



सत्यमेव जयते

# REPORT OF THE

## COMPTROLLER AND AUDITOR GENERAL

### OF INDIA

#### UNION GOVERNMENT (COMMERCIAL)

### 1978

#### PART V

336.39R  
L8

RESUME OF THE COMPANY AUDITORS' REPORTS  
AND COMMENTS ON ACCOUNTS OF  
GOVERNMENT COMPANIES



## ERRATA

Page	Reference	<i>For</i>	<i>Read</i>
3	line 3	Add ':' after the word 'accounts'	
8	item AL (i) (a)— line 3	transation	transaction
26	item (xlv)	Projects	Project
44	line 2 from bottom	Export	Exports
58	item BZE—	In National Small Industries Corpo- ration of India Limited	In The National Small Industries Corporation Limited
62	line 9 from bottom	Export	Exports
64	line 6 from bottom	Rs. 6.01	Rs. 76.01
82	item 20	Compnay	Company
82	item 22	Bongaigoan	Bongaigaon
85	item 88	Indian	India
88	item 152	Tungbhadra	Tungabhadra
88	item 157	Nawsprint	Newsprint
88	item 162	Metal	Metals

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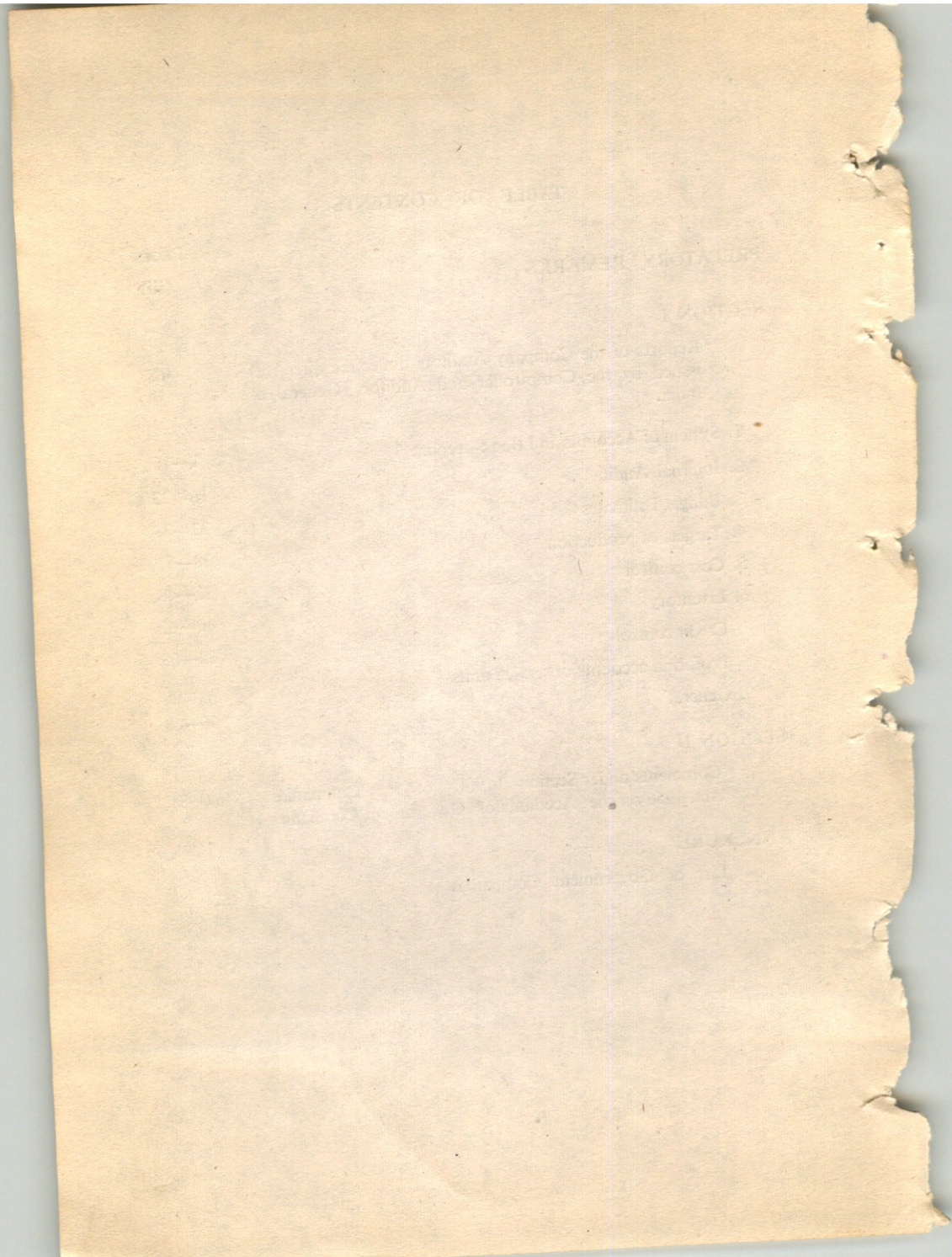
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## PREFATORY REMARKS

A reference is invited to the prefatory remarks in Part I of the Report of the Comptroller and Auditor General, Union Government (Commercial), 1978—wherein it was mentioned that the Report of the Comptroller and Auditor General of India—Union Government (Commercial), 1978 will be presented in several parts.

2. This part contains (i) a resume of the reports of the company auditors submitted by them under the directives issued by the Comptroller and Auditor General of India, and (ii) observations made during review of annual accounts under Section 619(4) of the Companies Act, 1956.

3. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration of the companies and corporations or of the departments of Central and State Governments dealing with them.

TESTIMONY

A reference is made to the decision rendered in Part I of the Report of the Commission on the Administration of the Government of Ontario, 1955-56, and to the Report of the Commission on the Administration of the Government of Ontario, 1956-57, which will be referred to hereinafter as the "Reports".

The first of the Reports, the Report of the Commission on the Administration of the Government of Ontario, 1955-56, was published in 1956 and is referred to as the "1955-56 Report". The second of the Reports, the Report of the Commission on the Administration of the Government of Ontario, 1956-57, was published in 1957 and is referred to as the "1956-57 Report".

The points brought out in the Reports are set forth in the following summary of the main findings and recommendations of the Commission on the Administration of the Government of Ontario, 1955-56, and the Commission on the Administration of the Government of Ontario, 1956-57.

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

In pursuance of the directives issued by the Comptroller and Auditor General of India under Section 619(3)(a) of the Companies Act, 1956, the special reports of the Company auditors on the accounts for the year 1976-77 were received in the case of 104 Companies and 36 Subsidiary Companies out of 117 Companies and 59 Subsidiaries as per details given in the Annexure.

The important points contained in these reports, as classified under broad headings, are given in the succeeding paragraphs :

### 1. *System of Accounts and Book-keeping*

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

- (i) Indo-Burma Petroleum Company Limited.
- (ii) Biecco Lawrie Limited.
- (iii) India Firebricks and Insulation Company Limited.
- (iv) Balmer Lawrie and Company Limited.
- (v) Bolani Ores Limited.
- (vi) Metal Scrap Trade Corporation Limited.
- (vii) Bokaro Steel Limited
- (viii) Handicrafts and Handlooms Exports Corporation of India Limited.
- (ix) Bharat Pumps and Compressors Limited.
- (x) Mineral Exploration Corporation Limited.

- (xi) Nagaland Pulp and Paper Company Limited.
- (xii) Hindustan Paper Corporation Limited.
- (xiii) Indian Rare Earths Limited.
- (xiv) Indian Motion Pictures Export Corporation Limited.
- (xv) Bharat Coking Coal Limited (Headquarters, Areas I, II, III, XII, Central Jharia, D&C Division and D & F Ropeways).
- (xvi) Housing and Urban Development Corporation Limited.
- (xvii) Tungabhadra Steel Products Limited.
- (xviii) Electronics Corporation of India Limited.
- (xix) National Fertilizers Limited.
- (xx) Hindustan Insecticides Limited.
- (xxi) Tea Trading Corporation of India Limited.
- (xxii) Hindustan Copper Limited (Dariba Copper Project, Agnigundala Copper Lead Project, Malanjhand Copper Project and Chandmari Copper Project).
- (xxiii) Bridge and Roof Company (India) Limited.
- (xxiv) Triveni Structurals Limited.
- (xxv) Scooters India Limited.
- (xxvi) National Textile Corporation Limited (Marketing Division of Eastern Zone and Head Office).
- (xxvii) Bharat Aluminium Company Limited.
- (xxviii) Rehabilitation Industries Corporation Limited.
- (xxix) Tannery and Footwear Corporation of India Limited.

(AA) In India Tourism Development Corporation Limited :

- (i) There was no effective system of reconciliation of books of accounts (a) by not taking out periodical trial balances, (b) non-posting of subsidiary ledgers regularly, and (c) non-reconciliation of subsidiary ledgers with control accounts at periodical intervals (Transport Unit, Aurangabad).
- (ii) There was no internal control over the consumption of provisions, fresh supplies and cleaning materials (Kovalam Unit).
- (iii) The Accounting Manual prepared in 1971 had not been updated [Duty Free Shop, Palam; Travellers Lodges (Northern Region) ; Stores and Purchase Division ; Project Division ; Transport Division ; Production, Publicity and Marketing Division ; Son-et-lumiere shows at Red Fort, New Delhi and Shalimar, Srinagar ; Bharatpur Forest Lodge and Hotel Pataliputra].
- (iv) Credits were allowed by the Unit Managers without specific powers to allow the same in respect of the Units mentioned in (iii) above.
- (v) Bill Register was not maintained (Project Division).
- (vi) The following defects were noticed in the system of accounting and maintenance of accounts records :
  - (a) Claims register for indigenous purchases was not maintained and the system in vogue for accounting of claims did not entail reconciliation of the goods purchased/short received or damaged, with the claims preferred on the Insurance Company (Stores and Purchase Division).
  - (b) Purchases were accounted for late due to delay in receipt of stock entry certificates (Stores and Purchase Division).

- (c) Payments were authorised and cheques issued even before supplies had been effected (Stores and Purchase Division).
- (d) System of control was ineffective insofar as it related to raising of invoices on overseas Government of India Tourist Offices without having done any work (Production and Publicity Division).
- (e) Un-scientific system of accounting in regard to treating goods sent on consignment to dealers as sales initially and adjusting the sales at the end of the year with the value of unsold goods lying with them (Production and Publicity Division).
- (f) Consumption was accounted for on deduction basis (*i.e.* opening balance plus purchases less closing stock) treating shortages, found on reconciliation between physical and book balance, as part of consumption (Transport Division).
- (g) Accounting for lease money receivable from lessees of Shopping Places could not be properly made in the absence of lease agreements with the parties (Hotel Pataliputra).
- (h) There was no system of periodical reconciliation of balances in Subsidiary Ledger with control accounts in General Ledger (Laxmi Vilas Palace Hotel and Khajuraho Hotel).
- (i) Defects were noticed in the maintenance of accounts records in respect of purchase, issue and consumption of stores (Akbar Hotel).

(AB) In Hindustan Steel Limited :

- (i) The procedure prescribed for calling tenders was not considered adequate insofar as it did not lay down specific classes, monetary limits, circumstances under which open tenders were to be floated.

(ii) The purchase procedure for calling of open tenders was considered to be inadequate as it was much flexible and discretionary and there was no system of periodical survey of sources of supply by open advertisement.

(iii) Credit sales were made to private parties in spite of the policy of the Company that all direct sales to private parties should be made on cash payment against documents. Although credit was to be granted after assessing the credit worthiness of the parties, substantial amounts were outstanding against private parties (Central Sales Organisation).

(AC) In Handicrafts and Handlooms Exports Corporation of India Limited (Madras Branch) :

(i) Reconciliation of bank, control and subsidiary accounts was not made regularly.

(ii) The purchase procedure did not provide for calling of open tenders.

(AD) In Hindustan Zinc Limited :

(i) Internal control procedure with regard to cash and stores was inadequate insofar as ;

(a) responsibility for cash and book writing was placed on the same person in some units and

(b) handling of raw materials directly by production department (Smelters at Tundoo and Vizag, Sargipalli Mines and Calcutta Unit).

(ii) Reconciliation between financial books and registers was not carried out (Tundoo, Vizag, Sargipalli Mines and Calcutta Unit).

(AE) In Mineral Exploration Corporation Limited :

(i) The system of maintenance of Fixed Assets Registers needed improvement so as to show quantitative details and location of the assets.

- (ii) The procedure of physical inventory at project level needed improvement with regard to the frequency of fast moving items, since the present system of obtaining year end balances did not enable determination of discrepancies in balances.

(AF) In the National Newsprint and Paper Mills Limited, the manual for purchase procedure had not been finalised and adopted.

(AG) In Export Credit and Guarantee Corporation Limited (Head Office), the system of accounting premium receipts and premium adjustments, interest, income on investments, claims, inter-bank transactions of funds and maintenance of policy holders' accounts was not adequate *vis-a-vis* the rapid expansion in the activities of the Corporation as indicated below :

- (i) Premium adjustable was wrongly calculated in several cases.
- (ii) Premium was adjusted several months after the declarations were received.
- (iii) Declarations by the policy holders were not submitted within the stipulated period.
- (iv) Verification of premium adjustable on Export Performance Guarantees and specific shipment policies was not done.
- (v) Subsidiary ledgers in respect of minimum premium account, Registration Deposit Adjustment account and Registration Deposit account were not maintained at Head Office.
- (vi) In some cases, bank transfers were recorded twice.



(AH) In State Farms Corporation of India Limited :

- (i) Subsidiary books with regard to sales and purchases were not maintained (Raichur farm).
- (ii) There was no system of reconciliation between stores records and financial books.

(AI) In Headquarters, Area No. XI and XII, Central Jharia, D & C Division and D & F Ropeways of the Bharat Coking Coal Limited :

- (i) In certain cases entries in cash book could not be linked readily with the vouchers, bank statements and relevant records due to lack of proper system of filing.
- (ii) Reconciliation made between goods received, stores receipt vouchers and liabilities provided was not exhaustive (Area No. XII).
- (iii) Advances and sundry creditors were not properly linked up and reconciled.
- (iv) Neither party-wise ledgers for advances were maintained, nor were schedules of such advances prepared.
- (v) The present system of maintaining party-wise ledgers of sundry debtors needed to be further extended to cover dues from all the customers including area of cash sales.
- (vi) The stores ledgers were not brought up-to-date and reconciled with the General Ledger in all the areas. In certain cases, no store ledgers were made available for audit.

(vii) There was no system of reconciliation of cost records with financial books.

(viii) There were many deficiencies in the accounting system (Area XI).

(AJ) In Hindustan Copper Limited (Khetri Copper Complex) :

(i) There was no prescribed procedure for recording transfer of materials from one project to another.

(ii) Reconciliation of a number of remittance accounts was not done.

(iii) The purchase manual of the Company, being very old, required review.

(AK) In Indian Oil Corporation Limited (Marketing Division—Head Office), there was no proper procedure of reconciliation between the book balance and the physical balance of L.P.G. Cylinders at all the regions.

(AL) In Bharat Ophthalmic Glass Limited :

(i) The system of periodical reconciliation of books of accounts was not satisfactory :

for example (a) the journal entries were passed at the end of the year and not at the time of occurrence of transaction.

(b) trial balance was prepared on cash basis without taking into account the adjustments.

(ii) Subsidiary accounts were not reconciled with the control accounts.

(AM) In Scooters India Limited, the accounting system and procedure needed improvement and modification :

for example (i) the invoices of the suppliers for purchases (April 1976 to September 1976) had either not been kept systematically or were not received;

- (ii) finished goods despatched to various retail outlets of the Company were treated as sales instead of as closing stock and
- (iii) trial balance was not prepared on regular monthly basis.

(AN) In Central Inland Water Transport Corporation Limited, trial balance was not prepared periodically and periodical reconciliation of subsidiary accounts with the control accounts was not done.

(AO) In Hindustan Cables Limited, the purchase procedure had not been compiled and incorporated in the Financial Handbook.

(AP) In Pyrites, Phosphates and Chemicals Limited :

(i) The system of accounting followed by Mussoorie Phosphate Project was not satisfactory as

(a) monthly trial balances were not prepared regularly

(b) adjustments under proper heads of accounts were not made in due time.

(ii) Accounting manual, though prepared by the Company, had not been enforced.

(AQ) In National Textile Corporation Limited :

(i) The internal control and internal checks regarding quantitative accounts were not sufficient as there was no counter check in regard to accounting of receipts, issues and balances of stock articles (Marketing Divisions—Madras and Coimbatore).

(ii) The accounts in the Madras and Coimbatore units of the Marketing Divisions of the Company which is on all India basis, were not maintained on uniform basis.

- (iii) There was no periodical taking out of the Trial Balance (Marketing Divisions—Madras and Coimbatore).
- (iv) There was no effective system of reconciliation of books periodically (Marketing Division—Eastern Zone).
- (v) Bank account was not reconciled regularly (Marketing Division—Eastern Zone).

(AR) In National Textile Corporation (Madhya Pradesh) Limited, there was no regular system of reconciliation of books of accounts (Burhanpur Tapti Mills).

(AS) In National Seeds Corporation Limited, the present accounting procedure needed improvement, to have better control and to ensure audit in depth as in the following cases :—

- (i) bill-wise analysis of sundry debtors balances to assess their realisability,
- (ii) periodical reconciliation between purchases, sales and stock records, and
- (iii) exhibition of progressive balance in stock records.

(AT) In Bharat Aluminium Company Limited :

- (i) Completion reports in respect of capital works were not sent to Accounts Department regularly.
- (ii) Subsidiary ledgers containing the personal accounts of the suppliers were not maintained and the advances to suppliers were adjusted in one account with the result that periodical reconciliation of the statement of accounts received from the parties was not possible.

- (iii) Store accounting records were not properly maintained in Priced Store Ledger Department ; in so far as :
- (a) materials returned to store were wrongly valued at the current rates and not at the rates at which these were issued.
  - (b) raw materials consumed last year were wrongly accounted for in the current year.
  - (c) materials returned to stores in earlier years were accounted for during the year.
  - (d) issues were shown to have been made even though there were no balances or insufficient balances.
  - (e) mistakes in wrong codification of materials and in quantities.
- (iv) Certain materials given on loan to corporate bodies and others during one to five years ago were neither returned nor was their cost recovered.
- (v) The present coding system of accounts classification, adopted at Korba and Amarkantak was too voluminous, ambiguous and contained a great deal of duplicity and hence needed a complete overhaul.
- (vi) There was no control to ensure that all debits raised by various departments regarding recoveries from contractors and others were received by the Accounts Department.
- (vii) There was no effective system of reconciling the books of accounts by taking out periodical trial balances.

(AU) In Hindustan Shipyard Limited, the material purchased and stores left over after consumption in Ship Repair Section were not routed through the stores/stock register.

(AV) In Jute Corporation of India Limited, Accounting Manual, though prepared, was yet to be implemented.

(AW) In Indian Iron and Steel Company Limited, very few monthly trial balances were drawn and that too at irregular intervals. Balances in some of the subsidiary ledgers were not reconciled with control accounts.

(AX) In National Textile Corporation (U.P.) Limited :

- (i) There was no system of reconciliation of books of accounts (Bijli Cotton Mills).
- (ii) Allocation of expenditure during construction between Capital and Revenue did not seem to be correct (Bijli Cotton Mills).

(AY) In National Building Construction Corporation Limited, periodical reconciliation of books of accounts of the units and that of Head Office was not done.

(AZ) In National Textile Corporation (Tamil Nadu and Pondicherry) Limited, treatment of entire expenditure towards modernisation as revenue expenditure was not in accordance with the normally accepted accounting principle (Sriranga Vilas Ginning, Spinning and Weaving Mills and Krishnaveni Textile Mills).

1(B) In the following companies accounting manual had not been up-dated so as to bring in additional instructions issued from time to time—

- (i) Garden Reach Shipbuilders and Engineers Limited.
- (ii) National Instruments Limited.
- (iii) Film Finance Corporation Limited.
- (iv) India Tourism Development Corporation Limited.

1(C) Property/Plant/Assets Registers were not maintained in the following cases :—

- (i) National Projects Construction Corporation Limited (Subarnarekha Unit).
- (ii) Hindustan Insecticides Limited (excepting Plant Register).

- (iii) State Farms Corporation of India Limited (excepting plant, machinery and vehicles).
- (iv) Bharat Coking Coal Limited (Headquarters, Areas No. XI and XII, Central Jharia, D&C Division and D & F Ropeways).
- (v) Central Road Transport Corporation Limited (excepting vehicles).
- (vi) Triveni Structural Limited (excepting Plant and Machinery).
- (vii) Heavy Engineering Corporation Limited (Foundry Forge Plant—Land, land development, non-residential buildings, roads and bridges, railway lines and sidings, water works and sewerage, electrical installations, industrial pipelines, factory equipments and furniture, fixtures and office equipments).

(CC) In Akbar Hotel, belonging to the India Tourism Development Corporation Limited, the original value as well as depreciation provided in respect of furniture, carpets, plants and machinery did not tally with those indicated in the fixed assets register maintained.

1(D) In the following Companies, Property/Plant/Assets Registers were not maintained properly/were incomplete/were not upto date :—

- (i) India Firebricks and Insulation Company Limited.
- (ii) National Small Industries Corporation Limited (Proto-type Development-cum-Training Centre, Okhla—Property registers except Plant Registers).
- (iii) Hindustan Steel Limited (Rourkela Steel Plant—certain classes of assets).
- (iv) Central Coalfields Limited (Charhi and Singrauli Branches, Head Office at Ranchi, Sales Office at Calcutta and Bokaro, Argada, Kathara, Giridih,

Barkakana and McCluskieganj areas—plant and Machinery only).

- (v) Indian Oil Corporation Limited (Gujarat Refinery, Head Office of Refineries Division, Chairman's Office, Bombay Office and Mathura Refinery Project—Furniture and Fixtures).
- (vi) Bharat Ophthalmic Glass Limited.
- (vii) The Fertilizer Corporation of India Limited (Namrup Unit).
- (viii) Heavy Engineering Corporation Limited (Headquarters).
- (ix) National Seeds Corporation Limited.
- (x) National Textile Corporation (U.P.) Limited (Lord Srikrishna Mills, Bijli Cotton Mills).

1(E) In the following Companies, Property/Plant/Assets Registers were not kept up-to-date and/or reconciled with the financial books :—

- (i) Uranium Corporation of India Limited.
- (ii) Handicrafts and Handlooms Exports Corporation of India Limited (Madras Branch).
- (iii) National Newsprint and Paper Mills Limited.
- (iv) National Industrial Development Corporation Limited.
- (v) India Tourism Development Corporation Limited [Duty Free Shop, Palam; Travellers Lodges (Northern Region) ; Stores and Purchase Division ; Project Division ; Transport Division ; Production, Publicity and Marketing Division ; Son-et-lumiere shows at Red Fort, Delhi and Shalimar, Srinagar ; Bharatpur Forest Lodge and Hotel Pataliputra].



- (vi) Hindustan Copper Limited (Agnigundala Copper Lead Project and Head Office).
- (vii) Triveni Structurals Limited (Plant and Machinery).
- (viii) Hindustan Shipyard Limited.
- (ix) National Textile Corporation (Madhya Pradesh) Limited (Burhanpur Tapti Mills).
- (x) Indian Iron and Steel Company Limited.

1(F) In the following Companies there was no procedure for write off, dicounts, refunds, etc. :

- (i) Bharat Coking Coal Limited (Headquarters, Areas I, II, III and XII, Central Jharia, D & C Division, D & F Ropeways) ;
- (ii) Tea Trading Corporation of India Limited ;
- (iii) Hindustan Copper Limited (Agnigundala Copper Lead Project) ; and
- (iv) Triveni Structurals Limited.

(FF) In State Farms Corporation of India Limited, shortages of stocks/stores in some cases were written off without head office approval.

(FG) In Hindustan Steel Limited, the procedure followed for making refunds to customers was not adequate in the following respects :—

- (a) refunds were not made on time.
- (b) stamped receipts were not obtained.
- (c) refunds were made to the parties even though their accounts showed debit balances.
- (d) there was lack of communication between refund section and invoicing and ledger control section (Central Sales Organisation).

(FH) In Jute Corporation of India Limited, jute to a Company was sold at a rate lower than charged to other mills which amounted to an exceptional concession to the extent of Rs. 17.61 lakhs in the form of a discounted sale.

## 2. Internal Audit

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

- (i) Bharat Refractories Limited.
- (ii) Indo-Burma Petroleum Company Limited.
- (iii) Biecco Lawrie Limited.
- (iv) Indian Dairy Corporation.
- (v) Rail India Technical and Economic Services Limited.
- (vi) Metal Scrap Trade Corporation Limited.
- (vii) Balmer Lawrie and Company Limited.
- (viii) Indian Rare Earths Limited.
- (ix) Richardson and Cruddas (1972) Limited.
- (x) Bharat Coking Coal Limited (Headquarters, Areas I, II, III and XII, Central Jharia, D & C Division and D & F Ropeways).
- (xi) National Fertilizers Limited.
- (xii) State Trading Corporation of India Limited.
- (xiii) Engineering Projects (India) Limited.
- (xiv) Tea Trading Corporation of India Limited.
- (xv) National Instruments Limited.
- (xvi) Hindustan Copper Limited (Khetri Copper Complex, Dariba Copper Project, Agnigundala Copper Lead Project, Malanjkhand Copper Project and Chandmari Copper Project).
- (xvii) Bridge and Roof Company (India) Limited.
- (xviii) Scooters India Limited.

- (xix) Film Finance Corporation Limited.
- (xx) Triveni Structural Limited.
- (xxi) Rehabilitation Industries Corporation Limited.
- (xxii) Hindustan Steel Limited (Central Sales Organisation).
- (xxiii) National Textile Corporation (Madhya Pradesh) Limited (Burhanpur Tapti Mills).
- (xxiv) Jute Corporation of India Limited.
- (xxv) Indian Iron and Steel Company Limited.
- (xxvi) Tannery and Footwear Corporation of India Limited.
- (xxvii) National Textile Corporation (U.P.) Limited.

(AA) In Hindustan Photo Films Manufacturing Company Limited, the internal audit manual compiled in 1969 required review and up-dating particularly in respect of review of systems and procedures, operational audit reporting and follow-up action.

2(B) There was no system of internal audit in the following Companies :—

- (i) Banana and Fruit Development Corporation Limited.
- (ii) SAIL International Limited.
- (iii) National Research Development Corporation of India.
- (iv) Tungabhadra Steel Products Limited.
- (v) Bharat Ophthalmic Glass Limited.
- (vi) National Textile Corporation Limited (Marketing Divisions of Head Office, Bangalore and Hyderabad).
- (vii) National Textile Corporation (U.P.) Limited—(Lord Srikrishna Mills, Bijli Cotton Mills).

2(C) The existing system of internal audit was not considered to be comprehensive and adequate with reference to volume of

transactions and coverage of units etc. in the following Companies :—

- (i) Bharat Refractories Limited.
- (ii) India Firebricks and Insulation Company Limited.
- (iii) National Small Industries Corporation Limited (Proto-type Development-cum-Training Centre, Okhla and Regional Office, Bombay).
- (iv) Bharat Heavy Electricals Limited (Hardwar Unit and Central Foundry Forge Plant).
- (v) The National Newsprint and Paper Mills Limited.
- (vi) Bharat Pumps and Compressors Limited.
- (vii) Richardson and Cruddas (1972) Limited (Head Office).
- (viii) National Projects Construction Corporation Limited.
- (ix) Fertilisers and Chemicals, Travancore Limited.
- (x) India Tourism Development Corporation Limited (Head Office ; Duty Free Shop, Palam ; Travellers Lodges in Northern Region ; Project Division ; Production, Publicity and Marketing Division ; Transport Division ; Son-et-lumiere shows at Red Fort, Delhi and Shalimar, Srinagar ; Bharatpur Forest Lodge and Hotel Pataliputra).
- (xi) National Instruments Limited.
- (xii) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant and Heavy Machine Building Plant).
- (xiii) Hindustan Steel Limited (Refractory Plant, Bhilai Steel Plant and Central Sales Organisation).
- (xiv) Bridge and Roof Company (India) Limited.
- (xv) Triveni Structurals Limited.

- (xvi) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant, Marketing Division and Antibiotics Plant).
- (xvii) Scooters India Limited.
- (xviii) Central Inland Water Transport Corporation Limited.
- (xix) Hindustan Cables Limited.
- (xx) The Fertilizer Corporation of India Limited (Jodhpur Mining Organisation).
- (xxi) National Textile Corporation Limited (Marketing Divisions, Madras, Coimbatore and Eastern Zone).
- (xxii) Goa Shipyard Limited.
- (xxiii) Bharat Coking Coal Limited (Areas I, II, III & XII, Headquarters, Central Jharia, D & C Division, D & F Ropeways).
- (xxiv) National Seeds Corporation Limited.
- (xxv) Hindustan Insecticides Limited.
- (xxvi) Hindustan Machine Tools Limited (Pinjore Unit).
- (xxvii) Rehabilitation Industries Corporation Limited.
- (xxviii) Bharat Heavy Plate and Vessels Limited.
- (xxix) Mogul Line Limited.
- (xxx) Tannery and Footwear Corporation of India Limited.

(CC) In the following Companies, the internal audit was required to be strengthened with adequate staff and increasing periodicity of audit etc :—

- (i) Cochin Shipyard Limited.
- (ii) Radio and Electricals Manufacturing Company Limited.
- (iii) Bharat Electronics Limited.

- (iv) Mica Trading Corporation of India Limited.
- (v) Bharat Petroleum Corporation Limited.
- (vi) Bharat Aluminium Company Limited.
- (vii) Hindustan Teleprinters Limited.

(CD) In State Trading Corporation of India Limited (Bombay Branch), the points thrown up in internal audit were not considered by the administration.

(CE) In Nagaland Pulp and Paper Company Limited, internal auditor, although appointed since January 1976, had not yet organised the internal audit.

(CF) In Electronics Corporation of India Limited, coverage by internal audit was not according to the programme laid down in the manual, due to inadequacy of staff.

(CG) In National Projects Construction Corporation Limited, the defects and irregularities pointed out by the internal audit department were not properly followed up. The units took long time to reply to internal audit reports.

(CH) In the Fertilizer Corporation of India Limited, the scope of internal audit needed extension to cover further areas (Sindri Unit).

(CI) In Mining and Allied Machinery Corporation Limited, internal audit system was not adequate and commensurate with the size, volume and nature of its business activities.

(CJ) In Central Inland Water Transport Corporation Limited :—

- (i) The action taken on the points thrown up by the internal audit was not very satisfactory as there were long delays in receipt of replies to internal audit reports and settlement of the audit objections.

- (ii) Internal audit department and its scope and areas needed further strengthening/enlargement so as to cover the transactions of Kulpi workshop and Bangladesh River Services, etc.

(CK) In Pyrites, Phosphates and Chemicals Limited :—

- (i) Though the Company had a manual prescribing the scope and programme of work for internal audit, the same were not drawn up and followed, as prescribed therein.
- (ii) The existing internal audit department was not adequate to cope with the expanding nature of business of the Company.
- (iii) The observations of internal audit department had not been pursued.

(CL) In Heavy Engineering Corporation Limited, the internal audit system was not commensurate with the size and nature of its business as the areas covered by internal audit were inadequate and the internal audit was generally carried out after completion of audit by statutory auditors. (Foundry Forge Plant).

(CM) In Jute Corporation of India Limited, the internal control in respect of advances to employees and outside parties, reconciliation of stock (quantity and quality wise), credit facilities to sundry debtors and utilisation of funds needed to be introduced/strengthened.

(CN) In Indian Iron & Steel Company Limited, internal audit was conducted to a limited extent as some of the areas were not covered. Internal control system needed substantial improvement in respect of the following areas :—

- (i) clearance of sundry debtors, purchases/claims recoverable, etc.,
- (ii) generation and recording of scraps,
- (iii) evaluation of actual total cost at the time of quoting export orders,

- (iv) handling and recording of stores and spares,
- (v) introduction of fixing maximum, minimum and ordering level in respect of all major raw materials, stores and spares,
- (vi) linking of advances with liabilities,
- (vii) control over contract labour and performance of contractors.

(CO) In National Building Construction Corporation Limited, programme of internal audit as prescribed in the internal audit manual was not followed strictly.

2(D) Internal audit was not conducted in the following Companies :—

- (i) Hindustan Zinc Limited (some units).
- (ii) Central Coalfields Limited (Charhi and Singrauli Branches).
- (iii) State Farms Corporation of India Limited (Khammam, Raichur and Chengam).
- (iv) Central Road Transport Corporation Limited.
- (v) The Fertilizer Corporation of India Limited (Northern Marketing Zone, Korba Division and Planning & Development Division).
- (vi) Bharat Heavy Electricals Limited (R & D Division).

(DD) In Bharat Heavy Electricals Limited though there was a manual outlining in detail the points for internal audit, no comprehensive internal audit was conducted (Jhansi Unit).

(DE) In Modern Bakeries (India) Limited, internal audit had been conducted only for one quarter of the year (Bombay Unit).



2(E) In the following Companies, the programme drawn up for internal audit was not fully implemented/covered :—

- (i) Mineral Exploration Corporation Limited.
- (ii) Minerals and Metals Trading Corporation of India Limited (Bombay Branch).
- (iii) Mazagon Dock Limited.
- (iv) Hindustan Cables Limited (Rupnarainpur and Hyderabad Units).
- (v) The Fertilizer Corporation of India Limited (Namrup, Fertilizer Promotion and Agricultural Research Centre, Eastern Marketing Zone and Durgapur).
- (vi) The National Newsprint and Paper Mills Limited.
- (vii) Bharat Aluminium Company Limited.
- (viii) State Farms Corporation of India Limited.

3. *Budget Estimates*

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

- (i) Bharat Refractories Limited.
- (ii) India Tourism Development Corporation Limited (Aurangabad Hotel).
- (iii) Hindustan Aeronautics Limited (Lucknow, Hyderabad, Nasik, Koraput and Kanpur Divisions).
- (iv) Hindustan Machine Tools Limited. (Srinagar and Pinjore Units).
- (v) Balmer Lawrie and Company Limited.
- (vi) The Projects and Equipment Corporation of India Limited.

- (vii) Minerals and Metals Trading Corporation of India Limited (Calcutta & Paradeep—revenue budget and Goa & Bombay branches—capital and sales budgets).
- (viii) Rail India Technical and Economic Services Limited.
- (ix) State Trading Corporation of India Limited (Bombay branch and Cochin branch—revenue budget and Head Office—sales budget).
- (x) Hindustan Steel Limited (Head Office, Bhilai Steel Plant, Refractory Plant and Central Sales Organisation).
- (xi) Lubrizol India Limited.
- (xii) Indian Oil Corporation Limited :
  - (a) Refineries and Pipelines Division :
    - (i) Barauni Refinery.
    - (ii) Gujarat Refinery (capital expenditure).
    - (iii) Mathura Refinery Project.
    - (iv) Haldia Refinery.
    - (v) Gauhati Refinery.
    - (vi) Haldia—Barauni—Kanpur Pipelines.
    - (vii) Gauhati-Siliguri Pipeline.
    - (viii) Head Office-Refineries Division.
  - (b) Marketing Division :
    - (i) Head Office.
    - (ii) Southern Region.
    - (iii) Western Region.
- (xiii) SAIL International Limited.
- (xiv) The Mica Trading Corporation of India Limited.

- (xv) Indo-Burma Petroleum Company Limited (Head Office and Engineering Division).
- (xvi) Cochin Shipyard Limited.
- (xvii) Praga Tools Limited.
- (xviii) Garden Reach Shipbuilders and Engineers Limited.
- (xix) Hindustan Organic Chemicals Limited.
- (xx) Cement Corporation of India Limited.
- (xxi) Bharat Heavy Electricals Limited (Research and Development Division, Hardwar, Bhopal and Trichy Units, Central Foundry Forge Plant and Power Project Division).
- (xxii) Hindustan Zinc Limited (Head Office, Zinc Smelter and Debari Units).
- (xxiii) Mineral Exploration Corporation Limited.
- (xxiv) Hindustan Paper Corporation Limited.
- (xxv) Indian Telephone Industries Limited (Naini and Rae Bareilly Units).
- (xxvi) National Research Development Corporation of India.
- (xxvii) Richardson and Cruddas (1972) Limited (Head Office and Nagpur Branch).
- (xxviii) Bharat Electronics Limited (Ghaziabad Unit).
- (xxix) North Eastern Electric Power Corporation (P) Limited.
- (xxx) Electronics Corporation of India Limited.
- (xxxi) Export Credit and Guarantee Corporation Limited (Head Office).
- (xxxii) National Projects Construction Corporation Limited.
- (xxxiii) Mazagon Dock Limited (Capital Budget only).

- (xxxiv) Jessop and Company Limited.
- (xxxv) Fertilisers and Chemicals, Travancore Limited.
- (xxxvi) Hindustan Insecticides Limited (Capital Budget).
- (xxxvii) The Fertiliser Corporation of India Limited (Sindri Unit, Jodhpur Mining Organisation, Gorakhpur, Nangal, Barauni and Namrup Units).
- (xxxviii) Mining and Allied Machinery Corporation Limited.
- (xxxix) Engineering Projects (India) Limited.
  - (xl) Tea Trading Corporation of India Limited.
  - (xli) National Instruments Limited.
  - (xlii) Central Road Transport Corporation Limited (Revenue Budget).
  - (xliii) Triveni Structurals Limited.
  - (xliv) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant, Antibiotics Plant and Marketing Division).
  - (xlv) Hindustan Copper Limited (Khetri Copper Projects).
  - (xlvi) Scooters India Limited.
  - (xlvii) Central Inland Water Transport Corporation Limited.
  - (xlviii) Hindustan Cables Limited.
  - (xlix) Heavy Engineering Corporation Limited. (Heavy Machine Building Plant and Foundry Forge Plant).
    - (I) Pyrites, Phosphates and Chemicals Limited.
    - (li) Bharat Earth Movers Limited (Capital Budget).
    - (lii) Goa Shipyard Limited.
    - (liii) Hindustan Petroleum Corporation Limited.
    - (liv) National Seeds Corporation Limited.

- (lv) Modern Bakeries (India) Limited (Calcutta Unit).
- (lvi) Central Electronics Limited.
- (lvii) Bharat Petroleum Corporation Limited.
- (lviii) State Farms Corporation of India Limited.
- (lix) Hindustan Housing Factory Limited.
- (lx) Hindustan Shipyard Limited.
- (lxi) Rehabilitation Industries Corporation Limited.
- (lxii) Jute Corporation of India Limited.
- (lxiii) Bharat Coking Coal Limited. (Headquarters, Area No. XII, Central Jharia, D & C Division and D & F Ropeways).
- (lxiv) Tannery and Footwear Corporation of India Limited.
- (lxv) National Building Construction Corporation Limited.

(AA) In National Projects Construction Corporation Limited, reasons for variations between actual expenditure and budget estimates in respect of capital items, value of work done and cost of production had not been ascertained.

(AB) In Electronics Trade & Technology Development Corporation Limited, budget estimates were not compared with the actuals.

3(B) There was no system of preparing capital budget in the case of the following Companies :—

- (i) Biecco Lawrie Limited.
- (ii) Bridge and Roof Company (India) Limited.

(BB) In Banana and Fruit Development Corporation Limited, no budget was prepared in advance.

(BC) In Bharat Aluminium Company Limited, the operational budget bringing out the likely profit or loss on

anticipated/targetted level of production was based on cash basis, rather than on accrual basis of accounting and as such budget figures could not be compared with the actuals.

(BD) In National Textile Corporation (Madhya Pradesh) Limited, no capital, revenue, production and sales budgets were prepared (Burhanpur Tapti Mills).

(BE) In National Textiles Corporation (Tamil Nadu and Pondicherry) Limited, no budgets were prepared during the year (Sriranga Vilas Ginning, Spinning and Weaving Mills).

(BF) In National Textile Corporation Limited, the targets of sale were not achieved (Marketing Divisions—Bangalore and Hyderabad).

#### 4. Targets of Production

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

- (i) Madras Fertilizers Limited (Ammonia and Urea).
- (ii) Bolani Ores Limited.
- (iii) Hindustan Latex Limited.
- (iv) Hindustan Steel Limited (Rourkela Fertilizer Plant).
- (v) Radio and Electrical Manufacturing Company Limited.
- (vi) Praga Tools Limited (most of the products).
- (vii) Garden Reach Shipbuilders and Engineers Limited.
- (viii) Hindustan Organic Chemicals Limited.
- (ix) Cement Corporation of India Limited (Kurkunta Factory).
- (x) Bharat Heavy Electricals Limited (Hardwar Unit—major products, Bhopal Unit—certain products, Jhansi Unit—instruments and transformers, Central

- Foundry Forge Plant, Hyderabad Unit—certain products and Trichy Unit—boilers).
- (xi) Bharat Pumps and Compressors Limited.
  - (xii) Hindustan Zinc Limited (Zinc Smelter and Debari Unit, Tundoo, Vizag, Sargipalli Mines and Calcutta unit).
  - (xiii) National Mineral Development Corporation Limited (Kiriburu Iron Ore Project).
  - (xiv) Bharat Coking Coal Limited (Headquarters, Areas I, II, III and XII, Central Jharia, D&C Division and D&F Ropeways).
  - (xv) Electronics Corporation of India Limited.
  - (xvi) Fertilisers and Chemicals, Travancore Limited (most of the products).
  - (xvii) The Fertilizer Corporation of India Limited :—
    - (a) Sindri Unit—Ammonium Sulphate, Ammonium Nitrate and Industrial Products.
    - (b) Barauni and Namrup—Urea.
    - (c) Planning and Development Division—H.T. Co-conversion catalyst and Nickel based catalyst.
  - (xviii) Modern Bakeries (India) Limited. (Cochin Unit—bun only, and Calcutta Unit).
  - (xix) Central Coalfields Limited (Kuju and Daltonganj Branches).
  - (xx) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant, Heavy Machine Building Plant—in most cases and Foundry Forge Plant).
  - (xxi) Bridge and Roof Company (India) Limited.

- (xxii) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant and Antibiotics Plant).
- (xxiii) Scooters India Limited.
- (xxiv) Pyrites, Phosphates and Chemicals Limited (for pyrites ore and phosphate).
- (xxv) Indian Oil Corporation Limited (Haldia Refinery and Koyali—Ahemdabad products pipeline).
- (xxvi) Hindustan Machine Tools Limited (Kalamssery and Pinjore Units).
- (xxvii) Bharat Aluminium Company Limited.
- (xxviii) State Farms Corporation of India Limited (in most cases).
- (xxix) Hindustan Shipyard Limited.
- (xxx) National Textile Corporation (Tamil Nadu and Pondichery) Limited (Coimbatore Spinning and Weaving Mills, Sri Ranga Vilas Ginning, Spinning and Weaving Mills).
- (xxxi) National Textile Corporation (U.P.) Limited (Lord Sri Krishna Mills).
- (xxxii) Tannery and Footwear Corporation of India Limited.
- (xxxiii) National Textile Corporation (Andhra Pradesh, Kerala, Karnataka & Mahe) Limited (Anantapur Cotton Mills—Sales also).
- (xxxiv) National Building Construction Corporation Limited.
- (xxxv) Hindustan Teleprinters Limited.
- (AA) In Indian Oil Corporation Limited, targets of production were not fixed for the Lube Plant and Drum Plant for Lube Drums (Marketing Division, Southern Region).
- (AB) In Bharat Ophthalmic Glass Limited, the capacity utilisation was only 33.7 per cent.



(AC) In Central Inland Water Transport Corporation Limited, targets for body building and new construction jobs were not achieved.

#### 5. Cost Control

5(A) In the following Companies, there was no costing system in operation :—

- (i) Bharat Refractories Limited.
- (ii) India Firebricks and Insulation Company Limited.
- (iii) State Farms Corporation of India Limited (Cannanore, Raichur, Khammam and Chengum Branches and Head Office).
- (iv) Hindustan Steel Limited (Refractory Plant).
- (v) National Seeds Corporation Limited.
- (vi) Lubrizol India Limited.
- (vii) National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited (Triupati Cotton Mills).

(AB) In Biecco Lawrie Limited, there were deficiencies in the costing system in vogue such as non-existence of regular system of distribution of administrative and selling overheads etc. to major products.

(AC) In Hindustan Zinc Limited, existing costing system was not considered to be comprehensive and adequate as variance statements for each element of cost were not prepared (Smelters at Tundoo).

(AD) In Bridge and Roof Company (India) Limited, the Company did not have any system of ascertaining costs with the proper application of cost accounting principles.

(AE) In Bharat Ophthalmic Glass Limited, the Company did not maintain any accounts indicating cost per unit of its products.

(AF) In Heavy Engineering Corporation Limited :—

- (i) Uniform practice was not followed for determining the cost of various work orders as in some cases the cost was arrived on the basis of average of products instead of work order-wise as prescribed in the Accounting Manual (Heavy Machine Building Plant).
- (ii) Costing system followed was not adequate insofar as :—
  - (a) there was no regular system of shop-wise costing and reconciliation thereof with the financial records,
  - (b) there was no system of scrutiny and review of cost sheets,
  - (c) the causes of under and/or over absorption of overheads were not analysed frequently,
  - (d) shop-wise cost records were not maintained for work orders ; and
  - (e) there was one to three months time lag between manufacture of items and preparation of cost sheets (Foundry Forge Plant).

(AG) In Pyrites, Phosphates and Chemicals Limited, no cost records were maintained for Rock Phosphate at Mussoorie Phosphate Project and Apatite ore at Kasipatnam Mining Project.

(AH) The system of costing in Hindustan Petroleum Corporation Limited was not adequate for ascertaining the cost of individual products manufactured.

(AI) In Bharat Heavy Electricals Limited, reconciliation of cost sheets with financial account was not done (Central Foundry Forge Plant).

(AJ) In Central Coalfields Limited, there was no effective system of reconciliation of costs with financial records (Charhi and Singrauli Branches and Kuju and Daltonganj Units).

(AK) In Hindustan Copper Limited :

- (i) Quantitative data adopted for computing work-in-progress for purposes of cost accounts were different from the one adopted for financial accounts (Khetri Copper Complex).
- (ii) The Company was not preparing cost accounts indicating the cost of each product (Dariba Copper Project).

(AL) In India Tourism Development Corporation Limited, cost statements prepared by the unit in respect of food items were not reconciled with financial accounts (Laxmi Vilas Palace Hotel, Khajuraho Hotel and Akbar Hotel).

(AM) In Hindustan Cables Limited, costing records were not completed and cost accounts were not drawn up (Hyderabad Unit).

(AN) The standards of cost adopted by the Indian Telephone Industries Limited are based on the factors stipulated in the agreement with P&T Department and these were not revised based on the actual performance during the year. At the end of the year, the accounts revealed huge cost variations which were not further analysed, thus making the cost control in-effective.

(AO) In Modern Bakeries (India) Limited, (Calcutta Unit) unit cost was ascertained from monthly operating report prepared from financial records and no separate cost records were maintained.

(AP) In Tannery and Footwear Corporation of India Limited, the system of costing including maintenance of cost

records, was not effective on account of mainly the following reasons :—

- (i) there was considerable delay in compilation of costs,
- (ii) costing profit and loss account was not prepared,
- (iii) the variances between standard and actual costs were not analysed as to their causes, and
- (iv) the system did not ensure the identification, ascertainment, analysis, investigation and prevention of abnormal losses.

5(B) In the following Companies, system of standard costing had not been introduced/fixed :—

- (i) Garden Reach Shipbuilders and Engineers Limited (Diesel Engines, Compressors, etc.).
- (ii) Central Coalfields Limited (Charhi and Singrauli, Kuju and Daltonganj Branches and South Balanda Area).
- (iii) Bridge and Roof Company (India) Limited.
- (iv) Indian Oil Corporation Limited (Haldia and Gauhati Refinery).
- (v) National Textile Corporation (Tamil Nadu and Pondichery) Limited (Coimbatore Spinning and Weaving Mills and Sri Rangavilas Ginning, Spinning and Weaving Mills).
- (vi) Bharat Pumps and Compressors Limited.
- (vii) Indian Rare Earths Limited.
- (viii) Bharat Coking Coal Limited (Headquarters, Area XII, Central Jharia, D & C Division, D & F Ropeways).
- (ix) India Tourism Development Corporation Limited (Aurangabad Hotel).

- (x) Indo-Burma Petroleum Company Limited (Engineering Division, Bombay).
- (xi) Madras Fertilizers Limited.
- (xii) Balmer Lawrie and Company Limited (Bombay Branch and Containers Division).
- (xiii) Hindustan Zinc Limited (Zinc Smelter—Debari, Zawar Mines, Rajpura—Dariba Mines, Maton Mines, Central Research Development laboratory, Sargipalli Mines, Calcutta, Tundoo and Vizag units).
- (xiv) The National Newsprint and Paper Mills Limited.
- (xv) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant).
- (xvi) Hindustan Copper Limited.
- (xvii) Bharat Heavy Electricals Limited [Hyderabad and Trichy Units (valves)].
- (xviii) Indian Oil Corporation Limited (Bārauni Refinery and Gujarat Refinery).
- (xix) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant).
- (xx) The Fertilizer Corporation of India Limited (Jodhpur Mining Organisation and Durgapur Unit).
- (xxi) Hindustan Petroleum Corporation Limited.
- (xxii) Modern Bakeries (India) Limited (Calcutta Unit).
- (xxiii) National Textile Corporation (Madhya Pradesh) Limited (Burhanpur Tapti Mills).
- (xxiv) Rehabilitation Industries Corporation Limited.
- (xxv) Hindustan Aeronautics Limited (Kanpur and Lucknow Divisions).

(xxvi) National Textile Corporation (U.P.) Limited (Lord Srikrishna Mills).

5(C) In Central Inland Water Transport Corporation Limited, there was no system of ascertaining and fixing standard costs in respect of the major operations of the Company.

5(D) In the following Companies the consumption of raw materials was more than the standards/estimates :—

- (i) Hindustan Photo Films Manufacturing Company Limited (Cellulose Triacetate).
- (ii) Cement Corporation of India Limited (Lime stone only).
- (iii) Tungabhadra Steel Products Limited (major raw materials—in some cases).
- (iv) Mazagon Dock Limited (in the case of construction of some ships).
- (v) Fertilisers and Chemicals, Travancore Limited (Udyogmandal Division).
- (vi) The Fertilizer Corporation of India Limited :
  - (a) Sindri Unit.
  - (b) Gorakhpur Unit—major raw materials.
  - (c) Barauni Unit—Naphtha.
  - (d) Nangal Unit—Electricity.
  - (e) Namrup Unit—Sulphur in Plant I and Natural Gas in Plant II.
  - (f) Durgapur Unit—Naphtha and Ammonia.
- (vii) Indian Drugs and Pharmaceuticals Limited (Anti-biotics Plant).

- (viii) Hindustan Organic Chemicals Limited (certain major products).
- (ix) Modern Bakeries (India) Limited—Calcutta Unit (flour).
- (x) Bharat Aluminium Company Limited.
- (xi) Central Inland Water Transport Corporation Limited (in the case of some major jobs).
- (xii) Indian Iron and Steel Company Limited (in most cases).

(DD) In Hindustan Housing Factory Limited, data relating to standard and actual consumption of materials in respect of certain construction jobs were not available.

(DE) In Indo-Burma Petroleum Company Limited, the consumption of major raw materials for manufacture of major products was not compared with estimated consumption of raw materials (Engineering Division—Bombay).

(DF) In Hindustan Steel Limited, consumption of iron-ore, coke and hot metal was more than the norms fixed (Rourkela Steel Plant).

(DG) In National Projects Construction Corporation Limited :

- (i) No information regarding the reconciliation between estimated and actual consumption of materials was available (Head Office).
- (ii) Records were not maintained for recording day-to-day issues and consumption of materials at site (Loktak and Godavari Units).

(DH) In Jessop and Company Limited, comparison of consumption of major raw materials for manufacture of major products with the estimated quantity as per project report or norms had not been done.

(DI) In Mining and Allied Machinery Corporation Limited, norms for consumption of raw materials had not been fixed.

(DJ) In National Instruments Limited, actual consumption of raw materials/components varied widely from standards/estimates.

(DK) In Hindustan Copper Limited, proper records for consumption of rock-phosphate were not available (Khetri Copper Complex).

(DL) In Modern Bakeries (India) Limited, norms for consumption of raw materials were not fixed (Hyderabad Unit).

(DM) In Bridge and Roof Company (India) Limited, actual consumption of raw materials was not compared with the estimates.

(DN) In Indian Oil Corporation Limited, no estimates for the consumption of raw materials for the blending of lubricants and greases were prepared (Marketing Division—Western Region).

(DO) In Central Inland Water Transport Corporation Limited, no records were maintained to compare the actual quantity used with the estimated quantity in the case of activities like general engineering, deep sea repairs, etc.

(DP) In Hindustan Cables Limited, the consumption of major raw materials for manufacture of cables was more than the estimated quantity.

(DQ) In Heavy Engineering Corporation Limited, in the absence of comparison of actual consumption with Bill of Materials specified by the technical departments for the concerned work orders, control over wastages and losses of materials was inadequate (Heavy Machine Building Plant).

(DR) In Tannery and Footwear Corporation of India Limited, norms for consumption of major raw materials for manufacture of major products had not been fixed.



(DS) In Bharat Heavy Plate and Vessels Limited, Vishakapatnam, there were variations between the actual and estimated cost of materials (some products).

5(E) In Bharat Refractories Limited, the percentage of rejections was on the high side.

(EE) In Hindustan Latex Limited, the rejections at various stages of production were high.

(EF) In Garden Reach Shipbuilders and Engineers Limited :

(i) No norms had been fixed for determining the rejections.

(ii) No records were maintained for determining rejections and scrap except in Foundry Shop and Timber Workshops.

(EG) In Hindustan Steel Limited, the rejection of sleepers was high (Durgapur Steel Plant).

(EH) In Bharat Coking Coal Limited, there were rejections in coal/coke produced but rejected stock had not been accounted for (Areas I, II and III).

(EI) In Electronics Corporation of India Limited, rejections in production were recorded at the inspection stage only; these were not consolidated quantity-wise thereafter.

(EJ) In Bridge and Roof Company (India) Limited, no separate records were maintained for determining the rejections in production.

(EK) In Hindustan Cables Limited, no norms for rejections were fixed.

(EL) In Heavy Engineering Corporation Limited :

- (i) There was no regular system of accounting of scraps and rejections (Foundry Forge Plant).
- (ii) The percentage of rejections in production was more than the norms fixed by the Management (Foundry Forge Plant).

(EM) In Hindustan Housing Factory Limited, no information about norms for rejections in production was available; percentage of rejection of railway sleepers was 10.34.

(EN) In Bharat Ophthalmic Glass Limited no record of rejection was maintained.

(EO) In Central Coalfields Limited, the percentage of rejections in the washeries was higher than the norms fixed (Bokaro, Kathara, Giridih, Barkakana, Argada and McCluskieganj areas).

(EP) In Indian Drugs and Pharmaceuticals Limited, rejections were 27.54 per cent during the year as against 22.4 per cent in the last year (Surgical Instruments Plant).

(EQ) In National Textile Corporation (U.P.) Limited, no records were maintained for determining the rejections in production (Bijli Cotton Mills).

5(F) In the following Companies, actual cost of production was more than the estimated/standard cost :—

- (i) Bolani Ores Limited (Iron ore lump and manganese).
- (ii) Hindustan Steel Limited :
  - (a) Rourkela Steel Plant (in case of 5 out of 14 items of finished products).
  - (b) Alloy Steels Plant (in some cases).

- (iii) Garden Reach Shipbuilders and Engineers Limited (Pump Components and Shipbuilding).
- (iv) Hindustan Organic Chemicals Limited (many cases).
- (v) Cement Corporation of India Limited.
- (vi) Bharat Heavy Electricals Limited (Bhopal Unit—in some cases).
- (vii) The National Newsprint and Paper Mills Limited.
- (viii) Jessop and Company Limited (important jobs).
- (ix) The Fertilizer Corporation of India Limited (Ammonium Sulphate—Sindri Unit and Urea in Plant I—Namrup Unit).
- (x) Indian Petro-chemicals Corporation Limited.
- (xi) Triveni Structural Limited (major products).
- (xii) Hindustan Machine Tools Limited.
- (xiii) Mazagon Dock Limited (certain cases of construction).
- (xiv) Indian Drugs and Pharmaceuticals Limited (Antibiotics Plant).
- (xv) Indian Iron and Steel Company Limited.
- (xvi) Tannery and Footwear Corporation of India Limited (most of the products).

(FF) In Central Inland Water Transport Corporation Limited, the cost estimates prepared for the purpose of quotation did not compare favourably with the actual costs incurred for jobs undertaken by the Company.

(FG) In Hindustan Machine Tools Limited (Pinjore Unit) the comparative charts for cost of production of machines with selling price were not prepared regularly.

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

- (i) Balmer Lawrie and Company Limited (Bombay Branch, Containers and Grease Divisions).
- (ii) Bharat Gold Mines Limited.
- (iii) Modern Bakeries (India) Limited (Bombay Unit for labour only and Hyderabad Unit).
- (iv) Bharat Heavy Electricals Limited (Jhansi Unit).
- (v) Hindustan Zinc Limited.
- (vi) Mineral Exploration Corporation Limited.
- (vii) Richardson and Cruddas (1972) Limited (Madras Branch).
- (viii) Bharat Coking Coal Limited (Headquarters, Areas I, II, III and XII, Central Jharia, D & C Division and D & F Ropeways).
- (ix) Neyveli Lignite Corporation Limited (except in the case of service units).
- (x) Jessop and Company Limited.
- (xi) The Fertilizer Corporation of India Limited (Sindri Unit—labour only).
- (xii) Hindustan Steel Limited (Refractory Plant).
- (xiii) Hindustan Copper Limited (Dariba Copper Project and Agnigundala Lead Copper Project).
- (xiv) Bridge and Roof Company (India) Limited.
- (xv) Indian Oil Corporation Limited :
  - (a) Barauni Refinery.
  - (b) Gujarat Refinery—labour only.
  - (c) Haldia Refinery.

(d) **Gauhati Refinery.**

- (e) Haldia-Barauni-Kanpur Pipelines (labour only).
- (xvi) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant—machinery only).
- (xvii) Central Inland Water Transport Corporation Limited (machinery only).
- (xviii) Hindustan Cables Limited (Rupnarainpur unit—labour only).
- (xix) Pyrites, Phosphates and Chemicals Limited.
- (xx) Electronics Corporation of India Limited (plant and machinery).
- (xxi) National Textile Corporation (Tamil Nadu and Pondichery) Limited (Coimbatore Spinning and Weaving Mills, Krishnaveni Textile Mills).
- (xxii) Indian Iron and Steel Company Limited (for labour only).
- (xxiii) Tannery and Footwear Corporation of India Limited.
- (xxiv) National Textile Corporation (U.P.) Limited (Bijli Cotton Mills).
- (xxv) National Building Construction Corporation Limited.
- (xxvi) Hindustan Teleprinters Limited (machinery only).

(GG) In India Tourism Development Corporation Limited, there was no record of idle time (Transport Unit, Aurangabad).

## (GH) In Hindustan Steel Limited :

- (i) Idle time for machinery was not ascertained (Central Coal Washeries Organisation).
- (ii) Idle time was more than the norms fixed for Sleeper Plant, Section Mill and Skelp Mill (Durgapur Steel Plant).

(GI) In Bharat Heavy Electricals Limited, percentage of idle time of direct labour was 6.6 as against 5.4 in 1975-76 (Bhopal Unit).

(GJ) In Hindustan Insecticides Limited, there was no system of ascertaining the cost of idle time due to normal or abnormal conditions.

(GK) In Mining and Allied Machinery Corporation Limited, records for idle machinery were not maintained.

(GL) In National Instruments Limited, the Company did not maintain idle time records for individual machinery.

(GM) In Heavy Engineering Corporation Limited :

- (i) The percentage of idle hours to available hours of labour and machinery was 29 and 36 respectively (Heavy Machine Building Plant); and
- (ii) Percentage of idle hours to available hours in respect of direct labour was on the high side (Foundry Forge Plant).

(GN) In Hindustan Housing Factory Limited, no information was available about idle time for labour.

5(GA) In the following Companies, norms for manpower were not fixed :

- (i) Biecco Lawrie Limited.
- (ii) Hindustan Machine Tools Limited (Srinagar Unit).
- (iii) India Tourism Development Corporation Limited (Laxmi Vilas Palace Hotel, Khajuraho Hotel and Akbar Hotel).
- (iv) Goa Shipyard Limited.
- (v) Handicrafts and Handlooms Export Corporation of India Limited.

(vi) Bharat Coking Coal Limited (Headquarters, Area No. XII, Central Jharia, D & C Division and D & F Ropeways).

(vii) Indian Iron and Steel Company Limited.

5(GB) In the following Companies, actual strength of manpower was more than the sanctioned strength/norms fixed by the Management :

(i) Minerals and Metals Trading Corporation of India Limited.

(ii) Cement Corporation of India Limited.

(iii) National Mineral Development Corporation Limited.

(iv) Bharat Heavy Electricals Limited (Trichy Unit).

(v) Indian Oil Corporation Limited (Marketing Division—Southern Region and Gujarat Refinery).

(vi) Hindustan Steel Limited (Bhilai Steel Plant).

5(GC) In Heavy Engineering Corporation Limited, manpower actually employed was far in excess of that envisaged in the project report even though the plant was not in full operation at installed capacity level (Heavy Machine Building Plant).

5(GD) In Hindustan Teleprinters Limited, the manpower employed was more than that envisaged in the project report.

5(H) In the following Companies, the selling prices were less than the costs of production/procurement :—

(i) Bharat Refractories Limited.

(ii) Biecco Lawrie Limited.

(iii) Madras Fertilizers Limited (Urea and NPK-24-24-0).

(iv) Bolani Ores Limited (except iron ore fines).

- (v) State Trading Corporation of India Limited (Bombay Branch—Rice and Castor Oil and Cochin Branch—Glycerine and Fatty Acid).
- (vi) Hindustan Steel Limited :
  - (a) Durgapur Steel Plant—most of the items produced.
  - (b) Rourkela Steel Plant—some cases.
  - (c) Bhilai Steel Plant—some cases.
  - (d) Alloy Steels Plant—some cases.
- (vii) Hindustan Aeronautics Limited (Kanpur Division—Pilot Trainer Aircraft and Basant Aircraft).
- (viii) Radio and Electricals Manufacturing Company Limited (most of the products).
- (ix) Hindustan Photo Films Manufacturing Company Limited (X-Ray Films and Cine Sound).
- (x) Praga Tools Limited (in some cases).
- (xi) Balmer Lawrie and Company Limited (Containers Division).
- (xii) Bokaro Steel Limited (net selling prices in respect of all items produced except pig iron).
- (xiii) Hindustan Organic Chemicals Limited.
- (xiv) Cement Corporation of India Limited (Kurkunta Factory—cement).
- (xv) Bharat Heavy Electricals Limited (Central Foundry Forge Plant, Hardwar and Hyderabad Unit—Turbo Sets of small capacity and breakers of 420KV capacity).
- (xvi) Bharat Pumps and Compressors Limited.
- (xvii) Richardson and Cruddas (1972) Limited (Head office).



- (xviii) Neyveli Lignite Corporation Limited (Urea and Leco).
- (xix) Jessop and Company Limited.
- (xx) Fertilisers and Chemicals, Travancore Limited.
- (xxi) The Fertilizer Corporation of India Limited :
  - (a) Sindri Unit—Ammonium Sulphate, Double Salt and Urea.
  - (b) Namrup Unit—Ammonium Sulphate and Urea in Plant II.
  - (c) Durgapur Unit—Urea.
  - (d) Trombay Unit—Urea.
- (xxii) Bharat Heavy Plate and Vessels Limited.
- (xxiii) National Instruments Limited.
- (xxiv) Heavy Engineering Corporation Limited :
  - (a) Heavy Machine Tools Plant.
  - (b) Heavy Machine Building Plant—in some cases.
  - (c) Foundry Forge Plant.
- (xxv) Hindustan Copper Limited (Khetri Copper Complex).
- (xxvi) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant and Antibiotics Plant).
- (xxvii) Indian Oil Corporation Limited (Marketing Division—Western Region—in some cases of blended products).
- (xxviii) Scooters India Limited.

(xxix) National Textile Corporation (U.P.) Limited (Lord Srikrishna Mills—cloth).

(xxx) Tannery and Footwear Corporation of India Limited.

(xxxii) National Building Construction Corporation Ltd. (Bricks—Mechanised Brick Plant).

(HH) In Indian Oil Corporation Limited, ex-refinery transfer prices of lube oil were less than the costs of production (Barauni, Haldia and Gauhati Refineries).

(HI) In Central Inland Water Transport Corporation Limited, selling prices did not compare favourably with the costs of production in respect of the major portion of the activities.

(HJ) In Rehabilitation Industries Corporation Limited, factory cost was more than the selling price in the case of major products.

(HK) In Indian Iron and Steel Company Limited, selling prices were less than the works cost (except for G. C. sheets and Pig Iron).

#### 6. Inventory

6(A) In the following Companies, maximum and minimum limits of stores/spares had not been fixed :—

- (i) Indo-Burma Petroleum Company Limited (Bombay Region, Calcutta Region and Engineering Division, Bombay).
- (ii) Balmer Lawrie and Company Limited.
- (iii) Lubrizol India Limited.
- (iv) Hindustan Aeronautics Limited (Nasik Division— all items).

- (v) Modern Bakeries (India) Limited (Bombay Unit).
- (vi) Bharat Heavy Electricals Limited (Jhansi Unit and Central Foundry Forge Plant).
- (vii) Mineral Exploration Corporation Limited.
- (viii) Nagaland Pulp and Paper Company Limited.
- (ix) National Mineral Development Corporation Limited (Kiriburu Iron Ore Project).
- (x) Electronics Corporation of India Limited.
- (xi) Bharat Coking Coal Limited (Headquarters, Areas XI and XII, Central Jharia, D & C Division and D & F Ropeways).
- (xii) Tea Trading Corporation of India Limited.
- (xiii) India Tourism Development Corporation Limited (Head Office, Laxmi Vilas Palace Hotel, Khajuraho Hotel, Akbar Hotel and Hyderabad House).
- (xiv) Central Road Transport Corporation Limited.
- (xv) Hindustan Copper Limited (Khetri Copper Complex).
- (xvi) Richardson and Cruddas (1972) Limited (Nagpur Branch).
- (xvii) Bridge and Roof Company (India) Limited.
- (xviii) Indian Oil Corporation Limited. [Marketing Division—Southern Region (Except for fast moving items) and Western Region (Capital Stores)].
- (xix) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant—in most cases).
- (xx) Scooters India Limited.
- (xxi) Central Inland Water Transport Corporation Limited.
- (xxii) Hindustan Cables Limited (Rupnarainpur Unit—other than major raw materials and stores).
- (xxiii) Goa Shipyard Limited.

- (xxiv) Rehabilitation Industries Corporation Limited.
- (xxv) National Textile Corporation (Tamil Nadu and Pondichery) Limited (Coimbatore Spinning and Weaving Mills, Krishnaveni Textile Mills and Sriranga Vilas Ginning, Spinning and Weaving Mills).
- (xxvi) Indian Iron and Steel Company Limited.
- (xxvii) Tannery and Footwear Corporation of India Limited.
- (xxviii) National Textile Corporation (U.P.) Limited (Lord Srikrishna Mills and Bijli Cotton Mills).
- (xxix) National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited (Anantapur Cotton Mills).

(AA) In Hindustan Cables Limited, maximum and minimum limits were not maintained (Rupnarainpur Unit).

(AB) In Heavy Engineering Corporation Limited, maximum and minimum levels of stores had not been outlined (Heavy Machine Building Plant).

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

- (i) India Tourism Development Corporation Limited (Laxmi Vilas Palace Hotel and Khajuraho Hotel).
- (ii) Hindustan Zinc Limited (Tundoo, Vizag, Sargipalli Mines and Calcutta Units).
- (iii) National Textile Corporation (Madhya Pradesh) Limited (Burhanpur Tapti Mills).
- (iv) National Textile Corporation (U.P.) Limited (Lord Srikrishna Mills).
- (v) Indian Iron and Steel Company Limited.
- (vi) National Building Construction Corporation Limited.

(vii) National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited (Anantapur Cotton Mills).

(viii) Bridge and Roof Company (India) Limited.

(BB) In National Mineral Development Corporation Limited, the Panna Diamond Mining Project was carrying too heavy a stock of stores and spares than was actually required.

(BC) In Hindustan Latex Limited, the present system of procurement and disposal of stores did not ensure that stores in excess of the reasonable requirements for maintenance and production were not accumulated and surplus and unserviceable stores ascertained and disposed of. The maximum and minimum requirements of the different items of stores for a 3 months production or maintenance were not ascertained in all cases on the basis of experience and the surplus over this requirement disposed of or reduced to avoid accumulation of stock.

(BD) In Hindustan Steel Limited :

- (i) Value of stores and spares not moved for 3 years and more amounted to Rs. 142.80 lakhs (Rourkela Fertilizer Plant).
- (ii) Stores and spares worth Rs. 16.49 crores had not moved during the last three years (Rourkela Steel Plant).
- (iii) Value of surplus stores, awaiting disposal was Rs. 75.19 lakhs (Durgapur Steel Plant).

(BE) In Lubrizol (India) Limited, there was no effective control over issue of engineering and maintenance stores as issues during 2nd and 3rd shifts were made without requisition slips and entries for issues not recorded.

(BF) In Indian Oil Corporation Limited :

- (i) There was substantial accumulation of A.V. Gas 100/130 and AV Gas 115/145 (Marketing Division—Eastern Region).

- (ii) Stores and spare parts amounting to Rs. 132.58 lakhs did not move for more than three years (Barauni Refinery).
- (iii) There was accumulation to the extent of 76,834 MT valuing Rs. 383.10 lakhs in respect of Petroleum Coke (Barauni Refinery).
- (iv) Stores and spares amounting to Rs. 43.38 lakhs had not moved for three years (Gujarat Refinery).
- (v) Certain capital stores amounting to Rs. 1.5 crores (steel plates and pipe-lines) were lying for more than three years (Marketing Division—Western Region).

(BG) In Bharat Heavy Electricals Limited :

- (i) Surplus stores valuing Rs. 100.48 lakhs were awaiting disposal for more than one year (Heavy Electrical Equipment Plant, Hardwar).
- (ii) Indigenous stores and spares valuing Rs. 26.61 lakhs had not moved for 3 years or more (Heavy Electrical Equipment Plant, Hardwar).
- (iii) Stores and spares amounting to Rs. 52.46 lakhs and Rs. 15.41 lakhs had not moved for more than three years (Hyderabad Unit and Trichi Unit respectively).
- (iv) There was accumulation of finished products in the Rectifier Division (Bhopal Unit).
- (v) There had been a substantial accumulation of finished products of 'ingots' (Central Foundry Forge Plant).

(BH) In Bharat Pumps and Compressors Limited :

- (i) Inventory of stores was considered to be high.
- (ii) Finned Tubes worth Rs. 73.00 lakhs had not moved for more than a year.

(BI) In Hindustan Zinc Limited (Head Office, Zinc Smelter Debari, Zawar Mines, Rajpur—Dariba Mines, Maton Mines and Central Research Development Laboratory) :

- (i) Financial accounts and the priced stores ledgers were not reconciled periodically ; stores accounting needed a thorough review.
- (ii) In respect of Debari Zinc Smelter, shortage of raw material valuing Rs. 18.66 lakhs had not been adjusted in the accounts of the year.
- (iii) Stores valuing Rs. 39.21 lakhs had not moved for more than 3 years.
- (iv) There had been substantial accumulation of finished products of silver (Zinc Smelter).

(BJ) In the National Newsprint and Paper Mills Limited, stores and spares amounting to Rs. 43.07 lakhs had not moved for 3 years or more.

(BK) In Nagaland Pulp and Paper Company Limited, the stores inventories were not reconciled with the financial books.

(BL) In Electronics Corporation of India Limited, raw materials worth Rs. 14.50 lakhs had not moved for the last three years.

(BM) In the Fertilizer Corporation of India Limited :

- (i) The inventory of stores represented 17.28 months' consumption (Sindri Unit).
- (ii) The value of stores declared surplus amounted to Rs. 105.95 lakhs and Rs. 14.34 lakhs which were awaiting disposal (Sindri Unit and Gorakhpur Unit respectively).
- (iii) Stores and spares, etc. valued at Rs. 839.04 lakhs had not moved for the last three years (Sindri Unit).

- (iv) The value of surplus and un-serviceable stores was Rs. 1.95 lakhs (Jodhpur Mining Organisation).
- (v) No reconciliation of bin cards with priced stores ledger was done (Jodhpur Mining Organisation).
- (vi) The value of surplus, slow-moving and obsolete stores was Rs. 14.17 lakhs (Nangal Unit).
- (vii) Stores and spares valued at Rs. 18.18 lakhs did not move for the last 3 years (Planning and Development Division).
- (viii) Stores and spares valued at Rs. 59.30 lakhs and Rs. 11.11 lakhs had not moved for more than 3 years (Namrup Unit and Durgapur Unit respectively).
- (ix) The value of surplus and obsolete stores was Rs. 27.05 lakhs (Barauni Unit).
- (x) There was substantial accumulation of finished products amounting to Rs. 223.64 lakhs (Gorakhpur Unit).

(BN) In Mining and Allied Machinery Corporation Limited, stores, spares, raw materials, etc. valuing Rs. 116.99 lakhs did not move for 3 years.

(BO) In Indian Petro-chemicals Corporation Limited, stores amounting to Rs. 21.70 lakhs had not moved for the last three years.

(BP) In India Tourism Development Corporation Limited :

- (i) Priced stores ledger was not maintained (Hotel Pataliputra and Transport Division).
- (ii) There was no system of pricing of stores issued (Laxmi Vilas Palace Hotel and Akbar Hotel).



(BQ) In Bridge and Roof Company (India) Limited, the Company did not have any system whereby non-moving items were identified and valued at the end of the year.

(BR) In Triveni Structural Limited, stores and spares amounting to Rs. 5.80 lakhs had not moved for 3 years and more.

(BS) In Indian Drugs and Pharmaceuticals Limited :

- (i) The Plant was having a large inventory of raw-materials, stores and spares and finished stock (Surgical Instruments Plant).
- (ii) Existing system of inventory control was not considered to be adequate (Marketing Division).
- (iii) Stores and spares valuing Rs. 12.58 lakhs declared surplus during the year were awaiting disposal (Antibiotics Plant).

(BT) In Bharat Ophthalmic Glass Limited, the extent of unserviceable or damaged stores had not been determined.

(BU) In Central Coalfields Limited, the value of stores including plant and equipment declared surplus/obsolete was Rs. 52.97 lakhs (Bokaro, Kathara, Giridih, Barkakana, Argada and McCluskieganj Areas).

(BV) In Central Inland Water Transport Corporation Limited :

- (i) The extent of slow moving stores was not determined (except at Rajabagan Dockyard).
- (ii) There was substantial blockage of capital in stores of non-standard items.

(BW) In Hindustan Cables Limited, the extent of surplus and un-serviceable stores was not periodically determined.

## (BX) In Heavy Engineering Corporation Limited :—

- (i) The position of non-moving items of indigenous stores was as follows—(Heavy Machine Building plant) :

(Rs. in lakhs)

(a) Stores not moved for over one year but less than two years	756.86
(b) Stores not moved for over two years but less than three years	611.14
(c) Stores not moved for more than three years	580.17

- (ii) There were negative balances to the extent of Rs. 37.87 lakhs in the stores priced ledger (Heavy Machine Building Plant).
- (iii) Bin Cards balances had not been reconciled with the priced stores ledger balances (Heavy Machine Building Plant).
- (iv) Stores worth Rs. 103.83 lakhs were awaiting disposal (Heavy Machine Building Plant).
- (v) Stores worth Rs. 5.43 crores had not moved for three years or more (Foundry Forge Plant).
- (vi) No records were maintained for day to day accumulation of by-products and scraps and their reconciliation with despatches (Heavy Machine Building Plant).
- (vii) Records of raw materials and semi-finished products lying on shopfloors were not maintained. Raw materials worth Rs. 22.09 lakhs in respect of closed/cancelled work orders had been lying on the shopfloors for a number of years (Heavy Machine Building Plant).

(viii) There were many mistakes of :—

- (a) Wrong pricing of raw materials resulting in over/under valuation of raw materials consumption.
- (b) Wrong posting of receipt and issue vouchers in different bin cards.
- (c) Adopting rough weights instead of net weights of raw materials as well as wrong design weights (Heavy Machine Building Plant).
- (ix) Material return note in respect of materials worth Rs. 15.25 lakhs, returned during earlier years was prepared during the year indicating weak control over accounting of materials returned (Heavy Machine Building Plant).
- (x) Materials worth Rs. 114 lakhs lying on the shop-floor were not taken in stock upto 1975-76 (Heavy Machine Building Plant).
- (xi) Valuation of work-in-progress was done on an estimated basis (Foundry Forge Plant).

(BY) In Pyrites, Phosphates and Chemicals Limited, records for determining surplus or unserviceable stores at periodical intervals were not maintained.

(BZ) In Hindustan Machine Tools Limited (Pinjore) :—

- (i) The procedure to book issues of stores on tractor series needed improvement as the issues were not being booked immediately.
- (ii) Verification of stores was not periodically done.

(BZA) In Bharat Coking Coal Limited, (Headquarters, Area No. XII, Central Jharia, D & C Division and D & F Rope-ways) :—

- (i) Unserviceable, surplus or damaged stores were not determined during the year.
- (ii) Stores and spares which did not move for 3 or more years were not analysed.

(BZB) In the Mica Trading Corporation of India Limited (Giridih Unit), finished stock of substantial value, most of which was dead and non-moving was being carried in stock from the time of take-over in March 1974.

(BZC) In Indian Iron and Steel Company Limited, Stores and spares worth Rs. 258.20 lakhs did not move for more than 3 years.

(BZD) In National Textile Corporation (Tamil Nadu and Pondichery) Limited, humidification plant costing Rs. 4.63 lakhs remained non-commissioned for more than a year (Sri Ranga Vilas Ginning, Spinning and Weaving Mills).

(BZE) In National Small Industries Corporation of India Limited, there was substantial accumulation of finished products.

(BZF) In Tannery and Footwear Corporation of India Limited, there was substantial accumulation of finished goods.

(BZG) In Indian Rare Earths Limited, there was substantial accumulation of stock of certain finished products.

(BZH) In National Seeds Corporation Limited, there was huge accumulation of condemned/condemnable seeds valued at Rs. 33 lakhs.

6(C) In the following Companies, physical verification of items noted against each was not conducted :—

- (i) National Research Development Corporation of India (Stores in hand).
- (ii) Bharat Coking Coal Limited (Areas I, II, III and XI—assets, Headquarters, Central Jharia, D&C Division and D&F Ropeways—stores and assets).
- (iii) National Projects Construction Corporation Limited (Khrew, Salal and Bairasiul Units—assets).
- (iv) Hindustan Copper Limited (Capital Work-in-progress-Khetri Copper Complex).

- (v) India Tourism Development Corporation Limited (Akbar Hotel—fixed assets).
- (vi) Bharat Ophthalmic Glass Limited (Plant and Machinery).
- (vii) Heavy Engineering Corporation Limited (Township—All fixed assets).
- (viii) Goa Shipyard Limited (All items of stock).
- (ix) The Fertilizer Corporation of India Limited (Durgapur Unit—Fixed Assets).
- (x) National Seeds Corporation Limited (Stores, Spares and Loose tools).

(CC) In India Tourism Development Corporation Limited, the system of physical verification was not adequate as the physical verification was conducted by the same individuals who had either maintained the Registers or stocks and shortages/excesses found on physical verification were not reported to the Board [Duty Free Shop, Palam; Travellers Lodges (Northern Region); Stores and Purchase Division; Project Division; Production, Publicity and Marketing Division; Son-et-lumiere shows at Red Fort, Delhi and Shalimar, Srinagar; Bharatpur Forest Lodge and Hotel Pataliputra].

(CD) In Hindustan Copper Limited :—

- (i) Physical verification deficiencies had not been given effect in the book value of the inventory (Khetri Copper Complex).
- (ii) Work-in-progress was not physically verified by independent officials (Khetri Copper Complex).

(CE) In the Fertilizer Corporation of India Limited :—

- (i) The discrepancies, as a result of physical verification of fixed assets (furniture, fixtures and office

equipments) were not reconciled with the fixed assets register (Namrup Unit).

- (ii) Out of 31,405 items of stores and spares held in stock, physical verification of only 16,000 items was done (Namrup Unit).

(CF) In National Seeds Corporation Limited, the stores issued were not priced and the consumption was taken on assessed basis.

(CG) In Heavy Engineering Corporation Limited :—

- (i) Raw materials, stores and spares were not fully verified. Bin cards had not been fully reconciled with the Priced Stores Ledgers and Priced Stores Ledger balances were adopted as the basis for inventory valuation (Foundry Forge Plant).
- (ii) Physical verification in respect of immovable assets other than plant and machinery and other movable assets like furniture and fixtures, office equipment, construction equipment was not done (Heavy Machine Building Plant).
- (iii) Physical verification of plant and machinery revealed double accounting of certain machines to the extent of Rs. 99.92 lakhs (Heavy Machine Building Plant).

(CH) In Film Finance Corporation Limited, discrepancy between physically verified balance and book balance of films could not be ascertained as there were no systematic book records of films.

(CI) In Central Inland Water Transport Corporation Limited, complete details of shortages and excesses of the stock at Rajabagan Dockyard and New Alipore Works, noticed as a result of physical verification, had not been worked out.

(CJ) In Bharat Coking Coal Limited, the measurement books of coal stock did not contain the detailed timings and dates of

verification and as such the correct assessment of 'cut-off' procedure could not be made.

(CK) In Indian Iron and Steel Company Limited, the system of physical verification in vogue was not satisfactory as :—

- (i) raw materials were verified only once at the close of the year.
- (ii) finished stocks lying only at the works were physically verified at the year end and very little quantity of huge stocks lying at various stockyards were covered by physical verification and
- (iii) though the stores and spares were physically verified over the year, the coverage in terms of both quantity and value was insignificant.

(CL) In National Building Construction Corporation Limited, the system of inventory control and physical verification was not found satisfactory, for example :—

- (i) stock registers were not maintained,
- (ii) physical verification was done by Engineer-in-charge at the unit but the figures certified by him were altered at Regional and Head office level.
- (iii) inventories maintained in some cases were on the higher side.

(CM) In Hindustan Steel Limited :—

- (i) Shortages and excesses worth Rs. 5.23 crores and Rs. 1.26 crores respectively were noticed in the finished and semi-finished products (Durgapur Steel Plant).
- (ii) Shortages and excesses in raw materials amounted to Rs. 2.45 crores (including abnormal shortage of Rs. 54.30 lakhs) and Rs. 0.45 crores respectively (Rourkela Steel Plant).

- (iii) Shortage of raw materials amounted to Rs. 5.48 crores which included abnormal shortages amounting to Rs. 0.81 crore (Bhilai Steel Plant).

#### 7. Credit Control

7(A) In the following Companies, the system of obtaining confirmations of balances from sundry debtors was not in vogue and/or confirmations of balances had not been obtained from all the parties :—

- (i) India Tourism Development Corporation Limited (Aurangabad Hotel, Transport Unit, Aurangabad; Transport Unit, Bombay; Kovalam Unit; Duty Free Shop, Palam; Travellers Lodges (Northern Region); Stores and Purchase Division; Project Division; Transport Division; Production, Publicity and Marketing Division; Son-et-Lumiere shows at Red Ford, Delhi and Shalimar, Srinagar; Bharatpur Forest Lodge and Hotel Pataliputra).
- (ii) India Firebricks and Insulation Company Limited.
- (iii) National Small Industries Corporation Limited.
- (iv) Hindustan Steel Limited (Central Transport and Shipping Organisation).
- (v) Praga Tools Limited.
- (vi) Handicrafts and Handlooms Export Corporation of India Limited (Madras Branch).
- (vii) Hindustan Zinc Limited (Head Office, Zinc Smelter Debari, Zawar Mines, Rajpur-Dariba Mines, Maton Mines and Central Research Development Laboratory).
- (viii) Mineral Exploration Corporation Limited.
- (ix) Metallurgical and Engineering Consultants (India) Limited (jobs completed and billed for).



- (x) Indian Motion Pictures and Export Corporation Limited.
- (xi) Export Credit and Guarantee Corporation Limited (Head Office).
- (xii) Indian Telephone Industries Limited.
- (xiii) Bridge and Roof Company (India) Limited.
- (xiv) Triveni Structural Limited.
- (xv) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant—most cases, Marketing Division and Antibiotics Plant).
- (xvi) Heavy Engineering Corporation Limited (Township and Head Office).
- (xvii) Pyrites, Phosphates and Chemicals Limited.
- (xviii) Indian Oil Corporation Limited (Haldia Refinery and Gauhati Refinery).
- (xix) National Textile Corporation (Tamil Nadu and Pondichery) Limited (Coimbatore Spinning and Weaving Mills and Krishnaveni Textile Mills).
- (xx) Bharat Aluminium Company Limited.
- (xxi) Jute Corporation of India Limited.
- (xxii) Bharat Coking Coal Limited (Headquarters, area No. XII, Central Jharia, D&C Division and D&F Ropeways).
- (xxiii) Indian Iron and Steel Company Limited.
- (xxiv) Tannery and Footwear Corporation of India Limited.
- (xxv) National Textile Corporation (U.P.) Limited (Lord Srikrishna Mills and Bijli Cotton Mills).
- (xxvi) National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited (Tirupati Cotton Mills, Anantapur Cotton Mills).

(xxvii) National Building Construction Corporation Limited.

(AA) In State Trading Corporation of India Limited, there were advances to suppliers outstanding for more than one year (Bombay Branch).

(AB) In Shipping Corporation of India Limited, large debts were outstanding for more than a year.

(AC) In Indian Drugs and Pharmaceuticals Limited, in most of the Regional Sales Offices, Sundry Debtors Control Account in the Ledger did not tally with the subsidiary records (Marketing Division).

(AD) In Bharat Ophthalmic Glass Limited, confirmation of book debts were not available.

(AE) In Heavy Engineering Corporation Limited :

- (i) There was no systematic procedure for obtaining confirmation from the debtors (Heavy Machine Building Plant).
- (ii) Loans and advances amounting to Rs. 1.92 crores given to suppliers (Rs. 39.80 lakhs being more than 2 years) were not linked up/adjusted (Foundry Forge Plant).
- (iii) Bills for the goods supplied/services rendered worth Rs. 129.38 crores had not been raised. These included goods supplied/services rendered worth Rs. 6.01 crores prior to 1976-77 (Heavy Machine Building Plant).

(AF) In Goa Shipyard Limited :

- (i) There was no system of periodical confirmation/reconciliation of balances of sundry debtors and creditors.

- (ii) Huge balances on account of temporary advances for local purchase remained unadjusted for longer period and fresh advances were given without clearing the earlier advances.

(AG) In National Building Construction Corporation Limited, neither age-wise list of debtors was prepared, nor was the recovery of debts pursued vigorously.

#### 8. *Proforma Accounts of Service Units*

In the following companies, no *pro forma* accounts were maintained in respect of service units for the benefit of staff :—

- (i) Bharat Refractories Limited.
- (ii) Bolani Ores Limited.
- (iii) India Tourism Development Corporation Limited (Kovalam Unit and Akbar Hotel—Canteen only).
- (iv) Cement Corporation of India Limited.
- (v) Bharat Heavy Electricals Limited (Jhansi Unit).
- (vi) Hindustan Zinc Limited (Head Office, Zinc Smelter Debari, Zawar Mines, Rajpur-Dariba Mines, Maton Mines and Central Research Development Laboratory).
- (vii) Mineral Exploration Corporation Limited.
- (viii) The National Newsprint and Paper Mills Limited.
- (ix) Indian Rare Earths Limited.
- (x) Indian Motion Pictures Export Corporation Limited (Madras Branch—Canteen).
- (xi) Bharat Coking Coal Limited (Areas I, II, III and XII, Headquarters, Central Jharia, D&C Division and D&F Ropeways).

- (xii) National Projects Construction Corporation Limited.
- (xiii) Central Coalfields Limited, (Charhi and Singrauli Branches, Kuju and Daltonganj, Bokaro, Kathara, Giridih, Barkakana, Argada and McCluskieganj Areas, Head Office at Ranchi and Sales Office—Calcutta).
- (xiv) Indian Petro-chemicals Corporation Limited.
- (xv) Tea Trading Corporation of India Limited.
- (xvi) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant, Township and Foundry Forge Plant except canteen).
- (xvii) Pyrites, Phosphates and Chemicals Limited.
- (xviii) Hindustan Petroleum Corporation Limited.
- (xix) Indian Drugs and Pharmaceuticals Limited, (Antibiotics Plant—except canteen).
- (xx) Hindustan Machine Tools Limited.
- (xxi) National Seeds Corporation Limited (Transport Service only).
- (xxii) Bridge and Roof Company (India) Limited.
- (xxiii) Hindustan Cables Limited (Hospitals and Schools).
- (xxiv) The Fertilizer Corporation of India Limited (Gorakhpur, Barauni and Namrup Units).
- (xxv) Indian Oil Corporation Limited (Haldia-Barauni-Kanpur Pipelines—except township).
- (xxvi) Central Inland Water Transport Corporation Limited.

#### 9. GENERAL

9(A) In Biecco Lawrie Limited, no separate manufacturing account was prepared.

**(AB) In Hindustan Steel Limited :—**

- (i) Machinery worth Rs. 2.47 crores were either not commissioned or were lying idle (Durgapur Steel Plant).
- (ii) Machinery worth Rs. 1.34 crores were lying idle (Rourkela Steel Plant).
- (iii) Demurrage paid to the Railways for over-detention of wagons amounted to Rs. 1.32 crores at Rourkela Steel Plant and Rs. 1.87 crores at Bhilai Steel Plant.
- (iv) Demurrage amounting to Rs. 27.64 lakhs was paid (Central Transport and Shipping Organisation).

**(AC) In State Trading Corporation of India Limited,** demurrage paid on rapeseed oil and mutton tallow amounted to Rs. 7.68 lakhs (Bombay Branch).

**(AD) In Indian Oil Corporation Limited :—**

- (i) A sum of Rs. 22.38 lakhs was incurred as demurrage (Marketing Division—Eastern Region).
- (ii) Contract Filtration Unit costing Rs. 13.84 lakhs and Coke Calcination Unit costing Rs. 40.23 lakhs remained idle for 359 and 103.50 days respectively (Barauni Refinery).
- (iii) Security deposits amounting to Rs. 3.42 crores from L.P.G. distributors in respect of supply of L.P.G. cylinders were not reconciled with the cylinders in the possession of the distributors (Marketing Division—Western Region).

**(AE) In Bharat Coking Coal Limited,** manufacturing accounts were not prepared (Areas I, II and III).

**(AF) In State Farms Corporation of India Limited :—**

- (i) Machinery valued at Rs. 2.67 lakhs and Rs. 2.88 lakhs remained uninstalled at Cannanore and Raichur branches respectively.

(ii) The value of machinery not commissioned was Rs. 10.30 lakhs.

(AG) In Bharat Heavy Plate and Vessels Limited, the Company did not maintain register showing demurrage paid.

(AH) In Hindustan Copper Limited (Khetri Copper Complex) :—

(i) Records for rejected stores were not maintained properly as the inventory of rejected materials did not tally with balances in the claims recoverable account. The physical verification of rejected materials was also not done.

(ii) Outstanding loans and advances, stores-in-transit, claims recoverable were not properly reviewed for the final adjustment.

(AI) In Indian Drugs and Pharmaceuticals Limited, one generator purchased in 1974-75 for Rs. 6.91 lakhs had not been installed (Surgical Instruments Plant).

(AJ) In Scooters India Limited, machines valuing Rs. 2.02 crores had not been installed.

(AK) In Hindustan Cables Limited (Hyderabad Unit) :—

(i) Manufacturing accounts were not prepared.

(ii) Valuation of work-in-progress and finished products was made on an estimated basis.

(AL) In National Seeds Corporation Limited, plant worth Rs. 1.22 lakhs remained uninstalled for the last two years.

(AM) In Modern Bakeries (India) Limited, one Bun Plant Unit costing Rs. 26.50 lakhs had not been commissioned (Bombay Unit).

## II. COMMENTS UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF GOVERNMENT COMPANIES

Under Section 619(4) of the Companies Act 1956 :—

- (a) the auditor of a Government Company, appointed under sub-section 2 of the said Section, is required to submit a copy of his audit report on the accounts of the Government Company to the Comptroller and Auditor General; and
- (b) the Comptroller and Auditor General has the right to comment upon or supplement the said audit report in such manner as he may think fit.

The provisions of the above Section are also applicable in the case of Companies coming within the purview of Section 619-B of the Companies Act.

As already reported to the Public Accounts Committee (para 2 of 7th Report of Third Lok Sabha), the accounts of all the Government Companies are not reviewed under Section 619(4) of the Act every year; such review is conducted annually in respect of Government Companies with a paid up capital of Rs. 5 crores and above as well as companies in the process of construction or operation for one or two years after construction; and in the case of other companies this is done once in three years.

As already mentioned (in Section I) there were 176 Government Companies (including 59 subsidiaries) of the Union Government as on 31st March, 1977. Out of these, accounts of 159 Government Companies (including 50 subsidiaries) were received (December 1978). In addition,

there were 40 Companies as on 31st March, 1977 coming within the purview of Section 619-B of the Companies Act in which the Central Government and/or Central Government Companies and Corporations owned or controlled by the Central Government had dominant shares. Out of these, accounts for 31 Companies were received (December 1978).

Out of 190 Companies (159 Government Companies including subsidiaries and 31 Section 619-B Companies) referred to above, the accounts of 159 Companies (128 Government Companies and other subsidiaries and 31 Section 619-B Companies) had been selected for purposes of comment upon or supplement to the Auditor's report. On the basis of observations on accounts made by Government audit, the accounts of 73 companies were rectified, wherever, considered necessary, by the Managements.

A brief resume of the mistakes/omissions noticed in the course of audit of accounts is indicated below :—

1. Sales included—

- (i) sales of the previous years;
- (ii) the value of equipment/goods sold after the close of the year;
- (iii) the value of equipment/goods which could not be delivered on F.O.R. basis as per terms of the contract of sale;
- (iv) escalation claims lodged by the Company but rejected by the customer; and
- (v) value of goods not lifted by the parties and under dispute.

2. Sales made before close of the year were excluded from the accounts of the year.

3. Sales were understated as certain incorrect debits and credits were taken in the accounts.



4. Transactions relating to sales, purchases and expenses of one of the units of the Company were not accounted for.

5. Understatement of sales, current assets and other liabilities on account of not taking credit for price increase provisionally agreed to by the customer.

6. Overstatement of value of work done on account of taking credit for items of work not accepted by the client.

7. Materials procured by a Company for sale on agency basis from another Government Company treated as its own purchases, Sales and Stock.

8. Materials in transit excluded materials shipped before the close of the year on F.O.B. basis.

9. Purchases included claims rejected by the Railways.

10. Purchase consideration payable to the vendors was understated due to erroneous calculation.

11. Over valuation of imported capital goods.

12. Material already sold was treated as Goods-in-Stock.

13. Understatement of stock of raw-materials by omitting to account for the goods purchased and received before 31st March 1977.

14. Over valuation of closing stock on account of adoption of higher rates for valuation or valuing the same item twice.

15. Over valuation of stock of stores and spares due to wrong valuation/erroneous valuation of receipts and issue of store materials/stock and spares.

16. Closing stock overvalued by treating goods-in-process as finished stock.

17. Finished goods found on physical verification were not accounted for.

18. Stock of finished/semi-finished products was not accounted for.

19. Non-accountal of material imported through another agency and sent direct to a supplier.

20. The fact that the stock of imported material held by the handling Contractor was not physically verified for the last four years, was not disclosed in the accounts.

21. Non-disclosure of the fact that the closing stock valued at current year's cost price, included certain stocks pertaining to earlier years.

22. Value of stock lying with fabricators was not disclosed.

23. Shortages on stock verification were treated as consumption.

24. Value of closing stock included profit margin.

25. A portion of stock in process was valued at selling price.

26. Over valuation of imported goods which were yet to be cleared, with the incidence of custom duty.

27. Valuation of un-usable items of inventories at cost instead of at realisable value.

28. Confirmation regarding existence of stock of materials, issued to ancillaries and included in closing stock, was not available.

29. Understatement of miscellaneous income on account of omission to account for income of leased out land.

30. Understatement of loss due to writing-off of land development expenses over a period longer than the initial period of lease.

31. Understatement of interest due to erroneous computation of interest on Government loan.

32. Amount paid/payable to auditors was understated.

33. Understatement of remuneration payable to the Managing Director.

34. Understatement of profit on account of certain incorrect debits and credits.

35. Consumption of raw materials was overstated due to certain incorrect adjustments.

36. Consumption of stores was computed in an indirect manner, which was found to be less than the actuals.

37. Profit for the year was overstated due to non-provision of depreciation and liabilities.

38. Overstatement of profit due to :—

(i) over valuation of closing stock/non-accountal of stores and spares consumed, and

(ii) non-provision/short provision of certain items of expenditure.

39. Finished goods transferred/earmarked for transfer from one unit to another but lying in closing stock at the end of the year were valued at realisable value resulting in credit being taken for the un-realised profit.

40. Non-accountal of interest and stamp duty recoverable from a foreign buyer.

41. Non-accountal of sales tax claimed by the suppliers of equipment for a turn key job undertaken by a Company for another organisation and disputed by the latter.

42. Interest accrued on a loan taken by the Company was not accounted for.

43. Credit taken at proportionate full contract price for completed despatches and for work-in-progress without any provision for contingencies although installation of the system as a whole was yet to be done.

44. Amount of premium received to be accounted for *pro rata* over 25 years was treated as income of the current year.

45. Capital profit included in profit and loss account instead of transferring it to capital reserve.

46. Expenditure of revenue nature either treated as capital expenditure or deferred revenue expenditure.

47. Interest on provident fund treated as income of the Company.

48. Income and expenditure pertaining to the following year treated as income and expenditure respectively of the current year.

49. Income/expenditure pertaining to prior period was treated as income/expenditure of the year instead of inclusion in the prior period adjustment account.

50. Capital subsidy treated as miscellaneous receipts instead of as capital reserve.

51. Payments received from customers towards advance for material and repayment of hire purchase instalments before the close of the year not brought to account.

52. No provision was made for—

- (i) salaries and wages (including arrears) of staff;
- (ii) supervision charges;
- (iii) excise and customs duty payable;
- (iv) loco hire charges and carriage charges;
- (v) interest including penal interest payable on overdue instalments;
- (vi) commission payable on exports to foreign agents;
- (vii) expenses on foreign experts;
- (viii) commission to agents (including sole selling agents) on completed jobs;

- (ix) ground rent;
- (x) liability on account of increase in the rate of motor vehicle tax;
- (xi) leave salary and pension contributions;
- (xii) power, fuel and water charges;
- (xiii) other charges payable;
- (xiv) liability on account of sales tax which had been included in sales;
- (xv) disputed claims;
- (xvi) fine imposed by a State Government;
- (xvii) road tax ;
- (xviii) transport charges;
- (xix) doubtful debts;
- (xx) travelling allowance payable to Auditors;
- (xxi) emergency risk insurance and other insurance charges;
- (xxii) fee for engineering and consultancy services;
- (xxiii) interest accrued but not due;
- (xxiv) freight and insurance payable;
- (xxv) depreciation for operating machines for more than one shift.
- (xxvi) gratuity payable to the Managing Director;
- (xxvii) cost of Common seal of the Company received during the year; and
- (xxviii) bonus.

(AA) Provision made for the decline in the value of stock was not adequate.

(AB) Under provision/excess provision of depreciation made.

(AC) Depreciation for the previous years was neither charged nor disclosed in the accounts.

53. Understatement/overstatement and non disclosure of contingent liabilities.

54. Incorrect disclosure of issued capital.

55. Amounts of loans and advances due from staff were shown as dues from Directors and Officers of the Company.

56. Short term loans were shown as long term loans.

57. Misclassification of certain items under the heads 'Liabilities', 'Assets' and 'Expenditure'.

58. Definite capital commitment shown under contingent liability.

59. Provision for liability, required no longer, was not written back.

60. Forfeited shares were classified as capital reserve in anticipation of their actual sales.

61. The nature of loan viz., whether secured or unsecured was not clearly indicated in the accounts.

62. Insurance premium paid by a Company in respect of mortgage redemption policy on the life of the Managing Director was capitalised instead of being shown as an advance to the Managing Director.

63. The nature and extent of security including the amount guaranteed was not indicated in respect of deferred payment credit.

64. Liability for foreign exchange loans was understated.

65. Under provision of liability on account of services rendered by a subsidiary.

66. Understatement of assets and liabilities on account of non-accountal of Sales Tax.

67. Overstatement of loans, advances and sundry debtors due to non-linking of payments received with the respective debits.

68. Over-valuation of finished and semi-finished products and work-in-progress on account of computation of incorrect rates or by not adopting lower of cost or market rates.

69. Over-valuation of stock of unusable barrels on account of adoption of cost price instead of realisable value.

70. Non-accountal of fixed assets and depreciation thereon on account of non-transfer, by the holding company, of certain takeover mines.

71. Provision for doubtful advances was shown on the liability side instead of showing it, as a deduction, under the head 'Loans and Advances' on the Assets side.

72. Unsecured debts shown as secured debts.

73. Loans and advances included value of withdrawn/ disputed claims.

74. Amount alleged to have been misappropriated was shown as cash balance instead of being shown separately.

75. Adoption of incorrect opening balances in respect of work-in-progress.

76. Capital work-in-progress included completed items.

77. Construction work-in-progress and capital goods-in-stock included damaged and rejected stores.

78. Value of work-in-progress was over-stated by including therein the conversion cost of rejected material.

79. Work-in-progress included completed jobs.

80. Assets up to a certain value in each case were charged to revenue as a matter of course, with the result that the total value of such assets charged against revenue was much in excess of the depreciation that would have been charged in the normal course on these assets.

81. Fixed assets included value of machinery declared un-serviceable or scrapped or dismantled or assets which were either not received or not put to use or damaged in fire.

82. Part payment towards purchase of land was booked under fixed assets, although the possession was yet to pass.

83. Fixed assets included value of land transferred to a State Government free of cost before the close of the year.

84. Fixed assets cards were not complete and physical verification was done on selective basis.

85. Value of Company's share in the lease hold land acquired before the close of the year was not capitalised.

86. Fixed assets included prepaid expenses.

87. Non-disclosure of the information in respect of the following items :—

- (i) expenditure incurred in foreign currency;
- (ii) debts due from the Companies under the same management;
- (iii) rebate on sales ;
- (iv) details of provision/payment made to the Executive Director including Managing Director;
- (v) waiver of commission payable to sole selling agents for export of Company's products ;
- (vi) interest subsidy received from Government;
- (vii) change in the method of accounting and its impact;



- (viii) details of raw-materials consumed, opening and closing stock of goods produced, installed capacity, etc.;
- (ix) staff amenities and welfare expenses not separately shown;
- (x) debts due and the maximum amount due at any time during the year from the officers of the Company;
- (xi) classification of loans as secured, good and doubtful;
- (xii) amount of commission to other than sole selling agents and brokerage and discount on sales not shown separately;
- (xiii) remuneration payable to auditors;
- (xiv) whether amount of interest received was gross or net after deducting tax at source;
- (xv) mode of valuation of closing stock, and work-in-progress;
- (xvi) items of expenditure exceeding one per cent of the total revenue of the Company or Rs. 5,000 whichever was more not shown separately;
- (xvii) non-execution of lease deed, for the land acquired;
- (xviii) land under litigation;
- (xix) perquisites or benefits in cash/in kind to Executive/Managing Director;
- (xx) production capacities whether on single or multiple shift basis;
- (xxi) loss to be under-written by the Holding company ;
- (xxii) rates of conversion adopted in respect of transactions occurring in a foreign country;
- (xxiii) fact of reimbursement by the sister subsidiary Company of part of expenditure incurred by the Company for conversion of billets to bars and rods for export;

(xxiv) account of certain claims on cash basis instead of on accrual basis; and

(xxv) foreign service contribution paid/payable on behalf of employees drawing remuneration of Rs. 3,000 or more per month.

(AA) Service commission paid to distributors deducted from sales instead of showing as a distinct item of expenditure.

88. In-correct disclosure of information in respect of the following items :

- (i) Amounts due from the Directors/maximum amount due from them.
- (ii) The amount payable/paid to the employees employed for part of the year on an aggregate remuneration of Rs. 3,000 per month or more.
- (iii) The number of employees in receipt or entitled to receive emoluments in aggregate of Rs. 3,000 or more per month and consequent understatement of their remuneration.
- (iv) The estimated amount of contracts to be executed on capital account and not provided for.

89. Prior approval of the President of India (as required under Articles of Association) for appointment of a retired Government official on a remuneration exceeding a specific limit was not obtained.

90. Prior approval of Government was not obtained under Sections 295 and 297 of the Companies Act, 1956.

- (i) for giving advance to Directors for supply of material, and
- (ii) for sale of material to the Company by Directors and their relatives.

91. Expenditure was not covered by sanctions of the competent authority.

92. The amount/figures given in the Schedules did not tally with the corresponding amounts/figures indicated in the profit and loss account and balance sheet.

93. No supporting vouchers were available in support of some expenditure incurred by a Company.

*J. Rengachari*

NEW DELHI ;

The

19 OCT 1979

(T. RENGACHARI)

*Chairman, Audit Board and  
Ex-officio Additional Deputy*

*Comptroller and Auditor General (C)*

Countersigned

*Gian Prakash*

NEW DELHI ;

The

(GIAN PRAKASH)

*Comptroller and Auditor General of India*

19 OCT 1979

ANNEXURE

1. Artificial Limbs Manufacturing Corporation of India.
2. Air India Charters Limited.\*\*
3. Bharat Heavy Electricals Limited.
4. Bharat Earth Movers Limited.
5. Bharat Electronics Limited.
6. Bharat Heavy Plate and Vessels Limited.
7. Bharat Dynamics Limited.
8. Bharat Ophthalmic Glass Limited.
9. Balmer Lawrie and Company Limited.
10. Biecco Lawrie Limited.
11. Bridge and Roof Company (India) Limited.
12. Bharat Pumps and Compressors Limited.
13. Bolani Ores Limited.
14. Bharat Gold Mines Limited.
15. Bokaro Steel Limited.
16. Bhilai Ispat Limited.
17. Bharat Refractories Limited.
18. Banana and Fruit Development Corporation Limited.
19. Bharat Leather Corporation Limited.
20. Bharat Aluminium Compnay Limited.
21. Bharat Coking Coal Limited.
22. Bongaioan Refinery and Petrochemicals Limited.

23. Burma Shell Provident Fund Trust Private Limited.\*
24. Burma Shell Properties Private Limited.\*
25. Burma Shell Pension Trust Limited.\*
26. Braithwaite and Company Limited.\*\*\*
27. Burn Standard Company Limited.\*\*\*
28. Bharat Petroleum Corporation Limited.
29. Central Electronics Limited.
30. Cement Corporation of India Limited.
31. Central Coalfields Limited.
32. Central Inland Water Transport Corporation Limited.
33. Cochin Refineries Limited.\*
34. Computer Maintenance Corporation Limited.
35. Central Cottage Industries Corporation of India Limited.
36. Cochin Shipyard Limited.
37. Central Road Transport Corporation Limited.
38. Coburn Properties Limited.\*
39. Coal India Limited.\*
40. Central Fisheries Corporation Limited.\*
41. Central Mine, Planning and Design Institute Limited.\*
42. Chandigarh Small Industries Development Corporation Limited.\*\*
43. Caltex Oil Refining (India) Limited.\*\*\*
44. Durgapur Mishra Ispat Limited.
45. Dredging Corporation of India Limited.
46. Delhi State Industrial Development Corporation Limited.\*
47. Delhi Tourism Development Corporation Limited.\*
48. Electronics Trade and Technology Development Corporation Limited.

49. Electronics Corporation of India Limited.
50. Engineers India Limited.
51. Engineering Projects (India) Limited.
52. Export Credit and Guarantee Corporation Limited.
53. Eastern Coalfields Limited.\*
54. Film Finance Corporation Limited.
55. Garden Reach Shipbuilders and Engineers Limited.
56. Goa Shipyards Limited.
57. General Insurance Corporation of India.\*\*
58. Hindustan Machine Tools Limited.
59. Hindustan Cables Limited.
60. Heavy Engineering Corporation Limited.
61. Hindustan Aeronautics Limited.
62. Hindustan Antibiotics Limited.
63. Hindustan Insecticides Limited.
64. Hindustan Photo Films Manufacturing Company Limited.
65. Hindustan Organic Chemicals Limited.
66. Hindustan Zinc Limited.
67. Hindustan Copper Limited.
68. Hindustan Shipyards Limited.
69. Hindustan Steel Limited.
70. Hindustan Petroleum Corporation Limited.
71. Hindustan Housing Factory Limited.
72. Hindustan Steel Works Construction Limited.
73. Hindustan Latex Limited.
74. H.M.T. (International) Limited.

75. Housing and Urban Development Corporation Limited.
76. Hindustan Paper Corporation Limited.
77. Hindustan Teleprinters Limited.
78. Hindustan Salts Limited.\*
79. Hotel Corporation of India Limited.\*\*
80. Indian Drugs and Pharmaceuticals Limited.
81. Indian Telephone Industries Limited.
82. Indian Petrochemicals Corporation Limited.
83. Indian Rare Earths Limited.
84. Indian Oil Corporation Limited.
85. Indo-Burma Petroleum Company Limited.
86. Indian Railway Construction Company Limited.
87. Indian Road Construction Corporation Limited.
88. Indian Firebricks and Insulation Company Limited.
89. Indian Dairy Corporation.
90. India Tourism Development Corporation Limited.
91. Indian Iron and Steel Company Limited.
92. Instrumentation Limited.\*
93. Indian oil Blending Limited.\*
94. Industrial Credit Company Limited.\*\*
95. IISCO Stanton Pipe and Foundry Company Limited.\*\*\*
96. Jessop and Company Limited.
97. Jute Corporation of India Limited.
98. Kudremukh Iron Ore Company Limited.
99. Lubrizol India Limited,
100. Mining and Allied Machinery Corporation Limited.
101. Madras Fertilisers Limited.

102. Mineral Exploration Corporation Limited.
103. Manganese Ore (India) Limited.
104. Mazagon Dock Limited.
105. Madras Refineries Limited.
106. Modern Bakeries (India) Limited.
107. Metal Scrap Trade Corporation Limited.
108. Metallurgical and Engineering Consultants (India) Limited.
109. Mishra Dhatu Nigam Limited.
110. Mysore Porcelains Limited.\*
111. National Instruments Limited.
112. Neyveli Lignite Corporation Limited.
113. National Mineral Development Corporation Limited.
114. National Projects Construction Corporation Limited.
115. National Research Development Corporation of India.
116. Nagaland Pulp and Paper Company Limited.
117. National Fertilizers Limited.
118. National Thermal Power Corporation Limited.
119. National Hydro-Electric Power Corporation Limited.
120. North Eastern Electric Power Corporation (P) Limited.
121. National Textile Corporation Limited.
122. National Seeds Corporation Limited.
123. National Film Development Corporation Limited.
124. National Textile Corporation (Tamilnadu & Pondichery) Limited.



125. National Textile Corporation (U.P.) Limited.
126. National Textile Corporation (Delhi, Punjab & Rajasthan) Limited.
127. National Textile Corporation (Madhya Pradesh) Limited.
128. National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited.
129. National Building Construction Corporation Limited.
130. National Textile Corporation (Gujarat) Limited.\*
131. National Textile Corporation (Maharashtra North) Limited.\*
132. National Textile Corporation (South Maharashtra) Limited.\*
133. National Textile Corporation (West Bengal, Assam, Bihar & Orissa) Limited.\*
134. National Insurance Company Limited.\*\*
135. New India Assurance Company Limited.\*\*
136. Oriental Fire and General Insurance Company Limited.\*\*
137. Praga Tools Limited.
138. Pyrites, Phosphates and Chemicals Limited.
139. Richardson and Cruddas (1972) Limited.
140. Radio and Electrical Manufacturing Company Limited.
141. Rourkela Ispat Limited.
142. Rail India Technical and Economic Services Limited.
143. Rural Electrification Corporation Limited.
144. Rehabilitation Industries Corporation Limited.
145. Scooters India Limited.

146. Steel Authority of India Limited.
147. SAIL International Limited.
148. State Chemicals and Pharmaceuticals Corporation of India Limited.
149. Salem Steel Limited.
150. State Farms Corporation of India Limited.
151. Sambhar Salts Limited.\*
152. Tungbhadra Steel Products Limited.
153. Triveni Structural Limited.
154. The Fertilizers Corporation of India Limited.
155. The Fertilizers and Chemicals Travancore Limited.
156. The Mandya National Paper Mills Limited.
157. The National Newsprint and Paper Mills Limited.
158. The Mogul Line Limited.
159. The Shipping Corporation of India Limited.
160. Tannery and Footwear Corporation of India Limited.
161. The State Trading Corporation of India Limited.
162. The Minerals and Metal Trading Corporation of India Limited.
163. The Cotton Corporation of India Limited.
164. The Mica Trading Corporation of India Limited.
165. Tea Trading Corporation of India Limited.
166. The Cashew Corporation of India Limited.
167. The Projects and Equipment Corporation of India Limited.

168. The National Small Industries Corporation Limited.
  169. The National Industrial Development Corporation Limited.
  170. The Handicrafts and Handlooms Exports Corporation of India Limited.
  171. The Indian Motion Pictures Export Corporation Limited.
  172. Uranium Corporation of India Limited.
  173. United India Fire and General Insurance Company Limited.\*\*
  174. Water and Power Development Consultancy Services (India) Limited.\*
  175. Western Coalfields Limited.\*
  176. Zenith Assurance Company Limited.\*\*
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\*Supplementary Reports not received from the Statutory Auditors.

\*\*Directions to Statutory Auditors not issued.

\*\*\*Supplementary Reports not due.

1881-1882

- 1. The first of the year...
- 2. The second of the year...
- 3. The third of the year...
- 4. The fourth of the year...
- 5. The fifth of the year...
- 6. The sixth of the year...
- 7. The seventh of the year...
- 8. The eighth of the year...
- 9. The ninth of the year...
- 10. The tenth of the year...

