto the year 1995-96 and no additional demand had been received.

The reply is not tenable as the liability of the Company in terms of Ministry of Finance instructions is unambiguous and should have been provided for in the absence of a specific waiver by the Government.

2) Item 18 of Notes forming part of Accounts stated, inter-alia, that bank guarantees had been invoked in respect of the defaulted amounts of Rs.146.39 crores, Rs.91.22 crores, and Rs.59.85 crores against Ghaziabad Development Authority, Meerut Development Authority and Allahabad Development Authority, respectively. The bank guarantees actually invoked, however, amounted to only Rs. 34.17 crores, Rs.45.75 crores and Rs. 39.21 crores, respectively.

The Management had noted the audit comment.

1.2.77 National Buildings Construction Corporation Limited

1) Unsecured loans (Rs.19744.70 lakhs) included an amount of Rs.8867.76 lakhs as principal and Rs.7806.94 lakhs as interest accrued which became repayable as on 31 March, 1996, but has not been paid. Despite a comment on the accounts for 1994-95, the Company had also not provided for penal interest (Rs.2353.22 lakhs) payable due to default in repayment of Government loans and interest thereon but has shown it only as a contingent liability. This has resulted in understatement of loss to the extent of Rs.2353.22 lakhs.

The Management stated that provision for penal interest against Government loans was shown as contingent liability as the waiver of Government loans and interest accrued thereon has been recommended by the Ministry of Urban Affairs and Employment in the Financial Restructuring proposal submitted to the Government for their approval.

The reply is not tenable as a firm liability towards interest should not be treated as a contingent liability since the recommendation to the financial restructuring proposal by the Administrative Ministry cannot be construed as waiver of the interest liability.

2) Neither the guarantee fee on guarantee given by Government of India has been paid nor provision therefor made. Further, the amount of outstanding Government guarantee fee on internal/external borrowings has been disclosed as Rs.142.42 lakhs against the actual amount of Rs.1016.14 lakhs resulting in understatement of the liability and the loss by Rs.873.72 lakhs.

The Management stated that the short provision of guarantee fee on internal/external borrowings is in respect of guarantees already cancelled and that the matter has been taken up with the Government of India for waiver of such fee.

The reply of the Management is not tenable as the provision for liability of Rs.873.72 lakhs should have been made and the same could have been written back on acceptance of the proposal by the Government.

1.3 REVIEW OF ACCOUNTS.

NAME OF THE MINISTRY/COMPANY	BRIEF COMMENT
DEPARTMENT OF ATOMIC ENERGY.	
1.3.1 Indian Rare Earths Limited	i) Inventory of stores & spares as on 31 March 1996 was 289.07 per cent of consumption during the year. ii) Earning per share declined to Rs.13.99 in 1995-96 as against Rs.32.58 in 1994-95. iii) The percentage of expenditure on manpower to production cost increased to 40.55 in 1995-96 as against 24.99 in 1994-95.
MINISTRY OF CHEMICALS AND FERTILIZERS	
DEPARTMENT OF CHEMICALS AND PETROCHEMICALS	
1.3.2 Hindustan Antibiotics Limited	Accumulated losses of Rs.83.17 crores as on 31 March 1996 were 206 per cent of the paid-up capital.
1.3.3 Hindustan Organic Chemicals Limited	Stock of stores and spares as on 31 March 1996 was equivalent to 31.20 months' consumption during the

year as compared to 26.54 months' during 1994-95.

DEPARTMENT OF FERTILIZERS

1.3.4	**The Fertilizer Corporation of India Limited**	Accumulated losses upto 31 March 1996 had fully eroded the paid-up capital as well as the borrowed funds.
1.3.5	**Hindustan Fertilizer Corporation Limited**	Accumulated losses upto 31 March 1996 had fully eroded the paid-up capital and borrowed funds.
1.3.6	**Paradeep Phosphates Limited**	The net worth per rupee of paid-up capital was (-)Rs.3.47 as at 31 March 1996 and the percentage of debt to equity was 110.14 in 1995-96.
1.3.7	**Rashtriya Chemicals & Fertilizers Limited**	i) Earning per share declined to Rs.1.35 during 1995-96 from Rs.3.03 during 1994-95. ii) Stock of urea went upto Rs.92.86 crores as on 31 March 1996 from Rs.69.21 crores on 31 March 1995.

MINISTRY OF COAL

1.3.8	**Bharat Coking Coal Limited**	Accumulated losses of Rs.1190.77 crores as on 31 March 1996 had completely eroded the paid-up capital of Rs.1133 crores.
1.3.9	**Eastern Coalfields Limited**	The working capital (current assets, loans and advances less current liabilities and provisions) was negative consecutively for the last 3 years ended 31 March 1996.

MINISTRY OF COMMUNICATIONS

DEPARTMENT OF TELECOMMUNICATIONS

1.3.10	ITI Limited	Net worth declined from Rs.319.89 crores in 1993-94 to Rs.236.33 crores in 1994-95 and to (-)Rs.3.01 crores in 1995-96 due to substantial losses in the last two years which have eroded the paid-up capital as well as reserves.

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION AND SUPPLIES

1.3.11	Bharat Electronics Limited	i) The working capital declined continuously from Rs.453.76 crores in 1993-94 to Rs.193.31 crores in 1995-96 due to increase in current liabilities especially sundry creditors and advances received from customers. ii) The percentage of manufacturing profit to sales decreased continuously from 8.88 in 1993-94 to 3.36 in 1995-96.
1.3.12	Mazagon Docks Limited	Stock of raw materials as on 31 March 1996 was equivalent to 22 months' consumption during the year as compared to 12 months' during 1994-95.

MINISTRY OF FINANCE

1.3.13	National Insurance Company Limited	The Company incurred a loss of Rs.4.95 crores during 1995-96 in foreign operations as

		against profit of Rs.2.10 crores during 1994-95.
1.3.14	**Oriental Insurance Company Limited**	The Company incurred a loss of Rs.3.67 crores during 1995-96 in foreign operations as against that of Rs.0.75 crore during 1994-95.

MINISTRY OF INDUSTRY

DEPARTMENT OF HEAVY INDUSTRY.

1.3.15	**Burn Standard Company Limited**	The net worth of the Company as on 31 March 1996 was negative at Rs. 344.14 crores and thereby eroded the entire paid-up capital of the Company.
1.3.16	**Braithwaite & Company Limited**	The net worth of the Company was negative (Rs.171.08 crores) as on 31 March 1996 eroding the entire paid-up capital of the Company.
1.3.17	**Engineering Projects (India) Limited**	Accumulated losses (Rs.707.18 crores) stood at 88.40 times of paid-up capital (Rs.8 crores) as on 31 March 1996.
1.3.18	**Heavy Engineering Corporation Limited**	Accumulated losses of Rs.1152.86 crores as on 31 March 1996 had not only eroded the paid-up capital but also wiped out its borrowed funds leading to negative net worth of Rs.873.53 crores as on 31 March 1996.
1.3.19	**HMT Limited**	i) Net worth declined continuously as the free

reserves were progressively eroded by the losses suffered by the Company from 1992-93 onwards. During 1995-96, the entire reserves were wiped out including Debenture Redemption Reserves and Bond Redemption Reserve.

ii) The loss for 1995-96 (Rs.55.89 crores) would have been much higher but for the profit of Rs.17.07 crores on sale of land.

1.3.20	**Hindustan Photo Films Manufacturing Company Limited.**	Accumulated losses of the Company increased from Rs. 159.58 crores in 1993-94 to Rs.216.02 crores in 1994-95 and Rs.286.75 crores in 1995-96. The accumulated losses during 1995-96 were 150 percent of the paid-up capital (Rs.191.36 crores including share capital deposit of Rs.10 crores).
1.3.21	**Instrumentation Limited**	Accumulated losses (Rs.52.30 crores) have eroded the paid-up capital and reserves fully as on 31 March 1996.
1.3.22	**Jessop & Company Limited**	Negative net worth(Rs.239.85 crores) as on 31 March 1996 indicated erosion of entire paid-up capital of the Company.
1.3.23	**Mining and Allied Machinery Corporation Limited**	Accumulated losses of the Company as on 31 March 1996 had fully eroded the paid-up capital.

1.3.24	**Richardson & Cruddas (1972) Limited**	i) Accumulated losses of Rs.65.01 crores as on 31 March 1996 were 119.26 per cent of the paid-up capital. ii) The Company's total borrowings of Rs.112.35 crores were equal to 206 per cent of the paid-up capital as on 31 March 1996.
1.3.25	**Tyre Corporation of India Limited**	Negative net worth (Rs.164.62 crores as on 31st march 1996 indicated erosion of entire paid-up capital of the Company.

MINISTRY OF MINES

1.3.26	**Bharat Gold Mines Limited**	Accumulated losses have completely eroded the paid-up capital rendering capital employed and net worth negative.
1.3.27	**Mineral Exploration Corporation Limited**	i) The accumulated losses of Rs.49.59 crores as on 31 March 1996 were 87.85 per cent of the paid-up capital. ii) Stock of stores and spares of Rs.4.62 crores as on 31 March 1996 was equivalent to 16 months' consumption during the year.

MINISTRY OF PETROLEUM AND NATURAL GAS

1.3.28	**IBP Company Limited**	No bonus share was issued by the Company though the reserves and surplus were 1487

per cent of the paid-up capital as on 31st March 1996.

1.3.29 Oil & Natural Gas Corporation Limited

i) Stock of stores and spares as on 31 March 1996 included stock valued at Rs.348.19 crores which had not moved for over 3 years but no technical evaluation for ascertaining the usefulness of such stock was done.

ii) Producing properties valued at Rs.128.95 crores as on 31 March 1996 did not produce any oil during the year due to various technical and administrative reasons.

MINISTRY OF POWER

1.3.30 National Hydro-Electric Corporation Limited

Stock of Stores and spares of Rs.25.97 crores as on 31 March 1996 was equivalent to 236 months' consumption during the year.

MINISTRY OF STEEL

1.3.31 Bharat Refractories Limited

i) The accumulated losses of Rs.88 crores as on 31 March 1996 were 169.88 per cent of the paid-up capital.

ii) Investment included Rs.5.11 crores invested in its subsidiary company, India Firebricks and Insulation Company Limited(IFICO) which had accumulated losses of Rs.25.00 crores as on 31 March

		1996 and a negative net worth. IFICO was referred to BIFR in 1992-93.
1.3.32	**Hindustan Steelworks Construction Limited**	i) The accumulated losses of Rs.744.47 crores as on 31 March 1996 were 37.22 times the paid-up capital and thereby eroded the entire paid-up capital. (ii) No physical verification of the stock valuing Rs.2.68 crores lying in Libya was conducted since 1988-89.
1.3.33	**Indian Iron & Steel Company Limited**	i) Accumulated losses of Rs.948.02 crores as on 31 March 1996 were 244.54 per cent of the paid-up capital. (ii) Investment included Rs.3 crores invested in its fully owned subsidiary company, IISCO Ujjain Pipes & Foundry Company Limited which had huge accumulated losses of Rs.11.38 crores as on 31 March 1995, and a negative net worth. The subsidiary company was referred to BIFR in March 1994.
1.3.34	**National Mineral Development Corporation Limited**	The stock of stores and spares held as at 31 March 1996 was in excess of the norms of 8 months'/12 months' consumption of indigenous and imported items respectively fixed by the Department of Public Enterprises.
1.3.35	**Visvesvaraya Iron & Steel Limited**	Despite increase in income by Rs.18 crores, the loss for the year increased by Rs.10.33

crores, mainly due to increase in consumption of raw material, stores and spares, power and fuel, employees' remuneration, depreciation on capitalisation of blast furnace and interest and finance charges.

MINISTRY OF SURFACE TRANSPORT

1.3.36	**Hindustan Shipyard Limited**	The stock of steel, stores and spares, timber and ship's equipment increased from 3.6 months' consumption in 1994-95 to 11.1 months in 1995-96.

MINISTRY OF TEXTILES

1.3.37	**National Textile Corporation(APKK&M) Limited**	The Company had been sustaining loss year after year rendering the capital employed and net worth negative. The accumulated losses as on 31 March 1996 completely eroded the paid-up capital and reserves and surplus.
1.3.38	**National Textile Corporation (DP&R) Limited**	Accumulated losses of Rs.207.50 crores as on 31 March 1996 were 729.86 per cent of paid-up capital of the Company.
1.3.39	**National Textile Corporation (Gujarat) Limited**	Accumulated losses of Rs. 509.55 crores as on 31 March 1996 were 2051 per cent of the paid-up capital of Rs.24.84 crores

1.3.40	**National Textile Corporation (MP) Limited**	Accumulated losses of Rs.461.38 crores as on 31 March 1996 were 1374.38 per cent of the paid-up capital of the Company.
1.3.41	**National Textile Corporation (South-Maharashtra) Limited**	Accumulated losses of Rs. 464.00 crores as on 31 March 1996 were 945 per cent of the paid-up capital of the Company.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

DEPARTMENT OF URBAN DEVELOPMENT

1.3.42	**National Buildings Construction Corporation Limited**	Accumulated losses have fully eroded the paid-up capital and reserves as on 31 March 1996.

MINISTRY OF WATER RESOURCES

1.3.43	**Rashtriya Pariyojna Nirman Nigam Limited**	Accumulated losses Rs.173.50 crores fully eroded the paid-up capital and reserves as on 31 March 1996.

CHAPTER-2

COMMENTS IN THE REPORTS ON GOVERNMENT COMPANIES BY STATUTORY AUDITORS IN PURSUANCE OF THE DIRECTIONS ISSUED BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

The Statutory Auditors (Chartered Accountants) report upon the possibility of improvements in certain aspects of accounts of Government Companies in accordance with the directions issued by the Comptroller & Auditor General of India to them under Section 619(3)(a) of the Companies Act, 1956.

Of the 263 Central Government Companies and 61 Deemed Central Government Companies as at the end of 31 March 1996, a resume of illustrative major comments for the year 1995-96 on possible improvements in the accounts of some of the Companies is given below:-

NAME OF THE MINISTRY/COMPANY		**AREA FOR IMPROVEMENT**
2.1 SYSTEM OF FINANCIAL CONTROL & ACCOUNTS		
MINISTRY OF AGRICULTURE		
	DEPARTMENT OF AGRICULTURE AND CO-OPERATION	
2.1.1	**National Seeds Corporation Limited**	1) The following deficiencies were noticed in recording of receipts and expenditure: i) Reconciliation of inter-unit transactions was not carried out. ii) No separate records had been maintained for seeds on which subsidy was recoverable from the Government of India. iii) Purchase of seeds from private parties had not been recorded in Purchase Day Book in Lucknow Region. iv) At Head Office, Investment register and Guarantee

register were not maintained properly in asmuch as entries were incomplete.

2) No reconciliation was done in respect of transfer-in and transfer-out of seed stocks from one Regional Office to other Regional Offices.

3) Bank accounts were not reconciled in so far as interest calculations were concerned.

4) Control accounts and subsidiary accounts were not reconciled regularly.

MINISTRY OF CIVIL AVIATION AND TOURISM

DEPARTMENT OF TOURISM

2.1.2	**Hotel Corporation of India Limited**	There was no proper recording of invoices raised by Centaur Hotel,Delhi Airport on Air India/other Airlines and Travel Agents.

MINISTRY OF CHEMICALS AND FERTILIZERS

DEPARTMENT OF CHEMICALS AND PETROCHEMICALS

2.1.3	**Hindustan Organic Chemicals Limited**	Delegation of powers in respect of award of contracts against tender enquiries and extending credit facilities was not strictly adhered to.

DEPARTMENT OF FERTILIZERS

2.1.4	**Hindustan Fertilizer Corporation Limited**	a) The expenditure of Haldia Unit during the period upto October 1986 had neither been allocated between capital and revenue nor the expenditure charged to revenue account thereafter. b) Unlinked debits and credits exist in the bank reconciliation statement.

2.1.5	**Madras Fertilizers Limited**	There was no system of bank reconciliation (1995-96) in respect of collection accounts maintained at Regional/ Marketing/ Branch Offices.

MINISTRY OF COMMERCE

2.1.6	**India Trade Promotion Organisation**	i) There was no centralised control on printing and issuing of receipt books. ii) There was no internal check to ensure that receipts were entered in the Cash Book serial-wise and that no serial number was missing. iii) There was no proper system of reconciliation of inter-office accounts. iv) There was no proper control on reconciliation of bank accounts, as a large number of old unlinked debits and credits were still found in bank reconciliation statement. v) There was no regular system of reconciliation of control accounts with subsidiary accounts.
2.1.7	**Spices Trading Corporation Limited**	There were large number of entries remaining unreconciled in the bank reconciliation statement ranging from 1 month to six years.

MINISTRY OF COMMUNICATIONS

DEPARTMENT OF TELECOMMUNICATIONS

2.1.8	**Mahanagar Telephone Nigam Limited**	i) Materials issued to area stores were capitalised or charged off to revenue, as the case may be, but no accounting treatment was given to stock lying at the year end at area stores.

ii) In Mumbai Unit unmatched/unlinked/unresponded debit (Rs.1.18 crores) and credit (Rs.1.46 crores) entries in bank accounts from 1987-88 were not adjusted after reconciliation.

iii) The system of periodic reconciliation of credits on account of receipts from the subscribers to match with corresponding debits was not effective as there were unlinked receipts of Rs.34.92 crores from subscribers as on 31 March 1996. Further, year end difference of Rs.12.02 crores between sundry debtors control accounts and subsidiary registers had not been adjusted.

2.1.9	**Videsh Sanchar Nigam Limited**	i) Segment-wise accounts and profit and loss statements were not prepared. ii) Records for inward/outward stores, spare parts, imported material, equipment and gift articles etc. were not maintained at the gate. iii) Payment of certain allowances were made to staff members without deducting income tax at source. iv) Bank accounts in foreign currency and Indian currency were not maintained in the case of receipts and payments in foreign currency.

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION AND SUPPLIES.

2.1.10	**Hindustan Aeronautics Limited**	The Accounting Policy in respect of deferred liabilities to Russian Federation at the exchange rate specified in the agreements between the countries was not

in conformity with Accounting Standard No.11.

MINISTRY OF FINANCE

2.1.11	**National Insurance Company Limited**	Income tax collected was not deposited into Government account within the time limit.
2.1.12	**New India Assurance Company Limited**	Delay in implementing Tribunal's orders on Motor Accidents Claims resulted in additional interest burden in a Divisional Office at Calcutta.

MINISTRY OF HEALTH AND FAMILY WELFARE

2.1.13	**Hindustan Latex Limited**	No effective action was taken on adverse points referred to in the Auditors' Report regarding physical verification, non-reconciliation, rationalisation of Company's Accounting Policy on depreciation and treatment of accounting for assets acquired under Finance Lease.

MINISTRY OF INDUSTRY

DEPARTMENT OF HEAVY INDUSTRY

2.1.14	**Bharat Brakes & Valves Limited**	i) The control accounts and subsidiary accounts were not reconciled resulting in non-adjustment/non-recovery of advances including those paid to outside parties for a long period. ii) Cash balance was not verified regularly.
2.1.15	**Bharat Heavy Electricals Limited**	i) A bank account maintained at Trichy Unit under Centralised Cash Management Scheme had very old unreconciled entries as at 31 March 1996 as shown below:-

a) Credits Rs.3354 lakhs and debits Rs.4277 lakhs made by the Company in the bank account.

b) Debits of Rs.1912 lakhs and credits of Rs.590 lakhs were made by the bank in the Company's account.

ii) Profit on inter-unit transfer of materials had not been reduced from the inventory valuation at the close and the consequential overstatement of inventory and profit for the year, not having been worked out, remains unascertained.

iii) The Company made investments in banks and Public Sector Undertakings while it borrowed funds from the banks and paid interest thereon during the same period. Such investments were also not in conformity with the guidelines issued by the Department of Public Enterprises in the matter of investment of surplus funds by the PSUs.

2.1.16 Bharat Heavy Plates and Vessels Limited

(i) An amount of Rs.198.10 lakhs was incurred by various Site Offices (both closed and in progress) without the approval of competent authority and hence was kept under Suspense Account.

ii) Surplus materials/scrap lying at sites were not brought into inventory till the sites were closed, nor the treatment accorded to surplus material in the accounts at the closed sites was disclosed.

iii) Invoices were not raised in respect of claims towards reimbursable freight paid by the Company on behalf of the customers.

iv) The Bank accounts of the

		erection sites lying in the name of individual officers which is irregular, were not being reconciled. v) Certain advances paid to suppliers in respect of materials rejected were lying un-reconciled/unadjusted.
2.1.17	**Engineering Projects (India) Limited**	i) Procurement and disposal of stores were not accounted for on time. ii) Stores register was not posted up-to-date. iii) The material receipt certificates had not been prepared as prescribed in the Accounting manual. iv) In the cases of closed projects, the inter-office balances were reconciled only at the end of the year.
2.1.18	**Heavy Engineering Corporation Limited**	In certain cases, the stale cheques/dishonoured cheques had not been reversed in the accounts.
2.1.19	**HMT(International) Limited**	The system of monitoring of outstanding dues has to be strengthened so as to ensure timely collection of all the outstanding dues.
2.1.20	**Triveni Structurals Limited**	i) The Company's accounts with its holding company had not been reconciled. ii) The bank accounts at site offices had not been regularly reconciled and there were old entries appearing in the reconciliation statements.
2.1.21	**Tyre Corporation of India Limited**	Expenditure and income relating to replacement claim of automotive tyres, leave encashment benefits, export

	benefits etc. and income from investment were accounted for on cash basis in contravention of Accounting Standard.

MINISTRY OF INFORMATION & BROADCASTING

2.1.22 National Film Development Corporation Limited	i) There was no internal control/check to ensure whether all the advertisements capsuled were billed. ii) In respect of purchase of video cassettes, no records were maintained of their usage. iii) Monthly reconciliation of inter-office accounts were not carried out.

MINISTRY OF MINES

2.1.23 Bharat Aluminium Company Limited	i) The system of maintaining excise records and filing excise claims at Korba Unit needed improvement. Records for claiming MODVAT on capital goods were not maintained throughout the year. ii) The Company had not adjusted the differences noticed on physical verification of fixed assets with the book balances. iii) At the Korba Unit large number of discrepancies in the issue of stores to contractors were not reconciled.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.1.24 Biecco Lawrie Limited	i) Bank reconciliation was not done. ii) The Accounting Policies of the Company relating to income from investments, payment of gratuity, leave encashment etc. on cash basis were not in conformity with the Accounting Standards.

MINISTRY OF POWER

2.1.25	**Power Finance Corporation Limited**	i) In respect of lease assets valued at Rs.203.80 crores acquired during the year, only a consolidated entry had been made in the fixed assets register instead of separate entries for each transaction. ii) Computer software in use was quite defective since it had no inbuilt self check. Software in use for loan accounting and recoveries also needed to be reviewed. iii) Loans given by the Company to various borrowers were not secured, as reflected in the Balance Sheet. Pre-sanction appraisal of loan applications and post disbursement follow-up action of the loans needed to be strengthened.

MINISTRY OF RAILWAYS

2.1.26	**Container Corporation of India Limited**	i) There were a number of unrelated debits/credits made by banks in the accounts of the Company, which needed to be located. ii) Cash and imprest needed to be checked periodically for which a system should be built up and strengthened in view of earlier misappropriation of cash.
2.1.27	**IRCON International Limited**	i) Cash and imprest balance verification was not being done in case of foreign projects. ii) The Company had no system to check the physical performance of each machine with reference to available hours.

MINISTRY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH

2.1.28	**National Research Development Corporation of India Limited**	Accounting Policies regarding accounting of Premia, disclosure fee, Interest on delayed payment of royalty, encashment of leave and legal charges respectively on cash basis were not in accordance with Accounting Standards.

MINISTRY OF STEEL

2.1.29	**Hindustan Steelworks Construction Limited**	System of booking monthly running account bills or other bills in Comprehensive Bill register needed improvement. All receipts and expenditure were not allocated to work order or job-wise accounts.
2.1.30	**MECON(India) Limited**	Credit for the services rendered had been taken on the basis of technical assessment of the progress achieved without matching the cost incurred in reaching the stage of completion.
2.1.31	**Rashtriya Ispat Nigam Limited**	There was an unreconciled balance of Rs.11.83 lakhs in the Cash credit account as on 31 March 1996
2.1.32	**Sponge Iron India Limited**	Short term deposit of Rs.500 lakhs made by the Company with Singareni Collieries Company Limited was not in accordance with the guidelines of the Department of Public Enterprises.
2.1.33	**Steel Authority of India Limited**	i) Company's Accounting Policy was not in conformity with the accepted accounting principles in respect of variation in foreign currency

		transactions;the impact,if any, of exchange variation(the amount of exchange loss/gain from the date of occurrence till the date of payment/ accounts) on the Company's profitability was considered to be immaterial by the Management. ii) The Board had not delegated any specific power to any authority to fix the dates of installation and commissioning of plant and machinery.
2.1.34	**Visvesvaraya Iron and Steel Limited**	Physical balances of fixed assets have not been reconciled with the records of fixed assets.
	MINISTRY OF SURFACE TRANSPORT	
2.1.35	**Dredging Corporation of India Limited**	System needed to be devised for recording of procurement and disposal of stores and spares immediately on receipt and issue.
2.1.36	**The Shipping Corporation of India Limited**	The reconciliation between control and subsidiary accounts in respect of liner freights was in arrears for the past 3 years ending 31 March 1995. The stores and spares in transit included items supplied to vessels from 1984-85 onwards pending reconciliation.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT
DEPARTMENT OF URBAN DEVELOPMENT

2.1.37	**Housing & Urban Development Corporation Limited**	i) Old items appearing in the bank reconciliation statements require immediate clearance. ii) Cash and imprest balances were not at all verified by an authorised officer during the year.

2.1.38	**National Buildings Construction Corporation Limited**	i) In Units & Zones, the Company had no system of control and subsidiary accounts. ii) There were large balances in current accounts and fixed deposits in banks which were either earning no interest or less interest as compared to interest being incurred by the Company on overdrafts/ cash credit.

MINISTRY OF WELFARE

2.1.39	**National Backward Classes Finance & Development Corporation**	i) No subsidiary accounts, except in the nature of memoranda registers for loans, were maintained. ii) Imprest balances were not physically verified by any authorised officer during the year. iii) Procedure for appraisal of loan application followed by the Corporation was not adequate, as financial viability of schemes had not been worked out in depth in most of the cases.

2.2 <u>INTERNAL AUDIT</u>

MINISTRY OF AGRICULTURE

DEPARTMENT OF AGRICULTURE AND COOPERATION

2.2.1	**National Seeds Corporation Limited**	Strength of internal audit department was not commensurate with the size of the Organisation.
2.2.2	**State Farms Corporation of India Limited**	Internal audit of Farms was not carried out as provided in Accounting Manual and needed streamlining.

DEPARTMENT OF BIO-TECHNOLOGY

2.2.3	**Bharat Immunologicals Biologicals Corpporation Limited**	There was no internal audit system in the Company.

MINISTRY OF CIVIL AVIATION AND TOURISM

DEPARTMENT OF TOURISM

2.2.4	Hotel Corporation of India Limited	Internal audit by the firms of Chartered Accountants was inadequate, and was not commensurate with the size and nature of business of the Company.

MINISTRY OF CHEMICALS AND FERTILIZERS

DEPARTMENT OF CHEMICALS & PETROCHEMICALS

2.2.5	Hindustan Organic Chemicals Limited	There was scope for making the internal audit more effective.
2.2.6	Hindustan Insecticides Limited	Internal audit system needed to be strengthened.

DEPARTMENT OF FERTILIZERS

2.2.7	Madras Fertilizers Limited	The coverage by internal audit of Registered Office needed to be strengthened.
2.2.8	Pyrites, Phosphates & Chemicals Limited	In most of the cases internal audit was not done timely i.e. immediately after the close of the quarter. Further, compliance action on internal audit observations was inadequate.

MINISTRY OF COMMERCE

2.2.9	India Trade Promotion Organisation	Internal audit was not conducted during 1995-96.
2.2.10	Spices Trading Corporation Limited	Internal audit system and its frequency needed to be strengthened.

MINISTRY OF COAL

2.2.11	Neyveli Lignite Corporation Limited	Internal audit has to be strengthened to be commensurate with the size and nature of the business of the Company and its scope needed to be enlarged and effectiveness improved.

MINISTRY OF COMMUNICATIONS

DEPARTMENT OF TELECOMMUNICATIONS

2.2.12	**ITI Limited**	Internal audit system needed to be strengthened and its scope enlarged to make it more effective and commensurate with the size and nature of business of the Company.
2.2.13	**Mahanagar Telephone Nigam Limited**	Internal audit system was not commensurate with the size of the company and its nature of business and required strengthening.
2.2.14	**Videsh Sanchar Nigam Limited**	There was no adequate and timely compliance mechanism on internal audit observations, which needed strengthening.

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION & SUPPLIES

2.2.15	**Bharat Earth Movers Limited**	Internal audit system needed to be strengthened in areas like checking of shop and production records, cost records, sales, review of systems and procedures, verification of fixed assets etc. and enlarged in scope and coverage to commensurate with size and nature of business of the Company.
2.2.16	**Bharat Dynamics Limited**	There was inordinate delay in the receipt of internal audit reports from Chartered Accountant firms with the result that effective and prompt compliance with the reports was not possible.
2.2.17	**Vignyan Industries Limited**	Internal audit conducted by the holding company needed further improvement in terms of periodicity.

MINISTRY OF ENVIRONMENT AND FORESTS

DEPARTMENT OF ENVIRONMENT, FORESTS AND WILDLIFE

2.2.18	**Andaman & Nicobar Islands Forest Plantation & Development Corporation Limited**	Internal audit set up was inadequate

MINISTRY OF FINANCE

2.2.19	**National Insurance Company Limited**	Internal audit was not conducted in Trichur, Calcutta, Indore and Bhilai Divisional Offices.
2.2.20	**New India Assurance Company Limited**	Internal audit was not commensurate with the volume of business at New Delhi, Indore D.O.II, Siliguri, Kolhapur D.Os I & II, Gorakhpur and Delhi D.O.VII.

MINISTRY OF FOOD PROCESSING INDUSTRIES

2.2.21	**Modern Food Industries (India) Limited**	Internal audit system needed to be strengthened as it did not cover all the areas of activities of the Company.

MINISTRY OF HEALTH AND FAMILY WELFARE

2.2.22	**Hindustan Latex Limited**	A specific and comprehensive audit programme with proper follow up needed to be undertaken in view of its growing size and diversification of activities.

MINISTRY OF HOME AFFAIRS

UNION TERRITORY OF ANDAMAN & NICOBAR

2.2.23	**Andaman and Nicobar Islands Integrated Development Corporation Limited**	The Company had no regular internal audit set up.

MINISTRY OF INDUSTRY

DEPARTMENT OF HEAVY INDUSTRY

2.2.24	**Bharat Heavy Electricals Limited**	The Internal audit system was not commensurate with the size and nature of business of the Company. The scope and coverage of the Internal audit work needed to be enlarged.
2.2.25	**Braithwaite & Company Limited**	Internal audit system was not adequate.
2.2.26	**Bridge & Roof Company Limited**	Internal audit system was not adequate.
2.2.27	**Braithwaite, Burn & Jessop Construction Company Limited**	The Company had no Internal audit system.
2.2.28	**Bharat Pumps & Compressors Limited**	The internal audit department needed further strengthening.
2.2.29	**Hindustan Cables Limited**	The internal audit system was not adequate.
2.2.30	**Hindustan Salts Limited**	Internal audit needed to be extended to areas of consumption of stores, valuation of stock and identification of slow moving stock.
2.2.31	**HMT Limited**	Internal audit observations should be given periodically and system of follow-up needed to be strengthened.
2.2.32	**HMT(International) Limited**	The scope of internal audit needed to be enlarged.
2.2.33	**Rajasthan Electronics & Instruments Limited**	Internal audit needed proper review to be more objective oriented. Compliance of internal audit was not adequate.
2.2.34	**The Mandya National Papers Mills Limited**	The scope and areas of work of internal audit needed to be enlarged and strengthened.

MINISTRY OF MINES

2.2.35	**Bharat Aluminium Company Limited**	The Internal audit system needed to be strengthened and made more comprehensive and commensurate with the size and nature of business of the Company.
2.2.36	**Bharat Gold Mines Limited**	Internal audit system needed to be strengthened to make it commensurate with the size and nature of business of the Company.
2.2.37	**Hindustan Copper Limited**	The Company's own internal audit set up was mainly engaged to conduct physical verification of stores. Internal audit in other areas entrusted to outside professional firms called for improvement.
2.2.38	**Hindustan Zinc Limited**	Internal audit was not commensurate with the size and nature of business of the Company.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.2.39	**Oil & Natural Gas Corporation Limited**	The internal audit system needed to be strengthened in areas like stores & spares, fixed assets, materials in transit and advances to make it commensurate with size and nature of business of the Company.
2.2.40	**ONGC VIDESH LIMITED**	The Company has no internal audit system for the Corporate Office commensurate with the size and nature of its business.
2.2.41	**Madras Refineries Limited**	Scope of work and reporting status of internal audit was not adequate as compared with volume of operations.

MINISTRY OF RAILWAYS

2.2.42	**IRCON International Limited**	In case of foreign projects, internal audit was not being conducted. Present scope of internal audit at Head office and Indian projects needed to be strengthened.

MINISTRY OF POWER

2.2.43	**Nathpa Jhakri Power Corporation Limited**	Internal audit set up was inadequate and not commensurate with the nature and size of the business of the Company.
2.2.44	**Power Finance Corporation Limited**	Internal audit was required to be broad-based and strengthened. Compliance of the internal audit programme needed to be ensured.
2.2.45	**Power Grid Corporation of India Limited**	The internal audit needed to be strengthened to make it commensurate with the size and nature of the Company's business with special emphasis on compliance mechanism of internal audit observations.
2.2.46	**Tehri Hydro Development Corporation Limited**	The Corporation did not have any internal audit department and reports of the internal audit conducted by the firm of Chartered Accountants, were not presented before the Board of Directors.

MINISTRY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH

2.2.47	**National Research Development Corpora-Tion of India Limited**	There is no manual outlining the scope and programme of work for the internal audit, and no detailed instructions have been issued by the Company to the Internal Auditors.

MINISTRY OF STEEL

2.2.48	**Steel Authority of India Limited**	Internal audit system needed to be further strengthened and its scope enlarged.

MINISTRY OF TEXTILES

2.2.49	**North Eastern Handicrafts & Handlooms Development Corporation Limited**	The Company had no internal audit set up.
2.2.50	**National Textile Corporation (APKK&M) Limited**	In case of Minerva Mills and Mysore Mills, internal audit system needed to be strengthened.
2.2.51	**The Elgin Mills Company Limited**	The Company did not have a system of reporting serious/major irregularities reflected in the internal audit reports to the Board of Directors.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT DEPARTMENT OF URBAN DEVELOPMENT

2.2.52	**Housing & Urban Development Corporation Limited**	Internal control procedures were lacking in empanelling suppliers, purchase orders, record of receipt of goods and payment for purchases. Internal audit manual needed to be updated as it contains some obsolete directions/provisions. Many areas had not been covered by internal audit.
2.2.53	**National Buildings Construction Corporation Limited**	Internal audit coverage was not adequate and commensurate with the size and nature of its business.

MINISTRY OF WELFARE

2.2.54	**National Backward Classes Finance & Development Corporation Limited**	Scope of internal audit needed to be extended to cover audit of loans disbursed, interest chargeable on loans, investment etc.

2.3 COSTING

MINISTRY OF CHEMICALS AND FERTILIZERS
DEPARTMENT OF FERTILIZERS

2.3.1	**Paradeep Phosphates Limited**	The Company did not follow standard costing system.
2.3.2	**Projects and Development India Limited**	The Company did not have any system to identify the idle time of labour and wasteful overheads to analyse the reasons for variations between standard and actual.

MINISTRY OF COAL

2.3.3	**Eastern Coalfields Limited**	There was no effective system of identification of idle labour hours and idle machine hours. (Khottahdih Area)
2.3.4	**Neyveli Lignite Corporation Limited**	The Company did not identify idle time of labour, wasteful overheads and analyse the reasons for variations between actual and standard cost.

MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION AND SUPPLIES

2.3.5	**Bharat Earth Movers Limited**	Though the Company had a system of collection of data on idle labour hours, no effective exercise was made to analyse the idle labour hours.
2.3.6	**Vignyan Industries Limited**	Idle machine hours had not been assessed.

MINISTRY OF FOOD PROCESSING INDUSTRIES

2.3.7	**North Eastern Regional Agricultural Marketing Corporation Limited**	(i) No cost accounts were prepared. (ii) No norms for losses/ wastages of raw material etc. were fixed.

DEPARTMENT OF HEAVY INDUSTRY

2.3.8	**Bharat Brakes & Valves Limited**	Cost accounts were not reconciled with financial accounts.
2.3.9	**Bharat Heavy Electricals Limited**	i) In respect of Industrial Value Plant(IVP), Govindwal, though cost sheets of all the products were prepared, the same were not reconciled with financial accounts. ii) In Heavy Power Equipment Plant (HPEP) Hyderabad, no cost ledgers were prepared though there was a system of absorbing related cost under each order product-wise. Further, no cost accounts were prepared in Insulator Plant, Jagdishpur Heavy Equipment Repair Plant(HERP), Varanasi and Component Fabrication Plant(CFP), Rudrapur. iii) For identification of idle labour hours and idle machine hours, no proper system was being followed at I.P. Jagdishpur, IVP, Govindwal and CFP Rudrapur. Further, idle labour hours were not being identified at HERP, Varanasi and CFFP Hardwar.
2.3.10	**Bharat Wagon and Engineering Company Limited**	Idle labour hours had not been identified by the Company.
2.3.11	**Braithwaite & Company Limited**	No procedure was followed to identify idle labour hours in the Company's Clive and Victoria Works.
2.3.12	**Braithwaite, Burn and Jessop Construction Company Limited**	The Company had no system for identification of idle labour and machine hours.
2.3.13	**Burn Standard Company Limited**	i) No cost accounts were prepared in 4 refractory units. ii) No norms for wastage and

		losses of raw materials were fixed.
		iii) No norm of manpower was fixed by the company.
2.3.14	**Hindustan Cables Limited**	The Company had no effective system for identification of idle labour and machine hours.
2.3.15	**Hoogly Printing Company Limited**	No proper records were maintained for ascertaining the rejection of production/sales.
2.3.16	**Rajasthan Electronics & Instruments Limited**	i) Cost records were not maintained by the Company and therefore no reconciliation had been done.
		ii) The Company had not attempted to compute the cost of its major operations.
		iii) No effective system for identification of idle labour and idle machine hours existed in the Company.
2.3.17	**Triveni Structurals Limited**	i) The Company did not maintain records determining rejections in production/ sales.
		ii) Norms for determining deployment of manpower had not been fixed.
2.3.18	**Tyre Corporation of India Limited**	i) Cost accounts for 1995-96 were not prepared till November 1996.
		ii) The cost accounts were prepared long after the end of financial year on the basis of actual production and expenses for the year thereby serving no meaningful purpose.
		iii) The Company had also no system of standard costing although it was required in the fixation of conversion charges of tyres presently being the main activity of the Company.

MINISTRY OF MINES

2.3.19	**Bharat Aluminium Company Limited**	The Company did not have a system for identification of idle time of labour.
2.3.20	**Hindustan Copper Limited**	No records for idle machine hours were maintained by the Company. Except in Malanjkhand Copper Plant and Taloja Copper Project units, no records of idle labour hour were maintained.
2.3.21	**Hindustan Zinc Limited**	The Company did not have system of identifying the idle time of labour, wasteful overheads and analysing the reasons for variations between actual and standard cost except at Tundoo, Sargepalli, Angagundia and Vishakhapatnam Units.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.3.22	**Biecco Lawrie Limited**	Cost accounts were not reconciled with financial accounts.
2.3.23	**IBP Company Limited**	Cost accounts were not reconciled with financial accounts (Business Group - Engineering).

MINISTRY OF POWER

2.3.24	**National Thermal Power Corporation Limited**	i) No cost accounts were prepared by the Company. ii) Identification of idle time of labour and wasteful overheads was not done and there was no standard costing.
2.3.25	**Power Grid Corporation of India Limited**	The Company had no system of preparing cost accounts and hence no reconciliation with financial accounts was done.

MINISTRY OF RAILWAYS

2.3.26	**Container Corporation of India Limited**	i) The Company did not compute cost of major operations/

		services provided to customers.
		ii) The Company did not identify idle time of labour and wasteful overheads.
2.3.27	**IRCON International Limited**	The Company had no control over the variation in the project profitability.

MINISTRY OF STEEL

2.3.28	**Hindustan Steelworks Construction Limited**	(i) The Company did not have a system of cost accounts.
		(ii) The Company had not followed any proper system of costing to compute the cost of identifiable major operation, jobs, process and services.
		(iii) No effective system was in vogue for identification of idle labour/machine hours.

MINISTRY OF TEXTILES

2.3.29	**National Textile Corporation (APKK&M) Limited**	Idle time of labour and machine had not been identified (Vijayamohini Mills, Tirupati Mills, Azam Zahi Mills, Anantapur Mills and Yallamma Mills).
2.3.30	**National Textile Corporation(UP) Limited**	No norms were fixed in respect of losses/wastage for (a) raw material (b) storage, transit etc by Swadeshi Cotton Mills.
2.3.31	**The Elgin Mills Company Limited**	No norms had been fixed for losses/wastages for raw materials for manufacture of major products.

MINISTRY OF WELFARE

2.3.32	**Artificial limbs manufacturing Corporation of India Limited**	The Company had not identified idle time of labour (Idle labour hours). In case of idle machine hours, though each machine had log book but entry for idle hours had not been done.

2.4 INVENTORY AND CONTRACTING

MINISTRY OF AGRICULTURE

DEPARTMENT OF AGRICULTURE AND COOPERATION

2.4.1	**National Seeds Corporation Limited**	Advances to seed growers were made to the extent of 80 to 85 per cent, but no special efforts were made for recovery where seed was found deficient in quality or quantity.
2.4.2	**State Farms Corporation of India Limited**	i) Although minimum and maximum limits of stores and spares had been fixed but they were not being followed. ii) The system of physical verification was far from satisfactory and needed to be streamlined.

DEPARTMENT OF BIO-TECHNOLOGY

2.4.3	**Bharat Immunologicals & Biologicals Corporation Limited**	i) Maximum and minimum limits of stores and spares were not fixed. ii) There was no economic order quantity fixed for procurement of stores. iii) There was no adequate system for identifying and monitoring disposal of non-moving, obsolete or surplus, raw materials, stores & spares and finished goods. iv) The Company did not prepare Goods Inward Register and there was no system of entry on main gate.

MINISTRY OF CHEMICALS AND FERTILIZERS

DEPARTMENT OF CHEMICALS AND PETROCHEMICALS

2.4.4	**Hindustan Insecticides Limited**	i) The economic order quantity was not fixed. ii) No norms for losses/wastages for raw material used for manufacture of major products were fixed. iii) The age-wise break-up of non-moving items, for more than three years, was not done.

DEPARTMENT OF FERTILIZERS

2.4.5	**Paradeep Phosphates Limited**	Physical verification reports by outside agencies were not submitted.
2.4.6	**Projects & Development India Limited**	i) Discrepancies noticed between the book records and physical balances had not been adjusted. ii) Outstandings were regularly reviewed but reconciliation/ confirmation of balances had not been done. iii) Minimum and maximum limits of stores, spares etc were not strictly maintained as a result of which huge stocks of stores & spares were lying as slow-moving/non-moving items.
2.4.7	**Pyrites, Phosphates and Chemicals Limited**	Goods were mainly stored in Central Warehousing Corporation & State Warehousing Corporation for safe storage. However, no periodical inspection of the goods in stock was made.

MINISTRY OF COAL

2.4.8.	**Eastern Coalfields Limited**	Minimum and maximum limits on stores & spares were not

		fixed which resulted in accumulation of stores beyond the required limits (S.P. Mines, Kottahdih Area).

MINISTRY OF COMMUNICATIONS

DEPARTMENT OF TELECOMMUNICATION

2.4.9	**Videsh Sanchar Nigam Limited**	No records were maintained for imported of stores and spare parts but the same were being shown directly as issued for consumption which may lead to pilferage.

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION & SUPPLIES

2.4.10	**Bharat Earth Movers Limited**	Out of non-moving stores of Rs.35.53 crores held as on 31 March 1996, stores valuing Rs.16.15 crores had not moved for more than three years.
2.4.11	**Bharat Electronics Limited**	i) Kotdwar, Ghaziabad and Panchkula Units had not fixed norms for losses/wastages of raw materials, losses in storage,transit losses etc.
		ii) Out of non-moving stores of Rs.19.53 crores held by the Ghaziabad Unit of the Company as on 31 March 1996, stores valuing Rs.7.85 crores had not moved for more than four years.
2.4.12	**Garden Reach Shipbuilders and Engineers Limited**	No maximum and minimum limits for stores & spares had been prescribed.
2.4.13	**Hindustan Aeronautics Limited**	i) Raw materials, stores and spares valuing Rs.10.89 crores had not moved for more than 5 years in Aircraft Division.
		ii) Norms for losses/wastages of raw materials, losses in

	storage, transit losses etc. had not been fixed by the Kanpur Unit.
2.4.14 Vignyan Industries Limited	No norms for losses and wastages of raw materials had been fixed.

MINISTRY OF FOOD PROCESSING INDUSTRIES

2.4.15 Modern Food Industries (India) Limited	No maximum and minimum limits and economic order quantity for procurement had been fixed for stores and spares.
2.4.16 North Eastern Regional Agricultural Marketing Corporation Limited	No maximum and minimum levels and economic order quantity of stores & spares had been fixed.

MINISTRY OF ENVIRONMENT AND FORESTS

DEPARTMENT OF ENVIRONMENT, FORESTS AND WILDLIFE

2.4.17 Andaman & Nicobar Islands Forest Plantation & Development Corporation Limited	No maximum and minimum levels and economic order quantity of stores & spares were fixed.

MINISTRY OF INDUSTRY

DEPARTMENT OF HEAVY INDUSTRY

2.4.18 Bharat Brakes & Valves Limited	No maximum and minimum level of stores & spares were prescribed. The economic order quantity for procurement of stores was not prescribed.
2.4.19 Bharat Heavy Electricals Limited	Maximum and minimum level of inventory in respect of stores and spares for Insulator Plant, Jagdishpur, Component Fabrication Plant, Rudrapur and Boiler Auxiliaries plant Ranipet had not been fixed.
2.4.20 Burn Standard Company Limited	The stock of raw materials and stores which did not move for five years and more as on 31 March 1996 stood at Rs.0.53 crore

		and Rs.1.61 crores respectively.
2.4.21	**Braithwaite & Company Limited**	i) No economic order quantity for procurement of stores was fixed and followed by the Company. ii) The stock of stores, spare parts and components which did not move for more than three years as on 31 March 1996 stood at Rs.1.10 crores.
2.4.22	**Braithwaite, Burn & Jessop Construction Company Limited**	No maximum and minimum levels of stores & spares were prescribed. The economic order quantity for procurement of stores was not prescribed.
2.4.23	**Engineering Projects (India) Limited**	i) The Company had not prescribed maximum and minimum limits and economic order quantity for procurement of stores and spares. ii) The Company did not have a system for identifying and monitoring disposal of non-moving, obsolete or surplus raw materials, stores and spares and finished goods.
2.4.24	**Heavy Engineering Corporation Limited**	i) There was no economic order quantity fixed as such for procurement of materials. ii) Maximum and minimum limits for stores and spares had not been prescribed. iii) The old balances lying under sundry debtors, sundry creditors, loans and advances and goods-in-transit were pending analysis and linking. iv) The Company did not carry out physical verification of raw materials, stores and spares.
2.4.25	**Hindustan Salts Limited**	Maximum and minimum limits and economic order quantity for procurement of stores had not been prescribed.

2.4.26	**Hooghly Printing Company Limited**	No maximum and minimum levels of stores & spares were fixed.
2.4.27	**HMT Limited**	No maximum and minimum levels for holding of stores and spares had been prescribed except in a few units.
2.4.28	**National Instruments Limited**	No economic order quantity system was followed for procurement of stores.
2.4.29	**Rajasthan Electronics and Instruments Limited**	i) The Company had not fixed any norms for losses/wastages. ii) The Company had no adequate system for regularly identifying and monitoring disposal of non-moving,obsolete or surplus raw materials, stores and spares.
2.4.30	**The Mandya National Paper Mills Limited**	The Company did not have an adequate system for regularly identifying and continuously monitoring the disposal of non-moving stores and spares.
2.4.31	**Tyre Corporation of India Limited**	No maximum and minimum level of stores & spares were prescribed. The Economic Order Quantity for procurement of stores was not prescribed.

MINISTRY OF MINES

2.4.32	**Bharat Aluminium Company Limited**	The Company had not prescribed maximum & minimum limits in respect of all the individual items of stores.
2.4.33	**Bharat Gold Mines Limited**	i) Maximum and minimum limits for stores and spares had not been fixed. ii) The system of monitoring and adjusting advance payments to suppliers/contractors was not adequate. iii) No norms had been fixed

for losses and wastages.

2.4.34	**Hindustan Copper Limited**	The value of non-moving stores & spares etc. which had not moved for more than five years as on 31 March 1996 was Rs.15.09 crores.
2.4.35	**Hindustan Zinc Limited**	i) Inventory valuing Rs.63.60 lakhs had not moved for three years or more as on 31 March 1996 (Vizag Zinc Smelter). ii) The Company had not prescribed the maximum/minimum limits and economic order quantity for procurement of stores except at Tundoo, Sergalli and Agunigundala Units. iii) There was no system of identifying and disposal of non-moving,obsolete and surplus stores and spares, raw material and finished goods at Chanderiya Zinc Lead Smelter.
2.4.36	**National Aluminium Company Limited**	The stores & spares which had not moved for more than five years as on 31 March 1996 were at Rs.32.45 crores.

MINISTRY OF PETROLEUM AND NATURAL GAS

2.4.37	**Bongaigaon Refinery & Petrochemicals Limited**	Stores & spares which had not moved for more than three years and surplus stores as on 31 March 1996 were at Rs.5.16 crores and 1.62 crores respectively.
2.4.38	**Indian Oil Corporation Limited**	The value of non-moving, obsolete and surplus stores & spares for more than 3 years was Rs.39.94 crores.
2.4.39	**Oil & Natural Gas Corporation Limited**	No maximum and minimum levels of stores and spares had been fixed. No economic order quantity for procurement of stores was prescribed.

2.4.40	**ONGC Videsh Limited.**	i) Recording of receipts and expenditure was in order except Vietnam Office. ii) Accounting Policies were as per Accounting Standard except foreign transactions, interest on advances to employees and Interest on delayed refund of income tax which are recorded on cash basis.

MINISTRY OF RAILWAYS

2.4.41	**IRCON International Limited**	i) Maximum and minimum levels of inventory had not been fixed. ii) Economic order quantity for procurement of stores had not been fixed at any of the project sites. iii) The Company had not identified or monitored non-moving, obsolete or surplus raw materials, stores & spares at any of the Project Sites.

MINISTRY OF POWER

DEPARTMENT OF POWER

2.4.42	**Nathpa Jhakri Power Corporation Limited**	The Company was holding surplus plant and machinery/stores and spares awaiting disposal amounting to Rs.761.06 lakhs.
2.4.43	**North Eastern Electric Power Corporation Limited**	No maximum & minimum limits for stores and spares have been prescribed.
2.4.44	**Tehri Hydro Development Corporation Limited**	There was no proper system of physical verification of material/machinery.

2.4.45	**Hindustan Steelworks Construction Limited**	The Company had not laid down policies of fixing minimum and maximum levels of stores and spares and also not fixed economic order quantity for procurement of stores.
2.4.46	**Indian Iron & Steel Company Limited**	i) There was no economic order quantity fixed as such for procurement of materials. ii) Maximum and minimum limits for stores and spares had not been prescribed.
2.4.47	**India Firebricks & Insulation Company Limited**	i) There was no economic order quantity fixed as such for procurement of materials. ii) Maximum and minimum limits for stores and spares had not been prescribed. iii) The Company did not have adequate system for regularly identifying and monitoring disposal of non-moving, obsolete or surplus raw materials, stores and spares, finished goods etc.
2.4.48	**Kudremukh Iron Ore Company Limited**	The Company had not fixed maximum and minimum limits of stores & spares.
2.4.49	**National Mineral Development Corporation Limited**	No maximum and minimum limits of stores & spares had been prescribed in respect of Screen -ing Plant and Chanandia Limestone. project.
2.4.50	**Rashtriya Ispat Nigam Limited**	The Company had not prescribed maximum and minimum levels of stores.
2.4.51	**Steel Authority of India Limited**	(i) There was no economic order quantity fixed for procurement of materials. (ii) System for monitoring and adjustment of advances made to

suppliers/contractors needed to be strengthened for effective control.

(iii) Norms for losses/wastages of various categories of raw materials for manufacture of major products and in-storage/transit etc. needed review at regular intervals taking into consideration the actual position during the intervening period.

(iv) Obsolete/surplus and non-moving stores and spares for more than five years amounting to Rs.20 crores and Rs.163 crores respectively were lying as on 31 March 1996.

2.4.52 The Bisra Stone Lime Company Limited

(i) The Company did not have adequate system for regularly identifying and monitoring disposal of non-moving, obsolete or surplus raw materials, stores and spares, finished goods etc.

2.4.53 Visvesvaraya Iron & Steel Limited

Maximum and minimum limits of stores and spares had not been fixed.

MINISTRY OF TEXTILES.

2.4.54 Cawnpore Textiles Limited

Maximum, minimum and reordering levels were not fixed.

2.4.55 The Elgin Mills Company Limited

i) The maximum and minimum and reordering level were not fixed in respect of stores & spares etc.

ii) Economic order quantity for procurement of stores & spares had not been fixed.

(iii) No norms had been fixed for losses/wastages for raw materials for manufacture of major products.

2.4.56	**Jute Corporation of India Limited**	There was no system for identifying and monitoring disposal of non-moving and damaged stock of raw jute.
2.4.57	**North Eastern Handicrafts and Handlooms Development Corporation Ltd**	No maximum and minimum levels and economic order quantity of stores & spares were fixed.
2.4.58	**National Textile Corporation (APKK&M) Limited**	i) Maximum and minimum levels of stores had not been fixed by Kerala Laxmi Mills, Vijayamohini Mills, Netha Mills, Tirupati Mills and Marketing Division, Bangalore. ii) No economic order quantity for procurement of stores had been fixed by Kerala Laxmi Mills, Yallamma Mills, Netha Mills, Tirupati Mills and Marketing Division, Bangalore.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

DEPARTMENT OF URBAN DEVELOPMENT

2.4.59	**National Buildings Construction Corporation Limited**	The Company had no system of prescribing minimum and maximum limits, economic order quantity for stores and spares, etc.

2.5 ASSETS AND INVESTMENTS

MINISTRY OF AGRICULTURE

DEPARTMENT OF AGRICULTURE AND COOPERATION

2.5.1	**National Seeds Corporation Limited**	i) Property and assets registers were not upto -date, and were not properly maintained and reconciled with financial books. Obsolete items were not written off/disposed of timely. ii) Company had no proper system of monitoring timely

		recovery of outstanding dues. In several cases, recoveries were pending for the last 9 to 10 years.
2.5.2	**State Farms Corporation of India Limited**	i) In some farms, control accounts for debtors and creditors were not maintained. ii) Fixed assets register had not been maintained at Head Office.

DEPARTMENT OF ATOMIC ENERGY

2.5.3	**Antrix Corporation Limited**	i) The Company had not laid down the investment policy. ii) Imprest cash balances were not verified periodically.

MINISTRY OF CHEMICALS AND FERTLIZERS

DEPARTMENT OF CHEMICALS & PETROCHEMICALS

2.5.4	**Hindustan Organic Chemicals Limited**	As against the investment of Rs.40 crores in subsidiary company, its accumulated loss was as high as Rs.28 crores.
2.5.5	**Karnataka Antibiotics & Pharmaceuticals Limited**	i) Supplies were made to parties in whose cases outstanding balances against earlier supplies were written off during the year. Outstanding debts against Government hospitals and institutions were also written off, inspite of regular supplies during current year. (ii) Property and assets register were not reconciled with the financial books.

DEPARTMENT OF FERTILIZERS

2.5.6	**Madras Fertilizers Limited**	Fixed assets register did not show the location-wise details in respect of furniture and fixtures (1995-96).

MINISTRY OF COMMERCE

2.5.7	**India Trade Promotion Organisation**	There was no proper system of monitoring the timely recovery of outstanding dues.

MINISTRY OF CIVIL AVIATION AND TOURISM

DEPARTMENT OF CIVIL AVIATION

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

MINISTRY OF COAL

2.5.9	**Eastern Coalfields Limited**	i) Registers for fixed assets were neither updated nor maintained properly (Rajmahal and Koddahdih areas). ii) Commissioning of plant and machinery could not be done due to non-availability of all equipment within the stipulated period (Pandabeswar and Kottahdih area).
2.5.10	**Mahanadi Coalfields Limited**	Percentage of sundry debts considered as doubtful increased from 29.25 in 1993-94 to 35.29 and 37.95 in 1994-95 and 1995-96 respectively.

MINISTRY OF COMMUNICATIONS

DEPARTMENT OF TELECOMMUNICATIONS

2.5.11	**Videsh Sanchar Nigam Limited**	i) No proper system of monitoring the timely recovery of outstanding dues existed with Company. ii) Fixed assets registers were not maintained properly.

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION AND SUPPLIES

2.5.12	**Bharat Earth Movers Limited**	The Company was not following the well defined credit policy with the result that sundry debtors balances were not recovered in time leading to heavy overdrafts and resultant heavy interest burden.

MINISTRY OF ENVIRONMENT AND FORESTS

DEPARTMENT OF ENVIRONMENT, FORESTS AND WILDLIFE

2.5.13	**Andaman & Nicobar Islands Forest Plantation & Development Corporation Limited**	Property & asset registers were not upto date.

MINISTRY OF FINANCE

2.5.14	**National Insurance Company Limited**	Reconciliation of fixed assets was not done in Head Office.

DEPARTMENT OF HEAVY INDUSTRY

2.5.15	**Bharat Brakes & Valves Limited**	The Company had no adequate system of clearing sundry debtors.
2.5.16	**Bharat Heavy Plates & Vessels Limited**	i) No reconciliation between the property registers and financial books had been made at the end of the year.
		ii) Huge amounts were pending recovery for as long as eight to ten years in respect of sundry debtors and claims.
		iii) No control register in respect of written-off amounts of sundry debtors, etc., had been maintained to ensure pursuance of recovery subsequent to write off.
2.5.17	**Braithwaite & Company Limited**	The system of monitoring the timely recovery of outstanding dues had failed resulting in

		non-recovery and provision of bad debts of Rs.7.30 crores as on 31 March 1996.
2.5.18	**Bridge & Roof Company India Limited**	Register for fixed assets was not reconciled with the financial books.
2.5.19	**Engineering Projects (India) Limited**	The cash and imprest balances were not physically verified during the year on regular basis by an authorised officer.
2.5.20	**Hindustan Cables Limited**	The system of monitoring the timely recovery of outstanding dues was not effective. An amount of Rs.119.59 crores towards sundry debtors relating to earlier years was outstanding for a long time and disputed by the customers.
2.5.21	**HMT Limited**	No provision towards diminution in the value of investment of Rs.20.84 lakhs in Gujarat State Machine Tools Corporation Limited (in whose case BIFR approved revival scheme was under implementation) had been made.
2.5.22	**Heavy Engineering Corporation Limited**	No confirmation of balances of sundry creditors, sundry debtors, loans and advances deposits, materials on loan had been obtained.
2.5.23	**National Instruments Limited**	The Company had no adequate system of clearing sundry debtors.
2.5.24	**Jessop & Company Limited**	The Company had no adequate system of clearing Sundry debtors resulting in accumulation of debts at Rs.32.17 crores as on 31 March 1996. Provision for bad debts represented 64 per cent of the total debts as on 31 March 1996.

2.5.25	**Triveni Structurals Limited**	The system for monitoring and recovery of dues needed strengthening.
2.5.26	**Tyre Corporation of India Limited**	The fixed assets register was incomplete and discrepancies pointed out in physical verification as on 31 March 1991 were yet to be adjusted.

DEPARTMENT OF HEALTH AND FAMILY WELFARE

2.5.27	**Hindustan Latex Limited**	Complete records showing full particulars including quantitative details and situation of fixed assets had not been maintained.

MINISTRY OF INFORMATION AND BROADCASTING

2.5.28	**National Film Development Corporation Limited**	i) The Company had not maintained upto date assets register and did not reconcile the same with the financial records. ii) The Company had not established a system for recovery of debts. iii) The loans & advances for Theatre constructions and film production were not recovered as per stipulations. There was no system of identifying and monitoring of non-performing loans and advances.

MINISTRY OF MINES

2.5.29	**Bharat Gold Mines Limited**	Company did not have a timely system of monitoring recovery of dues. Certain amounts were outstanding for more than three years.
2.5.30	**Hindustan Copper Limited**	Large amount of advance payments made to suppliers/ contractors were outstanding

		for adjustment as on 31 March 1996. (Indian Copper Complex & Malanjkhand Copper Plant Units)

MINISTRY OF PETROLEUM & NATURAL GAS

2.5.31	**Biecco Lawrie Limited**	Property and assets registers were not reconciled with financial books.
2.5.32	**Bongaigaon Refinery & Petrochemicals Limited**	i) Sundry debtors of Rs.4.44 crores were outstanding as on 31 March 1996 for a period exceeding two to four years.
		ii) Substantial amount of advances were outstanding for recovery/adjustment from suppliers/contractors.
2.5.33	**Oil & Natural Gas Corporation Limited**	i) Register showed assets-in-transit for more than one year due to non-preparation of documents properly.
		ii) In some cases, reconciliation between the fixed assets registers and the financial books was pending as at the end of the year.

MINISTRY OF POWER

DEPARTMENT OF POWER

2.5.34	**Nathpa Jhakri Power Corporation Limited**	Reconciliation of fixed assets register with the financial records was not done during the year. Physical verification of some of the fixed assets had also not been carried out.

MINISTRY OF STEEL

2.5.35	**MECON (India) Limited**	Physical verification of fixed assets had not been carried out in respect of all its offices. Pending reconciliation of the assets physically verified with the

book records, discrepancies if any, had not been determined.

2.5.36 Steel Authority of India Limited	i) The system of follow up for recovery/adjustment of outstanding dues needed further strengthening. ii) Cash and imprest balances were required to be physically verified by senior level officials at regular intervals. iii) No provision had been made for diminution in the value of investments made in Indian Iron & Steel Company and Visvesvaraya Iron Steel Company (Subsidiary Companies).

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT
DEPARTMENT OF URBAN DEVELOPMENT

2.5.37 Housing & Urban Development Corporation Limited	i) Recoveries in respect of various types of advances were not regular even as fresh advances were released when earlier advances were outstanding. ii) In case of house building/ scooter/ computer advances, employees had not submitted bills, invoices etc. iii) In some cases, old outstanding recoveries were being carried forward without charging any interest and no recoveries had been made from these agencies. iv) In contravention of terms of loan agreements, loan agreements had not been terminated in cases of agencies failing to draw first instalment of loan within six months from the date of completion of legal documents.

2.6 LIABILITIES AND LOANS

DEPARTMENT OF ATOMIC ENERGY

2.6.1	**Electronics Corporation of India Limited**	The Company defaulted in repaying loans and interest thereon to the extent of Rs.3359.13 lakhs and Rs.2864.89 lakhs (including penal interest of Rs.223.25 lakhs) respectively as on 31 March 1996.

DEPARTMENT OF TELECOMMUNICATIONS

2.6.2	**ITI Limited**	Repayment of instalment of Government loan of Rs.1.52 crores had not been made.
2.6.3	**Mahanagar Telephone Nigam Limited**	Inter corporate loan of Rs.28.05 crores from Hindustan Cables Limited, which was due for repayment in March 1995, had not been repaid.

MINISTRY OF FOOD PROCESSING INDUSTRIES

2.6.4	**North Eastern Regional Agricultural Marketing Corporation Limited**	The percentage of loan defaulted to the outstanding Government loan was 100 per cent as at 31 March 1996. Percentage of interest and penal interest defaulted to the Government loans outstanding was 98 per cent and 15 per cent respectively as at 31 March 1996.

MINISTRY OF HEALTH AND FAMILY WELFARE

2.6.5	**Hindustan Latex Limited**	No effective arrangements for repayment of long term loans had been made and no funds earmarked for repayment of such loans.

DEPARTMENT OF HEAVY INDUSTRY

2.6.6	**Bharat Brakes and Valves Limited**	The percentage of loan defaulted to the total loan was 100 as at 31 March 1996. Percentage of interest defaulted to the loans was 109 as at 31 March 1996.
2.6.7	**Bharat Yantra Nigam Limited**	The Company had made default in repayment of loan due to which it had to pay penal interest of Rs.496.56 lakhs.
2.6.8	**Braithwaite & Company Limited**	The percentage of loan defaulted to the total loan was 100 as at 31 March 1996. Percentage of interest and penal interest defaulted to the loan was 115 and 19 respectively as at 31 March 1996.
2.6.9	**Braithwaite Burn and Jessop Construction Corporation Limited**	The percentage of loan defaulted to the total loan was 100 as at 31 March 1996. Percentage of interest and penal interest defaulted to the loan was 208 and 43 respectively as at 31 March 1996.
2.6.10	**Bridge and Roof Company (India) Limited**	The percentage of loan defaulted to the total loan was 96 as at 31 March 1996. Percentage of interest and penal interest defaulted to the loan was 257 and 44 respectively as at 31 March 1996.
2.6.11	**Burn Standard Company Limited**	The percentage of loan defaulted to the total loan was 92 as at 31 March 1996. Percentage of interest and penal interest defaulted to the loans as at 31 March 1996 was 188.
2.6.12	**Engineering Project (India) Limited**	The percentage of loan defaulted to the total loan was 28.84 as at 31 March 1996.

2.6.13 Jessop and Company Limited	The percentage of loan defaulted to the total loan was 95 as at 31 March 1996. The percentage of interest and penal interest defaulted to the loan as at 31 March 1996 was 182.
2.6.14 Hindustan Cables Limited	The percentage of loan defaulted to the total loan was 100 as at 31 March 1996. Percentage of interest and penal interest defaulted to the loan was 49 as at 31 March 1996.
2.6.15 Hindustan Salts Limited	Total amount of loans where defaults were made in repayment as at the end of the year was Rs.666.62 lakhs (principal Rs.386.80 lakhs interest Rs.223.54 lakhs and penal interest Rs.56.28 lakhs).
2.6.16 HMT Limited	The instalments due for payment and interest accrued and due on Institutional loans as on 31 March 1996 amounted to Rs.15.95 crores and Rs.9.15 crores respectively.
2.6.17 National Instruments Limited	The percentage of loan defaulted to the total loan was 100 as at 31 March 1996. Percentage of interest and penal interest defaulted to the loan was 101 and 88 respectively as at 31 March 1996.
2.6.18 Tungabhadra Steel Products Limited	i) The percentage of loan defaulted for repayment during the last 3 years ended 31 March 1996 was 77, 81 and 85 respectively. ii) The percentage of interest and penal interest not paid as a percentage of loan was 152, 187 and 188 during the last 3 years ended 31 March 1996 respectively.

2.6.19	**Tyre Corporation of India Limited**	The percentage of loan defaulted to the total loan was 100 as at 31 March 1996. Percentage of interest and penal interest defaulted to the loan was 98 and 8 respectively as at 31 March 1996.
2.6.20	**Triveni Structurals Limited**	The Company was in default for payment of interest and penal interest (Rs.159.94 lakhs).

MINISTRY OF MINES

2.6.21	**Bharat Gold Mines Limited**	The Company defaulted in repayment of loan of Rs.115.92 crores and interest of Rs.87.79 crores.
2.6.22	**Hindustan Copper Limited**	The percentage of loan defaulted to the Government loan was 76 as at 31 March 1996. Percentage of interest and penal interest defaulted to the loan was 74 and 7 respectively as at 31 March 1996.

MINISTRY OF POWER

DEPARTMENT OF POWER

2.6.23	**North Eastern Electric Power Corporation Limited**	Government loan, interest and penal interest thereon defaulted for payment as on 31 March 1996 was Rs.13.06 crores, Rs.6.33 crores and Rs.0.17 crore respectively.

MINISTRY OF STEEL

2.6.24	**Hindustan Steelworks Construction Limited**	The Company had defaulted in repayment of instalments of Rs.80.12 crores of loans, interest of Rs.230.73 crores and penal interest of Rs.31.25 crores for last 3 years ended 31 March 1996.

2.6.25	**Rashtriya Ispat Nigam Limited**	The Company defaulted in repayment of loan and penal interest amounting to Rs.77.77 crores and Rs.54.63 crores respectively for the last two years ended 31 March 1996.

MINISTRY OF TEXTILES

2.6.26	**Jute Corporation of India Limited**	Government loan, interest and penal interest thereon defaulted as on 31 March 1996 was Rs.44.93 crores, Rs.90.08 crores and Rs.33.85 crores respectively.
2.6.27	**North Eastern Handicrafts and Handlooms Development Corporation Limited**	The percentage of interest defaulted to the outstanding Government loan was 134 as at 31 March 1996.
2.6.28	**National Textiles Corporation(UP) Limited**	The Company had defaulted in repayment of loan and interest thereon to Industrial Finance Corporation of India - Rs.197.99 lakhs.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

DEPARTMENT OF URBAN DEVELOPMENT

2.6.29	**Hindustan Prefab Limited**	The Company had defaulted in repayment of Government loans amounting to Rs.11.13 crores alongwith interest of Rs.18.37 crores accrued and due as on 31 March 1996.
2.6.30	**National Buildings Construction Corporation Limited**	The Company defaulted in repayment of loan (including interest) of Rs.88.68 crores.

2.7 <u>GENERAL</u>

MINISTRY OF COAL

2.7.1	**Bharat Cooking Coal Limited**	No norms for manpower were fixed by the Company.

MINISTRY OF COMMERCE

2.7.2	**India Trade Promotion Organisation**	No demarcation between capital grant or revenue grant has been made in respect of interest received on investments and whole amount has been treated as revenue like other income.

DEPARTMENT OF HEAVY INDUSTRY

2.7.3	**Engineering Projects (India) Limited**	i) Completion certificates in respect of most of the completed projects had not been obtained. ii) The Company had raised debits amounting to Rs.99.27 lakhs on account of additional cost on the associates due to invocation of "Risk Purchase Clause". Since the debits had been disputed by the Associates, the matter had been referred to Arbitration/Court.
2.7.4	**Hooghly Printing Company Limited**	No energy audit was conducted.
2.7.5	**Hindustan Cables Limited**	i) The Company did not conduct any review on the installed and rated capacity of the Plant & Machinery during the year 1995-96. ii) In as many as 198 cases the employees who were not entitled to travel by air were allowed to travel by air during the year 1995-96.

MINISTRY OF MINES

2.7.6	**National Aluminium Company Limited**	No energy audit was conducted by any specialised agency in the Company.

MINISTRY OF PETROLEUM & NATURAL GAS

2.7.7	**Bongaigaon Refinery & Petrochemicals Limited**	No energy audit was conducted by any specialised party in the Company.

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT
DEPARTMENT OF URBAN DEVELOPMENT

2.7.8	**Housing and Urban Development Corporation Limited**	Criteria adopted by the Company for identification of non-performing assets did not conform to the norms laid down by National Housing Bank/Reserve Bank of India. Monitoring of such loans was not effective. Revenue recognition of such advances was not in accordance with the norms laid down by the National Housing Bank.

(SAMIR GUPTA)
Deputy Comptroller and Auditor General
-cum-Chairman, Audit Board

New Delhi
The 28 अप्रल APR 1997

Countersigned

V. K. Shunglu

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

New Delhi
The 5 MAY 1997

Appendix

APPENDIX I

List of Central Government Companies

MINISTRY OF AGRICULTURE

DEPARTMENT OF AGRICULTURE AND COOPERATION

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

DEPARTMENT OF ATOMIC ENERGY

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

DEPARTMENT OF BIO-TECHNOLOGY

7. Bharat Immunologicals & Biologicals Corporation Limited.

MINISTRY OF CHEMICALS AND FERTILIZERS

DEPARTMENT OF CHEMICALS AND PETROCHEMICALS

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

DEPARTMENT OF FERTILIZERS

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

MINISTRY OF CIVIL AVIATION AND TOURISM

DEPARTMENT OF CIVIL AVIATION

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

DEPARTMENT OF TOURISM

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

MINISTRY OF CIVIL SUPPLIES, CONSUMERS'AFFAIRS AND PUBLIC DISTRIBUTION

50. Hindustan Vegetable Oils Corporation Limited.

MINISTRY OF COAL

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

MINISTRY OF COMMERCE

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

MINISTRY OF COMMUNICATIONS

DEPARTMENT OF TELECOMMUNICATIONS

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

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION AND SUPPLIES

76. Bharat Dynamics Limited.
77. Bharat Earth Movers Limited.
78. Bharat Electronics Limited.
79. Garden Reach Shipbuilders and Engineers Limited.
80. Goa Shipyard Limited.
81. Hindustan Aeronautics Limited.

82. Mazagon Dock Limited.
83. Mishra Dhatu Nigam Limited.
84. Vignyan Industries Limited.

DEPARTMENT OF ELECTRONICS

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

MINISTRY OF ENVIRONMENT AND FORESTS

DEPARTMENT OF ENVIRONMENT, FORESTS AND WILDLIFE

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

MINISTRY OF FINANCE

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

MINISTRY OF FOOD PROCESSING INDUSTRIES

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

MINISTRY OF HOME AFFAIRS

(Union Territory Administration)

Union Territory of Chandigarh

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

Union Territory of Goa

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

Union Territory of Andaman And Nicobar

105. Andaman and Nicobar Islands Integrated Development Corporation Limited

MINISTRY OF HEALTH & FAMILY WELFARE

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

MINISTRY OF INDUSTRY

DEPARTMENT OF HEAVY INDUSTRY

109. Andrew Yule and Company Limited.
110. Bharat Bhari Udyog Limited.
111. Bharat Brakes and Valves Limited.
112. Bharat Heavy Electricals Limited.
113. Bharat Heavy Plates and Vessels Limited.
114. Bharat Leather Corporation Limited.
115. Bharat Ophthalmic Glass Limited.
116. Bharat Process and Mechanical Engineers Limited.
117. Bharat Pumps and Compressors Limited.
118. Bharat Wagon and Engineering Company Limited.
119. Bharat Yantra Nigam Limited.
120. Bridge and Roof Company (India) Limited.
121. Braithwaite and Company Limited.
122. Braithwaite Burn & Jessop Construction Company Limited.
123 Burn Standard Company Limited.
124. Cement Corporation of India Limited.
125. Cycle Corporation of India Limited.
126. Damodar Cement and Slag Limited.

127. Engineering Projects (India) Limited.
128. HMT (International) Limited.
129. HMT Limited.
130. Heavy Engineering Corporation Limited.
131. Hindustan Cables Limited.
132. Hindustan Newsprint Limited.
133. Hindustan Paper Corporation Limited.
134. Hindustan Photo Films Manufacturing Company Limited.
135. Hindustan Salts Limited.
136. HMT Bearings Limited.
137. Hooghly Printing Company Limited.
138. Instrumentation Limited.
139. Jessop and Company Limited.
140. Lagan Jute Machinery Company Limited.
141. The Mandya National Paper Mills Limited.
142. Mining and Allied Machinery Corporation Limited.
143. Nagaland Pulp and Paper Company Limited.
144. National Bicycle Corporation of India Limited.
145. The National Industrial Development Corporation Limited.
146. National Instruments Limited.
147. NEPA Limited.
148. Praga Tools Limited.
149. Rajasthan Electronics and Instruments Limited.
150. Rehabilitation Industries Corporation Limited.
151. RBL Limited.
152. Richardson and Cruddas (1972) Limited.
153. Sambhar Salts Limited.
154. Scooters India Limited.
155. Tannery and Footwear Corporation of India Limited.
156. Triveni Structurals Limited.
157. Tungabhadra Steel Products Limited.
158. Tyre Corporation of India Limited.
159. Weighbird (India) Limited.

DEPARTMENT OF SMALL SCALE INDUSTRIES, AGRO AND RURAL INDUSTRIES

160. The National Small Industries Corporation Limited

MINISTRY OF HUMAN RESOURCES DEVELOPMENT

DEPARTMENT OF EDUCATION

161. Educational Consultants (India) Limited.

MINISTRY OF INFORMATION & BROADCASTING

162. Broadcast Engineering Consultants Limited.
163. National Film Development Corporation Limited.

MINISTRY OF MINES

164. Bharat Aluminium Company Limited.
165. Bharat Gold Mines Limited.
166. Hindustan Copper Limited.
167. Hindustan Zinc Limited.
168. Mineral Exploration Corpcration Limited.
169 National Aluminium Company Limited.

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

170. Indian Renewable Energy Development Agency Limited.

MINISTRY OF PETROLEUM & NATURAL GAS

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

MINISTRY OF PLANNING AND PROGRAMME IMPLEMENTATION

190. National Informatics Centre Services Inc.

MINISTRY OF POWER

DEPARTMENT OF POWER

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

MINISTRY OF RAILWAYS

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

MINISTRY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH

205. Central Electronics Limited.
206. National Research Development Corporation of India Limited.

DEPARTMENT OF SPACE

207. Antrix Corporation Limited

MINISTRY OF STEEL

208. Bharat Refractories Limited.
209. Ferro Scrap Nigam Limited.
210. Hindustan Steelworks Construction Limited.
211. IISCO Ujjain Pipe and Foundry Company Limited.
212. India Firebricks and Insulation Company Limited.
213. Indian Iron and Steel Company Limited.
214. J&K Mineral Development Corporation Limited.
215. Kudremukh Iron Ore Company Limited.
216. Maharashtra Electrosmelt Limited.
217. Manganese Ore (India) Limited.
218. MSTC Limited.

219. MECON (India) Limited.
220. National Mineral Development Corporation Limited.
221. Rashtriya Ispat Nigam Limited.
222. Sponge Iron India Limited.
223. Steel Authority of India Limited.
224. Visvesvaraya Iron & Steel Limited.

MINISTRY OF SURFACE TRANSPORT

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

MINISTRY OF TEXTILES

232. Birds Jute and Exports Limited.
233. The British India Corporation Limited.
234. Brushware Limited.
235. Cawnpore Textiles Limited.
236. Central Cottage Industries Corporation of India Limited.
237. The Cotton Corporation of India Limited.
238. The Elgin Mills Company Limited.
239. The Handicrafts and Handlooms Export Corporation of India Limited.
240. Jute Corporation of India Limited.
241. National Handloom Development Corporation Limited.
242. National Jute Manufactures Corporation Limited.
243. National Textile Corporation Limited, New Delhi.
244. North Eastern Handicrafts and Handlooms Development Corporation Limited.
245. National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited.
246. National Textile Corporation (Delhi, Punjab and Rajasthan) Limited.
247. National Textile Corporation (Gujarat) Limited.
248. National Textile Corporation (Madhya Pradesh) Limited.
249. National Textile Corporation (Maharashtra North) Limited

250. National Textile Corporation (South Maharashtra) Limited
251. National Textile Corporation (Tamil Nadu and Pondicherry) Limited.
252. National Textile Corporation (Uttar Pradesh) Limited.
253. National Textile Corporation (West Bengal,Assam and Orissa) Limited.
254. Swadeshi Mining and Manufacturing Company Limited.

MINISTRY OF URBAN AFFAIRS & EMPLOYMENT

DEPARTMENT OF URBAN DEVELOPMENT

255 Hindustan Prefab Limited.
256. Housing and Urban Development Corporation Limited.
257. National Buildings Construction Corporation Limited.

MINISTRY OF WATER RESOURCES

258. Rashtriya Pariyojana Nirman Nigam Limited.
259. Water and Power Consultancy Services (India) Limited.

MINISTRY OF WELFARE

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

APPENDIX II

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

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

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

APPENDIX III

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

MINISTRY OF CIVIL AVIATION AND TOURISM

1. Airports Authority of India.

MINISTRY OF FOOD

2. Central Warehousing Corporation
3. Food Corporation of India

DEPARTMENT OF POWER

4. Damodar Valley Corporation

MINISTRY OF SURFACE TRANSPORT

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

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