



REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

For the year 1983-84

(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

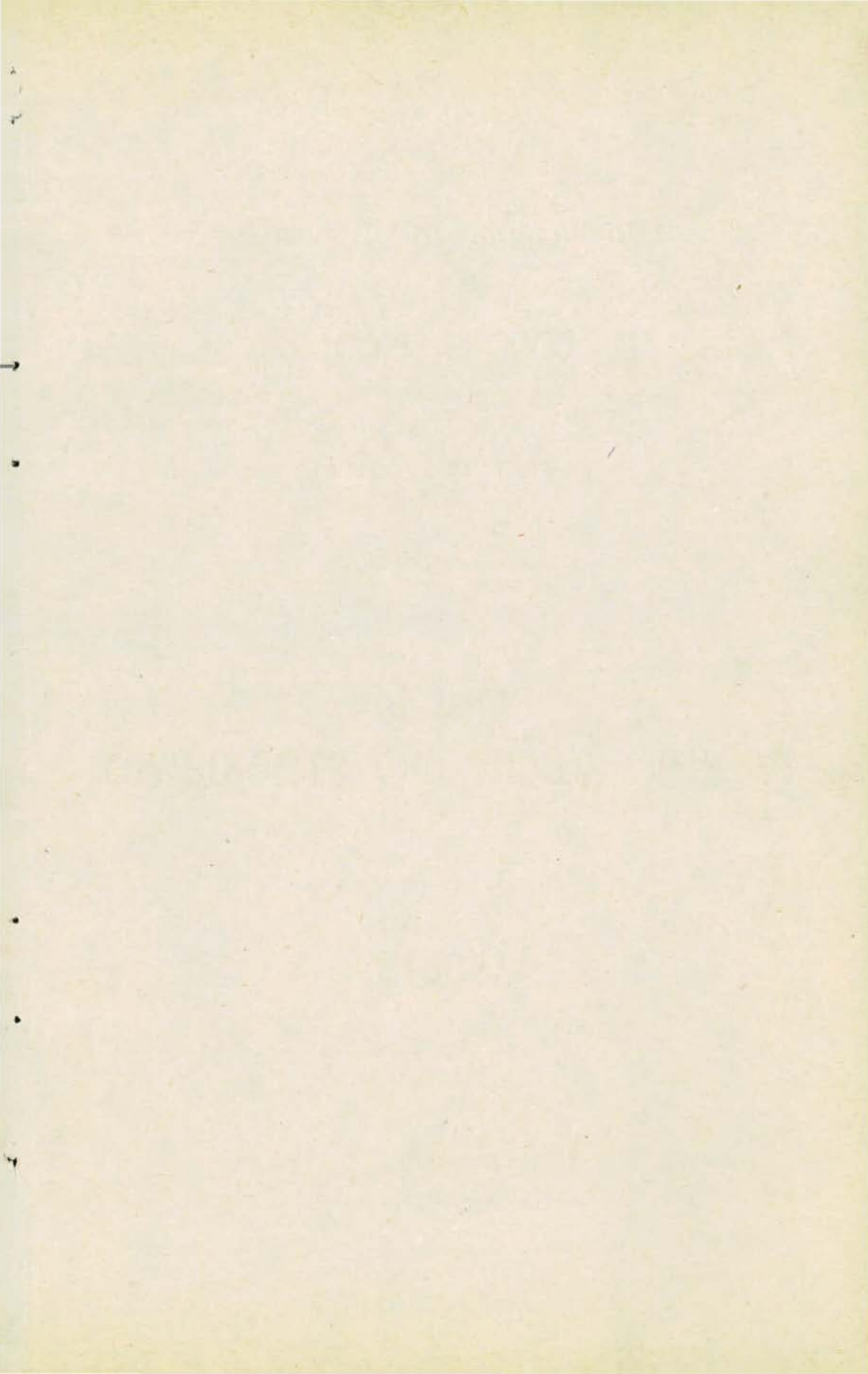
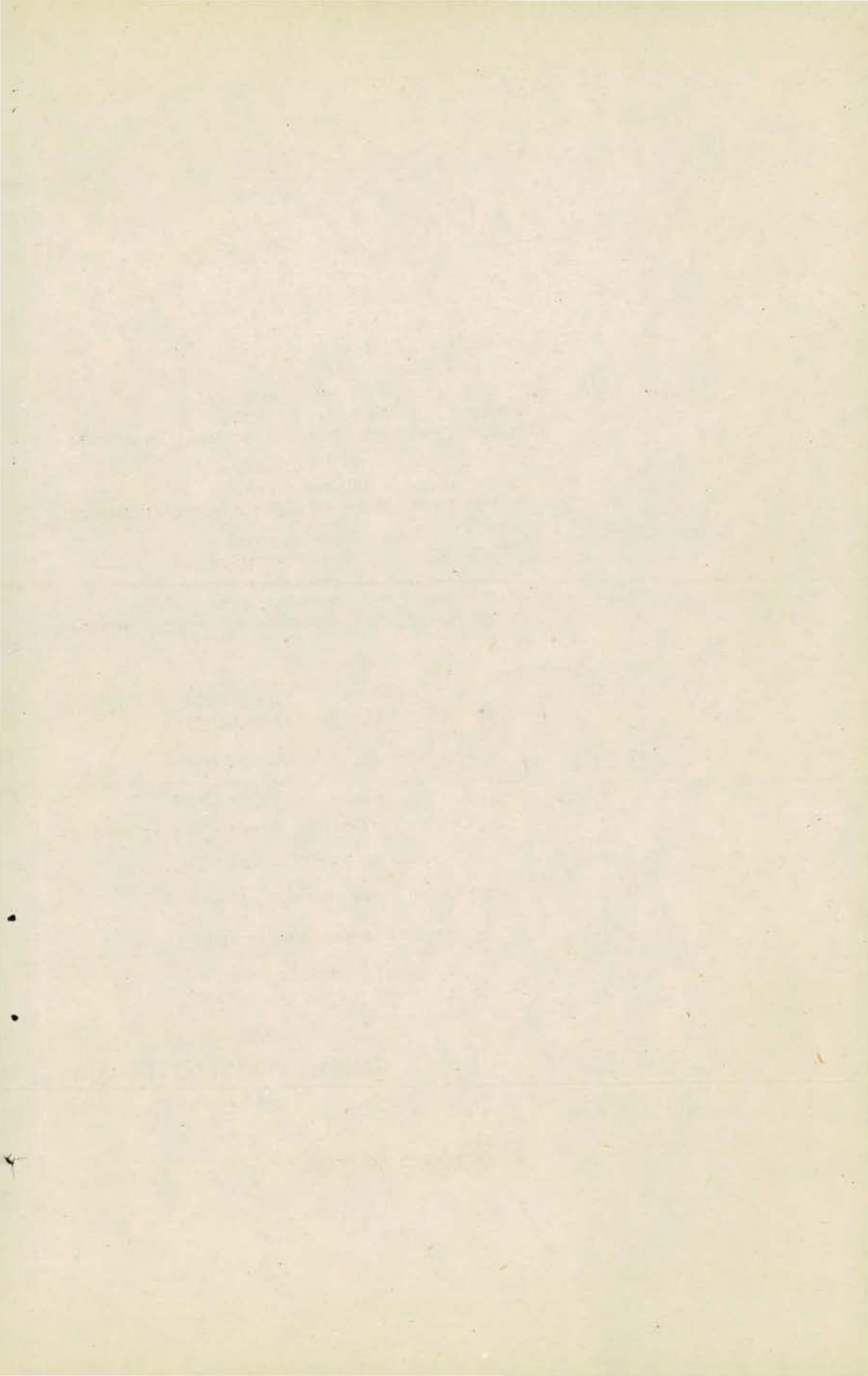


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P R E F A C E

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

- (i) Government companies ;
- (ii) Statutory corporations ; and
- (iii) Departmentally-managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations including Uttar Pradesh State Electricity Board and has been prepared for submission to the Government of Uttar Pradesh under Section 19-A (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, as amended in March 1984. The results of audit relating to departmentally-managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil) Government of Uttar Pradesh.

3. There are, however, certain companies where Government have invested funds, but the accounts of which are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled companies/corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government investment was more than Rs.10 lakhs as on 31st March 1984 is given in Appendix 'A'.

4. In respect of the Uttar Pradesh State Road Transport Corporation and the Uttar Pradesh State Electricity Board which are statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Uttar Pradesh Financial Corporation and Uttar Pradesh State Warehousing Corporation he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The audit reports on the accounts of all these Corporations are being forwarded separately to the Government of Uttar Pradesh.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1983-84 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports ; matters relating to the period subsequent to 1983-84 have also been included wherever considered necessary.

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.01. *Introduction*

There were 90 Government companies (including 39 subsidiaries) as on 31st March 1984 as against 89 Government companies (including 38 subsidiaries) as at the close of previous year. Upcom Cables Limited was incorporated on 19th July 1983 as a Government company (subsidiary) with an authorised capital of Rs.600 lakhs.

The following companies were in the process of liquidation :

Name of company	Date of incorporation	Date of going into liquidation
(1) Indian Bobbin Company Limited	22nd February 1924	10th September 1973
(2) Gandak Samadesh Kshetra Vikas Nigam Limited	15th March 1975	7th June 1977
(3) Turpentine Subsidiary Industries Limited	11th July 1939	1st April 1978

1.02. *Compilation of accounts*

Twelve companies (including 5 subsidiaries) had finalised their accounts for the year 1983-84 (December 1984). In addition, 43 companies (including 17 subsidiaries) finalised their accounts for the earlier years. Accounts for the year 1983-84 in respect of 6 companies have not become due (December 1984).

A synoptic statement showing the summarised financial results of 55 companies (based on the latest available accounts) is given in Appendix 'B'. The accounts of the following 69 companies (including 29 subsidiaries) were in arrears for the period noted against each (December 1984). The matter was brought to the notice of Government in October 1984.

<i>Name of company</i>	<i>Extent of arrears</i>
(1) Uttar Pradesh Roofings Private Limited	1973-74 to 1983-84
(2) Uttar Pradesh Buildware Private Limited	1974-75 to 1983-84
(3) Uttar Pradesh Plant Protection Appliances Private Limited	1975-76 to 1983-84
(4) Krishna Fasteners Private Limited ¹	1975-76 to 1983-84
(5) Uttar Pradesh Abseco Private Limited	1976-77 to 1983-84
(6) Uttar Pradesh Potteries Private Limited	1976-77 to 1983-84
(7) Faizabad Roofings Limited	1976-77 to 1983-84
(8) Uttar Pradesh Prestressed Products Limited	1977-78 to 1983-84
(9) Uttar Pradesh Bundelkhand Vikas Nigam Limited	1977-78 to 1983-84
(10) Uttar Pradesh Pashudhan Udyog Nigam Limited	1977-78 to 1983-84
(11) Mohammadabad Peoples Tannery Limited	1977-78 to 1983-84
(12) Uttar Pradesh State Tourism Development Corporation Limited	1978-79 to 1983-84
(13) Uttar Pradesh State Horticulture Produce Marketing and Processing Corporation Limited	1978-79 to 1983-84
(14) Uttar Pradesh Poorvanchal Vikas Nigam Limited	1978-79 to 1983-84
(15) Uttar Pradesh Paschimi Kshetriya Vikas Nigam Limited	1978-79 to 1983-84
(16) Uttar Pradesh State Handloom Corporation Limited	1978-79 to 1983-84
(17) Uttar Pradesh Textile Printing Corporation Limited	1979-80 to 1983-84
(18) Uptron Components Limited	1979-80 to 1983-84
(19) UPAI Limited	1979-80 to 1983-84
(20) Handloom Intensive Development Project (Bijnor) Limited	1979-80 to 1983-84
(21) Handloom Intensive Development Project (Gorakhpur and Basti) Limited	1979-80 to 1983-84
(22) Tarai Anusuchit Janjati Vikas Nigam Limited	1979-80 to 1983-84
(23) U.P.S.I.C. Potteries Limited	1979-80 to 1983-84
(24) Bundelkhand Concrete Structurals Limited	1979-80 to 1983-84
(25) Uttar Pradesh State Agro Industrial Corporation Limited	1980-81 to 1983-84
(26) Uptron Sempack Limited	1980-81 to 1983-84
(27) Gorakhpur Mandal Vikas Nigam Limited	1980-81 to 1983-84
(28) Lucknow Mandaliya Vikas Nigam Limited	1980-81 to 1983-84
(29) Northern Electrical Equipment Industries Limited	1980-81 to 1983-84
(30) Garhwal Anusuchit Janjati Vikas Nigam Limited	1980-81 to 1983-84
(31) Garhwal Mandal Vikas Nigam Limited	1980-81 to 1983-84
(32) Uttar Pradesh Tyres and Tubes Limited	1981-82 to 1983-84

	<i>Name of company</i>	<i>Extent of arrears</i>
(33)	Allahabad Mandal Vikas Nigam Limited	1981-82 to 1983-84
(34)	Kumaon Anusuchit Janjati Vikas Nigam Limited	1981-82 to 1983-84
(35)	Trans Cables Limited	1981-82 to 1983-84
(36)	Uttar Pradesh Development System Corporation Limited	1981-82 to 1983-84
(37)	Uttar Pradesh State Food and Essential Commodities Corporation Limited	1981-82 to 1983-84
(38)	Uttar Pradesh Rajkiya Nirman Nigam Limited	1981-82 to 1983-84
(39)	Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	1981-82 to 1983-84
(40)	Uttar Pradesh Nalkoop Nigam Limited	1982-83 and 1983-84
(41)	Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	1982-83 and 1983-84
(42)	Uttar Pradesh State Mineral Development Corporation Limited	1982-83 and 1983-84
(43)	Uttar Pradesh Chalchitra Nigam Limited	1982-83 and 1983-84
(44)	Kumaon Mandal Vikas Nigam Limited	1982-83 and 1983-84
(45)	Teletronix Limited	1982-83 and 1983-84
(46)	Moradabad Mandal Vikas Nigam Limited	1982-83 and 1983-84
(47)	Meerut Mandal Vikas Nigam Limited	1982-83 and 1983-84
(48)	Uttar Pradesh Instruments Limited	1982-83 and 1983-84
(49)	Uttar Pradesh State Brassware Corporation Limited	1982-83 and 1983-84
(50)	Uttar Pradesh Leather Development and Marketing Corporation Limited	1982-83 and 1983-84
(51)	Uttar Pradesh State Bridge Corporation Limited	1982-83 and 1983-84
(52)	Upcom Cables Limited	1983
(53)	Uttar Pradesh Small Industries Corporation Limited	1983-84
(54)	Uttar Pradesh State Cement Corporation Limited	1983-84
(55)	Uttar Pradesh Export Corporation Limited	1983-84
(56)	Uttar Pradesh State Industrial Development Corporation Limited	1983-84
(57)	Varanasi Mandal Vikas Nigam Limited	1983-84
(58)	Agra Mandal Vikas Nigam Limited	1983-84
(59)	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	1983-84
(60)	Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	1983-84
(61)	Uttar Pradesh Bhoo ni Sudhar Nigam Limited	1983-84

	<i>Name of company</i>	<i>Extent of arrears</i>
(62)	Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	1983-84
(63)	Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	1983-84
(64)	Uttar Pradesh (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	1983-84
(65)	Nandganj—Sihori Sugar Company Limited	1983-84
(66)	Uptron Capacitors Limited	1983-84
(67)	Uptron Digital Systems Limited	1983-84
(68)	Uptron India Limited	1983-84
(69)	Uptron Communications and Instruments Limited	1983-84

1.03. *Paid-up capital*

The aggregate paid-up capital of Rs.33,164.69 lakhs in 86 Government companies excluding 3 companies under liquidation as on 31st March 1983, increased to Rs.36,553.27 lakhs in 87 Government companies excluding 3 companies under liquidation as on 31st March 1984 as detailed below :

Particulars of companies	Number of companies	Invested by			Total
		State Government	Central Government	Others including Government companies	
(Rupees in lakhs)					
Companies wholly owned by State Government	35	26007.91			26007.91
Companies jointly owned by the Central Government/others	14	2638.50	1111.79	89.87	3840.16
Subsidiary companies	38	243.65		6461.55	6705.20
Total	87	28,890.06*	1111.79	6551.42	36,553.27

1.04. *Loans*

The balance of long-term loans outstanding in respect of 25 companies as on 31st March 1984 was Rs.17448.33 lakhs (State Government : Rs.3759.13 lakhs; others : Rs.13689.20 lakhs) as against Rs.12,353.09 lakhs as on 31st March 1983 in respect of 14 companies.

*The figure as per Finance Account is Rs. 29742 lakhs. The difference is under reconciliation.

1.05. *Guarantees*

The State Government had guaranteed the repayment of loans (and payment of interest thereon) raised by 22 companies. Total amount guaranteed and the amount outstanding there against in respect of these companies as on 31st March 1984 were Rs.16,921.81 lakhs and Rs.11,060.37 lakhs respectively as detailed below :

Serial no.	Name of company	Amount guaranteed	Amount outstanding as on 31st March 1984 (Rupees in lakhs)
(1)	U. P. State Industrial Development Corporation Limited	47.84	
(2)	U. P. State Agro Industrial Corporation Limited	1,006.06	1,006.06
(3)	U. P. State Textile Corporation Limited	2,829.00	2,186.44
(4)	The Pradeshia Industrial and Investment Corporation of Uttar Pradesh Limited	1,100.00	1100.00
(5)	U. P. State Mineral Development Corporation Limited	410.00	410.00
(6)	U. P. State Food and Essential Commodities Corporation Limited	3,000.00	82.70
(7)	U. P. (Poorva) Ganna Beej Evam Vikas Nigam Limited	298.00	116.47
(8)	U. P. (Paschim) Ganna Beej Evam Vikas Nigam Limited	320.00	242.96
(9)	U. P. (Madhya) Ganna Beej Evam Vikas Nigam Limited	250.00	94.13
(10)	U. P. (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	278.00	137.40
(11)	Lucknow Mandaliya Vikas Nigam Limited	0.56	0.56
(12)	Allahabad Mandal Vikas Nigam Limited	10.06	10.06
(13)	U. P. Nalkoop Nigam Limited	995.67	927.61
(14)	U. P. Harijan Evam Nirbal Varg Avas Nigam Limited	33.20	21.53

Serial no.	Name of Company	Amount guaranteed	Amount Outstanding as on 31st March 1984 (Rupees in lakhs)	
(15)	Auto Tractors Limited	1,531.00		1,097.00
(16)	Uttar Pradesh Matsya Vikas Nigam Limited	53.74		32.98
(17)	Uttar Pradesh State Spinning Mills Company (No. I) Limited	2,750.50		2,174.82
(18)	Uttar Pradesh State Spinning Mills Company (No. II) Limited	895.00		845.50
(19)	Nandganj Sihori Sugar Company Limited	345.00		345.00
(20)	Chhata Sugar Company Limited	377.00		134.00
(21)	Chandpur Sugar Company Limited	376.18		93.18
(22)	Uptron Powertronics Limited	15.00		1.97
		16,921.81		11,060.37

1.06.01. Performance of the companies

Out of 90 companies (including three companies under liquidation) only 12 companies (including 5 subsidiaries) finalised their accounts for 1983-84 out of which one company (Uttar Pradesh Carbide and Chemicals Limited) was under construction, 4 companies earned profits and the remaining 7 companies incurred losses as noted below :

Name of company	Paid-up capital		Profit (+)/Loss(—)	
	1982-83	1983-84	1982-83	1983-84
	(Rupees in lakhs)			
Companies earning profit :				
(1) The Indian Turpentine and Rosin Company Limited	21.93	21.93	(+)16.17	(+)66.19
(2) The Pradeshia Industrial and Investment Corporation of Uttar Pradesh Limited	1220.75	1595.75	(+)44.34	(+)92.26
(3) Harijan Evam Nirbal Varg Avas Nigam Limited	15.00	15.00	(+)9.55	(+)19.30
(4) Uttar Pradesh Matsya Vikas Nigam Limited	97.70	99.70	(+)1.09	(+)10.17

Name of company	Paid-up 1982-83	capital 1983-84	Profit (+) 1982-83	/Loss(—) 1983-84
(Rupees in lakh)				

Companies earning losses :

(1) Auto Tractors Limited	750.00	750.00	(—)411.59	(—)427.26
(2) Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Limited	50.00	50.00	(—)0.93	(—)1.76
(3) U. P. State Textile Corpo- ration Limited	5453.53	6414.07	(—)82.94	(—)692.93
(4) Bhadohi Woollens Limited	91.56	91.56	(—)22.95	(—)41.78
(5) U. P. State Spinning Mills Company (No. I) Limited	2253.00	2422.50	(—)141.35	(—)651.12
(6) U. P. State Spinning Mills Company (No. II) Limited	549.36	1017.86	(—)0.02	(—)97.55
(7) U. P. Digitals Limited	20.20	33.20	(+)1.72	(—)4.76
(8) U. P. State Cement Cor- poration Limited	5249.00	5249.00	(+)820.96	(—)818.25

1.06.02.

During the year, two companies declared dividends as indicated below :

Name of company	Distribu- table surplus	Amount retained in business	Dividend declared	Percent- age of dividend to paid- up capital
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(Rupees in lakhs)

(1) Uttar Pradesh State Industrial Development Corporation Limited	215.45	184.40	31.05	2.0
(2) Uptron Powertronics Limited	14.64	11.64	3.30	15.0

1.06.03.

The accumulated losses in respect of 17 companies (Paid-up capital : Rs.13203.82 lakhs) amounted to Rs.6187.97 lakhs. Particulars of 6 companies, the accumulated losses of which

(as per latest available accounts) had exceeded the paid-up capital are given below :

Name of company	Year of accounts	Paid-up capital	Accumulated loss	Percentage of accumulated loss to paid-up capital
(Rupees in lakhs)				
(1) Kichha Sugar Company Limited	1982-83	680.66	1023.72	150.4
(2) Nandganj-Sihori Sugar Company Limited	1982-83	539.97	1630.02	301.9
(3) Chhata Sugar Company Limited	1982-83	253.00	387.06	153.0
(4) Bhadohi Woollens Limited	1983-84	91.56	177.19	193.5
(5) Trans Cables Limited	1980-81	8.09	11.22	138.7
(6) Auto Tractors Limited	1983-84	750.00	1147.85	153.0

1.06.04.

The following table indicates companies which were under construction and the total expenditure incurred during the latest year for which accounts were available vis-a-vis the previous year :

Name of company/year for which accounts were available	Paid-up capital Previous year	Paid-up capital Current year	Expenditure incurred Previous year	Expenditure incurred Current year
(Rupees in lakhs)				
(1) Uttar Pradesh Carbide and Chemicals Limited 1983-84	269.17	277.53	32.89	68.61
(2) Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited 1982-83	100.00	100.00	78.40	238.38
(3) Northern Electrical Equipment Company Limited 1979-80	0.05	0.07	..	0.02

1.07.

In additions, there were five companies under Section 619-B of the Companies Act, 1956 viz. Almora Magnesite limited, Steel and Fasteners Limited, Electronics and Computers (India) Limited, Synthetic Foams Limited and Command Area Poultry Development Corporation Limited. During the year three companies finalised their accounts as per details given below :

Name of company	Year of account ending	Paid-up State Government	capital invested by Government companies	Corporations	Others	Total	Profit (+)/ loss(—) during the year
(Rupees in lakhs)							
(1) Synthetic Foams Limited	30th June 1983	29.35	21.68	17.86	59.89	(—)23.95	
(2) Command Area Poultry Development Corporation Limited	31st December 1983		8.32	2.93	11.25	(—)4.37	
(3) Almora Magnesite Limited	31st October 1983	85.40		54.60	140.00	(+)10.80	

The accumulated losses in respect of Synthetic Foams Limited and Command Area Poultry Development Corporation Limited amounted to Rs.102.30 lakhs and Rs.29.02 lakhs respectively and exceeded their paid-up capital.

In respect of the other two companies the accounts were in arrears to the extent noted against each as detailed below :

Name of company	Extent of arrears
Steel and Fasteners Limited	1980 to 1984
Electronics and Computer (India) Limited	1975 to 1984

1.08.

The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directions to the auditors of

Government companies in regard to the performance of their functions. In pursuance of the directions so issued, the special reports of the company auditors were received in respect of five companies during the year. The important points noticed in these reports are summarised below :

Nature of defect	Number of companies where defects were noticed	Reference to serial number of companies in Appendix 'B'
Absence of internal audit manual	4	1, 2, 41, 43
Absence of regular costing system	2	2, 18
Absence of system for ascertaining idle time for labour and machinery	2	1, 18
Non-fixation of maximum and minimum limits of stores	2	1, 18
Absence of accounting manual	2	2, 41
Absence of adequate budgeting system	2	1, 41
Non-determination of surplus/unserviceable stores	1	1
Non-preparation of estimates	1	1
Man-power in excess of requirements	1	18

1.09.

Under Section 619 (4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the audit reports of the company auditors. Under this provision, the audited annual accounts of Government companies are reviewed on a selective basis. Some of the errors/omissions, etc. noticed in course of review of annual accounts are detailed below :

Balance sheet :

- Over-valuation of closing stock in trade (Uttar Pradesh State Textile Corporation Limited) — Rs.1.76 lakhs.

- Non-disclosure of mode of valuation of stock-in-trade (Varanasi Mandal Vikas Nigam Limited).
- Non-disclosure of gratuity not provided for (Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited, Uttar Pradesh State Food and Essential Commodities Corporation Limited, Uttar Pradesh State Spinning Mills Company (No. II) Limited, and Varanasi Mandal Vikas Nigam Limited).
- Non-accounting of assets and liabilities of a branch unit (Uttar Pradesh State Brassware Corporation Limited).
- Non-disclosure of rent separately from rates and taxes (Uttar Pradesh (Pashchim) Ganna Beej Evam Vikas Nigam Limited) —Rs.0.22 lakh.
- Non-disclosure of holding company's contribution towards share capital separately (Uptron Powertronics Limited) —Rs.5 lakhs, (Handloom Intensive Development Project (Gorakhpur and Basti) Limited) —Rs.1 lakh.
- Non-provision for leave salary and pension contribution (Moradabad Mandal Vikas Nigam Limited) Rs.0.13 lakh.

Profit and loss account

- Adjustment relating to previous years' expenditure not shown separately (Chhata Sugar Company Limited) Rs.0.23 lakh.
- Short accounting of interest (Uttar Pradesh State Agro Industrial Corporation Limited — Rs.18.39 lakhs, Kichha Sugar Company Limited — Rs.23.16 lakhs).
- Payments to directors not disclosed (Faizabad Roofings Limited — Rs.0.04 lakh, Varanasi Mandal Vikas Nigam Limited — Rs.0.08 lakh, The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited — Rs.0.17 lakh).

- Non-disclosure of nature of income from interest (Uttar Pradesh Small Industries Corporation Limited) — Rs.39.22 lakhs.

General

- Incorrect disclosure of provisions for bad and doubtful debts (Uttar Pradesh State Agro Industrial Corporation Limited) — Rs.1.51 lakhs.
- Preparation of accounts on cash basis in contravention of Section 209 of the Companies Act (The Pradeshiya Industrial and Investment Corporation of U. P. Limited).

SECTION II

UTTAR PRADESH STATE MINERAL DEVELOPMENT CORPORATION LIMITED

2.01. *Introduction*

The Company was incorporated on 23rd March 1974 as a wholly owned Government Company to develop and exploit mineral resources of the State and to develop mineral based industries. At present, the Company is engaged in exploiting limestone of various grades, dolomite, bauxite, rock-phosphate, silica sand and synthetic emery grains based on bauxite ore. The Company's activities are spread mainly in 5 districts of the State, viz., Dehradun (Lambidhar), Mirzapur (Bhalua, Bari and Ningha), Banda (Rajauhan), Lalitpur (Sonari) and Allahabad (Shankergarh).

2.02. *Organisational set-up*

The management of the Company is vested in a Board of directors headed by a part-time Chairman and a whole-time Managing Director who is the Chief Executive. There are 11 other part time directors. The Managing Director is assisted by Director (Technical), Chief Financial Manager and Chief Marketing Manager.

2.03. *Capital structure*

The Company was registered with an authorised capital of Rs.2 crores which was raised to Rs.15 crores in 1981-82. The paid-up capital of the Company as on 31st March 1984 was Rs.12.63 crores (including share application money of Rs.1.38 crores).

2.04. *Borrowings*

Term loans of Rs. 150 lakhs and Rs.260 lakhs were sanctioned by Industrial Finance Corporation of India (IFCI) and Industrial Development Bank of India (IDBI) in March and April 1981 respectively for Lambidhar Mining Project, Dehradun. The agreement executed (January 1983) provided for half-yearly payment of interest at 14 per cent and repayment of loan in half-yearly instalments. In case of default in repayment of principal and interest, penal interest at 2 per cent was also leviable. In addition, commitment charges at one per cent up to 180 days and half per cent thereafter were also payable on undrawn amount of the loan.

Due to non-drawal/late drawal of instalments, the Company paid Rs.2.01 lakhs as commitment charges to IFCI during September 1981 to March 1984. Similarly, Rs.4.27 lakhs were paid as commitment charges to IDBI during June 1983 to June 1984, due to delay in completing necessary formalities.

2.05. Working results

The Company earned a profit of Rs.8.85 lakhs in 1982-83 as compared to the profit of Rs.0.68 lakh in 1981-82 and loss of Rs.0.85 lakh in 1980-81. During 1980-81 the loss was despite the Company earning Rs.2.51 lakhs as interest on fixed and saving bank deposits, while in 1981-82 and 1982-83 the interest earned on such deposits was Rs.3.19 lakhs and Rs.3.37 lakhs respectively. Thus profits during 1981-82 and 1982-83 were partly due to interest earned on these deposits.

Management stated (April 1985) that loss (1980-81) and the low profitability (1981-82) were mainly due to increase in cost of production without corresponding increase in sale price, escalation in the salaries and wages, increase in provision for depreciation and low market price of the products as the minerals are usually of medium or low grade.

2.06. Cash management

The following table indicates the cash and bank balances held by the Company *vis-a-vis* the amount invested in fixed deposits since 1978-79 to 1983-84 :

As on 31st March	Cash and bank balance (Rupees in lakhs)	Investment in fixed deposits (lakhs)
1979	48.59	17.16
1980	59.57	18.19
1981	86.32	19.57
1982	78.56	20.95
1983	131.43	23.50
1984	351.08	23.00

In March 1979, Government instructed all its companies to open Personal Ledger Accounts (PLA) with the treasuries and deposit the surplus funds (drawn as share capital money) in them to be drawn according to requirements. However, out of the share capital money, the Company invested (January 1979) Rs.16 lakhs in fixed deposits which were renewed up to February 1985.

The reconciliation of bank transactions was completed up to March 1984. While reconciling the accounts (July 1980) it was noticed that two cheques for a total amount of Rs.1.52 lakhs issued by Durgapur unit of Steel Authority of India Limited (SAIL) in October and December 1978 and sent for collection in the same month were credited by the State Bank of India in February and April 1983 after protracted correspondence for over four years. The interest (Rs.1.16 lakhs) claimed by the Company in April 1983 was not paid by the bank so far (March 1985).

2.07. *Production performance*

The table below indicates the targets fixed for production,

Name of mine	Targets for production and sales			Production achieved		
	1981-82	1982-83	1983-84	1981-82	1982-83	1983-84
	(Tonnes in lakhs)					
Lambidhar (Dehradun)	0.90	1.25	1.50	0.89	1.27	0.97
Bhalua	1.80	1.20	1.10	0.62	0.91	0.68
Bari	0.60	0.95	0.65	0.23	0.50	0.39
Ningha (Chopan)	0.60	0.20	0.42	0.20	0.19	0.18
Rajauhan (Banda)	0.60	0.40	0.40	0.19	0.27	0.09
Sonari (Lalitpur)	..	0.30	0.30	0.10	0.16	0.06
Shankargarh (Allahabad)	..	0.30	0.30	0.05	0.24	0.25
Total ..	4.50	4.60	4.67	2.28	3.54	2.62

production achieved and sales for the three years up to 1983-84 :

Percentage of production achieved to target			Sales		
1981-82	1982-83	1983-84	1981-82	1982-83	1983-84
				(Tonnes in lakhs)	
98.8	101.6	64.7	0.74	1.27	0.97
34.4	75.8	61.8	0.53	0.69	0.68
38.3	52.6	60.0	0.20	0.38	0.43
33.3	95.0	42.8	0.16	0.29	0.19
31.6	67.5	22.5	0.22	0.10	0.21
..	53.3	20.0	0.01	0.05	0.05
..	80.0	83.3	0.01	0.16	0.23
50.7	77.0	56.1	1.87	2.94	2.76

Note : Figure for 1982-83 and 1983-84 are provisional.

Production in Sonari (Lalitpur) mine of the Company ranged from 20 to 53 *per cent* of the targets. In Bari and Bhalua mines it ranged between 38 and 60 *per cent* and 34 and 76 *per cent* respectively. In other mines it ranged between 22 to 95 *per cent* of target except in Lambidhar mines where the target was achieved during 1982-83. Similarly, the sales in Bhalua, Bari, Rajauhan and Shankargarh mines were much below the targets.

The reasons attributed (October 1984) by the Management for shortfall in production and sales were :

(a) non-availability and inadequate availability of rail wagons, at times, resulting in suspension of production ;

(b) contractor's labour not being available except in seasons ;

(c) fluctuating demand for minerals ; and

(d) competition with private producers who have an edge over the Company.

It was also stated (April 1985) that targets fixed were optimistic to reflect at least 10 *per cent* growth margin.

2.08. Dehradun unit

In December 1975 the Company envisaged production of 4.5 lakh tonnes of limestone per annum from Lambidhar mines. Mining lease for 15 years for minor minerals and 20 years for major minerals on 97 hectares of land in Lambidhar hills (near Mussoorie) was obtained (December 1975) from Government.

The detailed project report prepared (August 1978) by Metallurgical Engineering Consultants (India) Limited (MECON), a Government of India Undertaking, envisaged an aerial ropeway, primary crushing plant, simple screening, stock piling, erection and other infra-structural facilities at a total cost of Rs.555 lakhs which was subsequently revised (October 1980) to Rs.820 lakhs by the Advisory Committee of central financial institutions (led by IFCI) to remove anticipated bottlenecks. In August 1982, the simple screen-

ing facility was substituted by screening and a secondary crushing plant which pushed up the project cost to Rs.919.37 lakhs.

Total expenditure incurred up to December 1984 was as under :

	Amount (Rupees in lakhs)
Land and Site development	9.05
Office and residential buildings	27.66
Plant and machinery and other fixed assets	708.66
Technical know-how	4.76
Pre-operative expenses and contingence	83.57
Total	<hr/> 833.70 <hr/>

The commercial production of limestone originally scheduled for January 1980 as per project report has now been revised to commence in October 1985. The major works viz, aerial ropeway and primary crushing plant were not complete (March 1985), as discussed in the following paragraphs :

2.08.01. Aerial ropeway

(i) On the basis of tenders invited (May 1977) for the supply, erection and commissioning of aerial ropeway (carrying capacity : 150 tonnes per hour) from Lambidhar mines to Purkulgaon on turnkey basis, the lowest offer of a firm of Calcutta (value : Rs.164.55 lakhs) was accepted.

The agreement was, however, finalised (May 1979) for Rs. 181 lakhs on lump-sum basis and the work was to be completed in 24 months. The increase of Rs.16.45 lakhs was agreed to in negotiations held (September 1978) with the

contractor to make the price fixed and firm subject to statutory escalations on steel and cement. An advance of Rs.18.10 lakhs was paid (November 1979) to the firm after obtaining bank guarantee.

In February 1980 it was noticed that an angle sub-station of the alignment surveyed by the firm and approved (15th December 1979) by the Company was falling in a private mining lease. This necessitated re-survey and construction of an additional angle sub-station (value : Rs.24.17 lakhs) which was approved in March 1980. The circumstances under which the earlier location was chosen for alignment which fell within the private mining lease were not on record.

On the request (December 1980) of the firm, the Board decided to allow escalation in prices of steel and actual expenditure on construction of additional angle sub-station and allowed (March 1982) extension of time schedule for completing the work by March 1983.

On another representation (27th January 1983) of the firm for increase in cost due to price rise, the Chairman observed (30th September 1983) that the firm had consistently failed to adhere to the time schedule and the work done at loading terminal where no constraints existed was too little and sub-standard in quality. The Company proposed (30th September 1983) to entrust the work to a working group consisting of a representative each of the Company, the firm and a reputed company which was accepted by the firm. The work was entrusted to the working group in November 1983. The Company revised (November 1983) the completion date as May 1985 and approved the revised project cost of the ropeway (Rs.433 lakhs). The work was, however, not completed (June 1985).

Management stated (October 1984) that the delay was caused due to change of alignment and late receipt (July 1983) of permission for forest clearance from Forest Department.

2.08.02 *Primary crushing plant*

In April 1980, the Company appointed MECON for 36 months (fee : Rs.3.50 lakhs) for preparation of technical specifications, tender documents, design supervision, etc. for establishment of 140 tonnes per hour capacity crushing plant for Lambidhar mines. In January 1980, the Company has

finalised the specifications and invited tenders for supply and erection of the crushing plant on turnkey basis.

In June 1980, the consultants revised the specifications as the specifications finalised by the Company in January 1980 were for a bigger size crusher. The tenderers were, therefore, requested (September 1980) to quote revised rates for revised specifications.

Of the five quotations forwarded to consultants for evaluation of the rates, the quotations of the following two tenderers were found technically feasible :

Firm	Value
	(Rupees in lakhs)
X	110.64
	(excluding excise duty and taxes)
Y	105.50
	(inclusive of excise duty and taxes)

The consultants observed (March 1981) that due to major deviations from the specifications and abnormally low rates for civil works, the offer of firm Y was not comparable. The Company, however, accepted (7th May 1981) the offer of firm Y.

Firm 'Y' offered (2nd April 1981) to reduce the price by Rs.5 lakhs if a 30 *per cent* advance payment was made after furnishing bank guarantee. Due to delay in finalisation of agreement, the firm increased (June 1981) the price to Rs.114 lakhs in view of general escalation in prices. Subsequently during negotiations held (August 1981) with the firm the contract price was reduced by Rs.15 lakhs due to deletion/substitution of certain items. Even though payment of 30 *per cent* interest free advance was also agreed to, during negotiations, the benefits of reduction in price of Rs.5 lakhs by the firm in case of 30 *per cent* advance payment was not pressed. The agreement with a firm price of Rs.99 lakhs (subject to statutory escalations on steel and cement) was finalised on 7th September 1981 and 30 *per cent* advance payment of Rs.29.70 lakhs was made on 7th September 1981, on furnishing bank

guarantee by 'Y'. The work was to be completed by 31st December 1982.

Management stated (September 1983) that although the civil works in the offer of firm Y were inadequate, in a turnkey contract it was the final cost that mattered and not the cost of individual items. It was further stated that the crushing plant was to be installed by firm Y in collaboration with a very renowned crushing plant supplier and there would be constant co-ordination and liaison with the work of aerial ropeway already in hand with the firm Y.

The work was not completed (March 1985) in spite of four extensions (March and December 1983 and August and December 1984) granted to the firm. Another extension up to May 1985 was allowed (March 1985) and the penalty liable to be levied was not imposed.

Management stated (April 1985) that extensions were allowed to the firm as the work was done manually and not mechanically due to bad topography of the area and ban imposed by the Supreme Court on blasting and as the consultants insisted on modification of designs which involved extra time.

2.08.03. *Secondary crushing plant*

(a) *Erection*

The agreement for design, supply, erection and commissioning of screening, crushing and material handling plant for secondary crushing plant with 150 tonnes per hour capacity at Purkulgaon (Dehradun) was entered into (March 1983) with a firm of Madras at a contract price of Rs.43.50 lakhs. The civil works were to be executed by the Company. The works were delayed as the column foundations were made available late by the Company to the firm. The plant (original date of completion-November 1983) was commissioned in April 1984. Load test and trial runs, which were to be conducted by the firm, were not conducted as ropeway and primary crushing plant, which were complementary to the plant, were not ready (October 1984). The plant continues to be idle as the present scheduled date of completion of primary crushing plant and the ropeway was May 1985. The work was not completed (June 1985). Up to August 1984, the firm was paid Rs.40.96 lakhs.

(b) *Excavation of earth*

The contract for earth work comprising excavation of about 35000 cu m of earth mixed with shingle and boulder and disposal of excess earth in a nearby *nala* was awarded (March 1983) to a contractor of Dehradun for Rs.5.26 lakhs (at Rs.15 per cu m). The work was to be completed in May 1983. In July 1983, the contractor intimated excavation of 39051 cu m of earth work. However, according to the Company's Surveyor it was 37000 cu m only for which payment of Rs.5.51 lakhs was made to the contractor (March to December 1983).

As the difference between the quantities of earth excavated, as certified by the Company's Surveyor and as claimed by the contractor, could not be reconciled the matter was referred (December 1984) for arbitration, whose award was awaited (May 1985).

Of the total 37000 cu m of earth excavated, only 7554 cu m of earth was thrown in the *nala* and the balance (28,446 cu m) of excavated earth was dumped at different places as the Forest Department objected to throwing the excavated earth in the *nala*. For dumping the excavated earth at different places, the contractor was paid (December 1983) Rs.3.71 lakhs at Rs.2.75 per cu m for each 30 metres lead without deducting the lead up to *nala*. Had prior permission of the Forest Department been obtained for throwing the earth in the *nala*, the extra payment involved could have been avoided.

(c) *Other civil works*

Other civil works viz., excavation in foundation pits, plain cement concreting, fixing of foundation bolts and reinforced cement concreting were awarded to a contractor of Dehradun on the basis of quotations invited in September 1983. Cement was to be supplied by the Company free of cost. The works were completed in April 1984 and Rs.1.41 lakhs were paid to the contractor. The issue rate of cement in 1983-84 was Rs.47.50 against which a rate of Rs.20 per bag (based on PWD schedule of rates for 1969) was considered in the analysis of rates prepared by the Company. Thus, the actual rate (after allowing margin for cost of cement to be supplied free of cost) works out to Rs.440 per cu m against which the Company allowed the rate of Rs.595 which was higher by about 33 per cent and resulted in excess payment of Rs.0.74 lakh on 2683 bags of cement issued to the contractor.

(d) In August/September 1982, the Company purchased four dumpers (value : Rs.21.80 lakhs). While these dumpers were utilised for an average of 120 kms in two years (up to August 1984) six more dumpers (value : Rs.23.51 lakhs) were purchased in December 1983 which were not put to any use. Two dumpers were later transferred (May 1984) to Mirzapur unit for use.

(e) Of the two shovels (value : Rs.34.53 lakhs) purchased in April/October 1981, one was utilised for 21 hours and the other for 386 hours (up to August 1984).

2.09.01. *Mirzapur unit*

(a) *Bari and Bhalua mines*

Bari dolomite and Bhalua limestone mines with all assets and liabilities including staff, equipments, etc. were taken over (15th February 1976) by the Company from Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC). No project report had been prepared for these mines. Sales are arranged on orders received from time to time.

(b) *Ningha mine*

The lease of Ningha mine at Chopan vests with Uttar Pradesh State Cement Corporation Limited (UPSCC). At the instance of UPSCC and Government, the Company is managing this mine since 1978-79 mainly for meeting the requirements of Dalla unit of UPSCC on yearly permit basis.

Although the lease hold rights of this mine vest in UPSCC, the Company had spent on its own, Rs.4.80 lakhs up to March 1984 in developing this mine by constructing roads, culverts, rest shelters, etc. The development expenditure (Rs.4.80 lakhs) incurred by the Company and claimed from UPSCC (August 1983) was not paid (March 1985) in the absence of any agreement. Management stated (April 1985) that UPSCC had agreed to bear the development expenditure incurred by the Company on opening the Ningha deposits.

2.09.02. *Civil works at Chopan*

(a) In July 1979, the Company invited tenders for the construction of a canteen and 20 latrines which were to be opened on 17th August 1979. These tenders were, however not finalised. On 23rd August 1979, a work order for the construction of 10 latrines (value : Rs.0.62 lakh) was placed on a

local contractor at PWD schedule of rates. In May 1980, two , more latrines were got constructed by the same contractor at same rates.

During April to December 1980, 17 latrines were got constructed by placing 17 separate work orders (value : Rs.1.70 lakhs) by another contractor at rates higher than the former contractor on the basis of quotations obtained locally in January 1980.

Reasons for non-finalisation of the tenders invited in July 1979 and splitting the work orders for construction of 17 latrines in to 17 separate work orders were not on record.

The construction of 17 latrines at higher rates resulted in an extra expenditure of Rs.0.65 lakh.

In reply, the Management stated (April 1985) that the work was executed by the Mines Manager due to impending visit of Assistant Director, Mines Safety. Reason for not finalising the tenders and completing the work well in advance were not intimated.

(b) In respect of the work orders issued (July 1979 to March 1983) for the construction of blast/rest shelters and latrines at the mines the cost of steel, cement, G.I. sheets, etc. supplied to the contractors was not recovered from them (March 1985) at scheduled rates resulting in non-recovery of Rs.0.29 lakh.

(c) In the case of manual compaction of earth work and dust filling a compaction allowance of 10 *per cent* is required to be made from the total earth work/dust filling done. During August 1979 to August 1983 compaction allowance of 10 *per cent* was not deducted in respect of 20726 cu m of manual earth work done on work orders. This resulted in overpayment of Rs.0.29 lakh.

On being pointed out in audit (August 1983) it was stated that recovery in respect of (a) and (b) would be made from the pending bills of the contractors but no recovery has been made till now (March 1985).

2.09.03. *Idle machinery at Chopan unit*

The following items of plant and machinery were lying idle at the mines of the Chopan unit :

Serial no.	Name of item	Date of receipt	Date from which lying unutilised	Value (Rupees in lakhs)
(1)	Electric compressor	October 1979	October 1979	1.01
(2)	Crusher plant	December 1981	December 1981	2.46
(3)	Crusher plant	February 1976	October 1980	0.26 (Book value)
Total				3.73

Management stated (April 1985) that items at (1) and (2) above were purchased against specific production level which did not come up as anticipated. The item at (3) was received alongwith the transfer of mine from UPSIDC in February 1976.

2.10. *Accounts, cost and budget manuals*

In March 1981, the Company appointed a firm of cost accountants for preparing the accounts, cost and budget manuals on payment of Rs.0.12 lakh. While considering the draft manuals, the Chief Financial Manager of the Company observed (September 1981) that the manuals are sketchy and suggested the integrated system of costing and accounting. The manuals submitted by the firm were thereafter shelved.

Management stated (October 1984) that the mines of the Company are in development stage and the introduction of these manuals at this stage would result in additional cost on the engagement of extra staff. However, these facts were not considered before appointing the firm in March 1981. It was further stated (April 1985) that the draft manual prepared earlier was being utilised by the Company to develop its reporting system and management information service.

2.11. *Costing system*

In the absence of any costing system, the cost estimates are prepared on the basis of budgeted quantity of production. As the actual cost of production is always at variance with that of estimates, the estimates prepared were not meaningful and at times resulting in sales below the estimated cost as illustrated below :

Name of product	Year	Estimated cost per tonne (Rupees)	Actual selling price per tonne (Rupees)	Quantity sold (in tonnes)	Loss (Rupees in lakhs)
Limestone Bari	1982-83	40.24	39.72	0.37	0.19
	1983-84	59.42	54.36	0.41	2.07
Limestone Ningha	1982-83	69.03	54.49	0.37	5.38
	1983-84	65.22	55.53	0.19	1.84
Total					9.48

Loss incurred due to sales below cost in these cases thus, worked out to Rs.9.48 lakhs.

In August 1983, the Chief Financial Manager stated that attempt was being made to work out standard cost and fix technical norms for various mining operations. In October 1984, it was stated that it was difficult to fix technical norms for mining operations as most of the mines were in development stage. Management stated (April 1985) that the cost of production pertaining to individual units was being identified and the system of costing of products would be developed soon.

2.12. Internal audit

An internal audit cell created in September 1979 was functioning under a senior auditor and in overall charge of Chief Financial Manager. In September 1982, the post of senior auditor was upgraded to that of Assistant Audit Officer. Internal Audit Manual defining the periodicity, scope of audit and procedure for dealing with the audit reports had not been prepared (March 1985).

As the strength of internal audit cell (one Assistant Audit Officer and one Auditor) was not commensurate with the size of the Company, a firm of chartered accountants was engaged to conduct internal audit for the years 1982-83 and 1983-84 on a remuneration of Rs.0.15 lakh per annum.

Management stated (April 1985) that the creation of full-fledged internal audit wing commensurate with the size and nature of the Company was under consideration.

2.13. Outstanding debtors

Even though the Company had no approved credit policy,

credit for 15 to 30 days was being allowed to its customers as per practice.

The position of outstanding debtors was as under :

As on 31st March	Government departments/ companies	Private parties	Total	Total sales	Percentage of debtors to sales
(Rupees in lakhs)					
1978	26.55	3.79	30.34	54.33	55.8
1979	21.20	4.89	26.09	101.23	25.8
1980	27.11	1.40	28.51	83.91	34.0
1981	47.94	2.60	50.54	93.16	54.2
1982	49.56	2.02	51.57	69.80	73.9
1983	67.07	5.54	72.61	117.22	61.9
1984	17.10	9.55	26.65	150.59	17.7

Age-wise analysis of the debtors and categorisation into good, doubtful and bad since inception was not made by the Company.

2.14. *Synthetic emery project*

In March 1981, the Company decided to establish a small scale unit at Manikpur (Banda) for manufacturing synthetic emery, based on laterite bauxite ore available. The technical feasibility report (prepared by a consultant in July 1980 on payment of Rs.0.15 lakh) envisaged an annual production of 12000 tonnes and the total capital outlay at Rs.18.26 lakhs. The feasibility report projected an annual turnover of Rs.20.40 lakhs and 50.8 *per cent* return on investment and the work was to be completed in 12 months.

The work was taken up in March 1982 and was largely completed by February 1983 at a total cost of Rs. 17.45 lakhs.

The commercial production could not be taken up for want of power. The trial production was taken up in February/March 1983 with a diesel generating set and about 150 tonnes of emery lumps (value : Rs.1.45 lakhs) were produced up to March 1984.

The Company had not explored any definite market for emery products. The power connection was obtained by the Company in May 1984 and thereafter production was taken up intermittently.

In the meeting held on 25th September 1984, the Board desired that the possibility of operating the plant on "Management contract" basis with assured profits and/or lease arrangement might be explored and private entrepreneurs contacted for the purpose. Reasons for the proposed entrustment of the project on management contract basis when 50.8 per cent return on investment was visualised in the feasibility report were not on record.

The Management stated (April 1985) that this industry was in the unorganised private sector where unethical and dubious marketing practices were prevalent which were not to be followed by the Company and it was, therefore, decided by the Company to sell the unit to a private party or operate on "Management control" basis with assured profits.

In July 1982, the Company claimed a subsidy of Rs.0.40 lakh on diesel generating set (acquired in December 1980) from Uttar Pradesh Financial Corporation, payment of which was awaited (June 1984). Twenty five per cent subsidy admissible on capital equipment under central subsidy plan for backward districts was not claimed (October 1984) as the capital cost of equipments was not worked out.

2.15. *Other topics of interests*

2.15.01. *Appointment of selling agents*

In March 1983, the Company invited offers for appointment of selling agents on commission basis for boosting up sales by obtaining orders for the minerals produced by different units of the Company. Out of 10 offers received, the lowest rate (5 per cent) was quoted by a firm of Madras. No decision was, however, taken.

At the instance of the Chairman, offers were re-invited (August 1983) as it was felt that there was no response from certain areas of the country. Of the eight valid tenders received in response to reinvitation, the offers of firms of Madras and Satna were found to be the lowest at 5 per cent commission. The Chairman, however, desired (3rd September 1983) to

invite all these parties for negotiation before a committee which selected (9th September 1983) six parties and appointed them as selling agents for specified materials and areas at 10 *per cent* commission on sale price of minerals, payable on submission of bills against the full collection of sale proceeds of the preceding month.

The terms of payment were liberalised in November 1983 and January 1984. In a meeting held on 4th April 1984, the terms of payment were further liberalised (April 1984) in the case of firm 'A' as under :

- 25 *per cent* of the commission on acceptance of order by the marketing section,
- 25 *per cent* of the commission on despatch of material,
- 25 *per cent* of the commission on receipt of 90 *per cent* payment ; and
- balance commission on receipt of balance 10 *per cent* payment.

In the same meeting, sale through agents was also approved for a period of three years.

The commission paid to four selling agents up to March 1985 was Rs.11.46 lakhs.

The following points would emerge :

(i) The reasons for allowing a uniform commission of 10 *per cent* for all the agents although the firm of Madras quoted a rate of 5 *per cent* commission were not on record.

Management stated (April 1985) that on 9th September 1983, the firm of Madras represented that the rate of commission chargeable would be 10 *per cent* as the firm was not awarded sole selling agency for the whole country. No such fact was, however, evident from the recorded note of negotiations held with the firms on 9th September 1983.

(ii) The payment of commission to firm 'A' was for the orders received from Bokaro Steel Plant. Earlier the orders for supply were being received by the Company direct but after August 1983, these orders were also

routed through the selling agents. Thereby, the Company had to forgo a sum of Rs.8.50 lakhs towards commission up to March 1985.

(iii) The Company is already having a fulfilled marketing section headed by a Chief Marketing Manager and assisted by four other junior officers and staff. No reduction of marketing staff was made after the appointment of commission agents.

(iv) No minimum quantity of compulsory sale was prescribed for the commission agents.

(v) Sale through agents was approved for three years thereby depriving the Company from obtaining competitive rates of commission payable to agents in subsequent years.

(vi) Letters of intent were issued to the selling agents in September 1983. No agreements were entered into with these agents till date (March 1985).

The Management stated (October 1984) that the rate of 10 per cent commission was fixed keeping in view the activities required by the agents in the respective areas and that the formal agreement was under finalisation. It was further stated that no minimum limit of sales was prescribed as the Company would be compelled to honour the minimum limits in all circumstances.

2.15.02. *Stone dust filling at railway siding*

To raise the platform for stacking the blast furnace grade limestone to be despatched to steel plants, 41,700 cu m of stone dust was carted and filled in the railway siding at Billi railway station. The work was executed (January 1982 to March 1984) by issuing piece-meal work orders to different contractors at Rs.14 per cu m.

Thus, Rs.5.84 lakhs were spent by the Company for raising the platform of the railway siding. The Company neither holds any title over the land nor obtained permission from the railway authorities (October 1984) to carry out the work. No tenders were also called for the work and four contractors were selected on pick and choose basis.

Loading of materials into the wagons is the responsibility of

the contractors and demurrage paid or payable, if any, is recoverable from them.

However, even after raising the platform, a sum of Rs.0.81 lakh was paid as demurrage to Railways from April to June 1984 which was not recovered from the contractors (March 1985).

Prior to raising the platform, the entire area was considered as a loading point but after raising the siding, only the raised platform was being considered as a loading point which involved rehandling of the material to the loading point. During August 1983 to March 1984 a total sum of Rs.0.89 lakh was paid as rehandling charges to various contractors.

Management stated (October 1984) that the levelling was done to facilitate loading of wagons and approval of Railways for permitting the use of land and levelling was awaited. The permission of Railways was still awaited (June 1985).

2.15.03. *Extra expenditure in re-sizing of boulders*

Without receiving any firm commitment or order and based on verbal discussions held, the Company's Chopan unit started raising boulders of limestone for supply to Dalla unit of Uttar Pradesh State Cement Corporation Limited (UPSCCL). During September and October 1983 ; 24,000 tonnes of boulders were raised at Rs.7 per tonne. In the absence of any contractual obligation UPSCCL declined to accept the boulders raised by the Company. The boulders were, therefore, resized to blast furnace grade (January/February 1984) at Rs.5.75 per tonne to make them usable by steel plants. Thus, the Company had to spend Rs.12.75 per tonne to raise the boulders and on resizing them into blast furnace grade. The rate of raising the blast furnace grade limestone directly prevailing in September and October 1983 was Rs.10 per tonne. Thus, the Company incurred an extra expenditure of Rs.0.66 lakh at Rs.2.75 per tonne on raising 24000 tonnes of boulders and resizing them into blast furnace grade.

The Mining Manager stated (October 1984) that the production of boulders without any written order/agreement was taken up under instructions from the head office of the Company and that the resizing of boulders was taken up to avoid blocking up of Company's funds.

2.15.04. *Undue financial aid to contractors*

The work of raising and transporting limestone at Bhalua mines was arranged through contractors either under agreements or through work orders issued from time to time. The work *inter alia*, includes, drilling and blasting, raising, stacking and sizing, transportation to loading point, loading into railway wagons and cleaning, dressing, *etc.* of mines' faces for further work, *etc.* The rates allowed were, therefore, for complete mining operation right from drilling to loading into railway wagons. Any in-between arrangement was the responsibility of the contractor.

In test check in audit it was noticed (August 1984) that during August 1983 to February 1984, eleven work orders (value : Rs.1.11 lakhs) were issued to 9 contractors, for rehandling 26,800 tonnes of limestone at mines' faces (5,600 tonnes) and at Billi railway station siding (21,200 tonnes).

As the loading of limestone in the railway wagons was the responsibility of the contractor, engaging other contractors for any such work was not in accordance with the agreements/work order and was not justified.

2.15.05. *Infructuous expenditure*

In December 1975, the Company in collaboration with Durgapur unit of Steel Authority of India Limited (SAIL) decided to float a joint sector project "Vindhyan Limestone Company" to produce 6 lakh tonnes of blast furnace grade limestone per annum from the mines at Chopan (Mirzapur). The expenditure incurred was to be shared equally. SAIL deposited Rs.2 lakhs with the Company for this project.

During 1977-78 to 1981-82, the Company spent Rs.6.51 lakhs on feasibility study, analysis, salaries and wages and other incidental expenditure.

While processing the proposal, it was agreed that Durgapur unit of SAIL would accept limestone of less than 14 *per cent* insolubles *plus silica*. In September 1979, the unit revised the specification to 9 *per cent* insolubles *plus silica*, based on the revised requirement.

In a meeting held (February 1981) by the Company with the representatives of SAIL it was observed that as the limestone

of the revised specification would not be available, it was not feasible to float the joint sector company. The proposal was therefore, dropped.

SAIL had not reimbursed its balance share of expenditure (Rs.1.26 lakhs) incurred by the Company in making preliminary arrangements for floating the joint sector company.

Management stated (April 1985) that the balance share of expenditure to be borne by SAIL would be shortly finalised.

2.15.06. *Infructuous payment*

The Project Manager of the Company at Dehradun entered into an agreement (8th May 1981) with a contractor of Dehradun for construction of a road to connect the mine to Mackenjie Road. The estimated cost of the work was Rs.1.76 lakhs and it was to be completed within three months. The contract, *inter-alia*, stipulated levy of maximum penalty of 10 per cent of the contract if the work was not completed in time and the Company would also determine the contract if the progress during pendency of agreement was found to be unsatisfactory. The cases of dispute, if any were to be referred to arbitration.

The progress of work was not satisfactory due to heavy monsoon in the terrain and three extensions (up to October 1981, February and March 1982) were allowed. The work was completed in March 1982 and final payment was made in June 1982.

In July 1982 the contractor issued a notice to the Project Manager through his advocate demanding additional payment of Rs.0.17 lakh towards excess recovery of cost of cement, work done but not measured, *etc.* which was not replied to. In December 1982, the contractor appointed an arbitrator and requested the Project Manager to nominate Company's arbitrator which was not done.

The contractor's arbitrator constituted (May 1983) himself as the sole arbitrator and intimated the Project Manager that he would be giving his award on 25th May 1983 and requested him to be present on that day.

As nobody represented the Company on the said date the arbitrator gave his award in favour of the contractor and a decree for Rs.0.26 lakh was executed (23rd August 1984) through District Judge, Dehradun, through the bankers of the Company.

In view of the certificate of full and final settlement of the claims given by the contractor (June 1982), the Company could have contested the case before the arbitrator, which was not done. This resulted in an infructuous expenditure of Rs.0.26 lakh on account of the payment made to the contractor.

The Project Manager stated (October 1984) that in the opinion of the then Project Manager there stood no dispute with the contractor. No reasons for not attending the court of the arbitrator on the date of judgment were assigned by the Company.

2.15.07. *Contractual drilling*

(i) In August 1975, the Company entered into a contract with firm 'P' of New Delhi for drilling rock phosphate deposits by diamond drilling. Under the terms of the contract, the cost of drilling was to be recovered from the firm 'P' on actual cost *plus 6 per cent* overheads and *10 per cent* profit. The amount due from the 'P' on account of actual drilling done worked out to Rs.11.79 lakhs (actual cost : Rs.10.16 lakhs, overheads : Rs.0.61 lakh and profit : Rs.1.02 lakh) but the paid Rs.11.27 lakhs only in ten instalments up to March 1980 leaving a balance of Rs.0.52 lakh.

In August 1983, the Management stated that during operation, the actual cost went high and the full quantum of drilling work done was not considered useful and the firm had paid only for the operations considered useful. The acceptance of payment for the useful drilling work only was not as per contract agreement.

(ii) Similarly, at the request of UPSCCL, the Company agreed (January 1980) to undertake drilling of limestone in Gangolihat (Pithoragarh) on payment of drilling charges at Rs.1500 per metre. The work was to be supervised by Director, Geology and Mining, Government of Uttar Pradesh (DGM).

The drilling work was stopped in April 1982 and up to that period 972.6 metres of drilling work was done for which up to March 1983, Rs.10.70 lakhs were paid as against Rs.14.59 lakhs at the agreed rate. Payment of Rs.3.89 lakhs was still awaited (March 1985).

Management stated (April 1985) that the DGM had accepted to pay the actual cost only which was agreed to by the Company.

The acceptance of payment on actual basis resulted in non-recovery of Rs.3.89 lakhs as per contract provisions.

The matter was reported to Government in December 1984 : reply was awaited (June 1985).

2.16. *Summing-up*

(i) The Company was incorporated in March 1974 to exploit mineral resources and develop mineral based industries in the State.

(ii) Except in Lambidhar mines during 1982-83, the Company could not achieve the production target.

(iii) For non-drawal of the instalments of loan as per schedule, the Company paid Rs.6.28 lakhs as commitment charges to financial institutions.

(iv) A project for achieving a production of 4.5 lakh tonnes of limestone per annum at Lambidhar (estimated cost : Rs.555 lakhs, revised to Rs.919.37 lakhs) envisaged commercial production to commence in 1980. An expenditure of Rs.833.70 lakhs was incurred up to December 1984. The project is yet (July 1985) to be completed and commercial production is expected to commence in October 1985.

(v) Development expenditure of Rs.4.80 lakhs incurred on Ningha mine, was not recovered from Uttar Pradesh State Cement Corporation Limited.

(vi) The synthetic emery project, in which an investment return of 50.8 *per cent* was envisaged, was proposed to be given on 'Management control' basis due to its non-viability.

SECTION III

CHHATA SUGAR COMPANY LIMITED

3.01. *Introduction*

Chhata Sugar Company Limited was incorporated as a subsidiary of Uttar Pradesh State Sugar Corporation Limited (holding company) on 18th April 1975. Prior to its incorporation, the project for setting up of a sugar unit at Chhata was commenced in 1973 as an unit of the holding company. The unit was thereafter transferred to the Company on its incorporation and the plant commissioned with a capacity of 1250 tonnes crushing per day (TCD) on 28th February 1978.

The main activity of the Company is to manufacture white sugar through double sulphitation process.

3.02. *Organisational set-up*

The management of the Company is vested in a Board of directors consisting of 8 directors out of which seven including the Executive Director are nominated by the holding company and one is nominee director of the financial institution viz. Industrial Finance Corporation of India (IFCI). The Chairman of the holding company is also the Chairman of the Company. The day-to-day management of the Company is vested in the Executive Director who is assisted by Chief Engineer, Chief Accountant and Cane Manager.

3.03 *Capital structure*

(a) Share capital

The Company's authorised capital of Rs.250 lakhs was increased to Rs.290 lakhs in 1976-77. The entire paid-up capital of Rs.258 lakhs as on 31st July 1984 was held by the holding company.

(b) Loan for financing the project

The project cost (Rs.630 lakhs) was to be met by share capital (Rs.253 lakhs) and term loans from financial institutions. Term loans aggregating Rs.377 lakhs were sanctioned by the Industrial Development Bank of India (IDBI) and IFCI between December 1976 and February 1977 carrying interest at

9.5 per cent (net) per annum on concessional part of term loan (Rs.205 lakhs) and at 11 per cent per annum on general term loan (Rs.172 lakhs).

(c) Loans for payment of cane dues

Towards payment of cane dues for the years 1977-78 and 1981-82 to 1983-84 Government sanctioned loans aggregating Rs.112.40 lakhs during the period from January 1979 to August 1984 carrying interest ranging from 12 to 19.5 per cent per annum (with rebate of 3.5 per cent on timely repayment of loan instalments and payment of interest). Four instalments (Rs.8 lakhs) of a loan due between January 1981 and January 1984 and one instalment (Rs.1.43 lakhs) of another loan due in April 1984 were not repaid by the Company up to July 1984 due to paucity of funds. Consequently the Company was put to a loss of Rs.1.83 lakhs up to March 1984 by way of rebate lost.

(d) Loan for working capital

Cash credit facilities for meeting its working capital requirements availed of by the Company amounted to Rs.288.15 lakhs, Rs.360.09 lakhs and Rs.270.88 lakhs at the close of 1981-82 to 1983-84 respectively.

3.04. *Working results*

During 1980-81 and 1981-82, the Company earned a profit of Rs.26.83 lakhs and Rs.6.82 lakhs respectively and incurred loss of Rs.42.57 lakhs in 1982-83 which was attributed by the Management to decline in prices of free sale sugar. The Company, however, earned a profit of Rs.1.07 lakhs in 1983-84.

3.05. *Delay in commissioning the project*

As per the terms of the agreement (April 1974) entered into with the suppliers, the supplies of plant and machinery were to be completed and plant erected by December 1975 and commissioned by February 1976. However, as the Company had failed to open the letter of credit as per the agreemental provisions due to paucity of funds, the work was not completed by the suppliers within the stipulated period and had also demanded (July 1976) escalation in the cost of plant and machinery (Rs.14.16 lakhs), erection charges (Rs.2.34 lakhs) and packing and forwarding charges (Rs.1.50 lakhs). A supplementary agreement was entered into (September 1976) with

the revised date of commissioning of the plant as March 1978. On opening the letter of credit in September 1976, the erection work was continued and the plant was commissioned in February 1978.

3.06. *Supply of water*

The industrial licence granted by the Government of India in November 1973 required the Company to arrange for 35,000 gallons of water per hour near the site for drinking purposes as well as for use in boilers. To meet the requirement of water, the Company had a number of shallow tubewells dug at the plant site during 1974-75 but water available in none of the tubewells was found fit for industrial purposes. From 1978-79, the Company arranged water supply from Agra canal through a pipe-line of about 8 kms, constructed at a cost of Rs.7.70 lakhs. Even this arrangement is not working satisfactorily as adequate water is not available in the canal and the same had to be supplemented by water from shallow tubewells, which is hard and saline.

Due to very hard water, there was heavy scaling in evaporators and other equipments resulting in increased shut-down for general cleaning, excessive consumption of fuel and deterioration in the condition of the boiler tubes.

To overcome the problem of water and its effect on plant efficiency, the Company during 1978-79 installed a demineralisation plant purchased at a cost of Rs.6.50 lakhs and also replaced boiler tubes at a cost of Rs.2.46 lakhs during 1982-83. It also installed additional equipments like common header for injection pump, vapour line juice heater, fourth body of evaporators, etc. at a cost of Rs.10.42 lakhs.

Consequent on supply of water through Agra canal, the overhead tank of 35000 gallon capacity constructed during 1978-79 at a cost of Rs.4.74 lakhs was lying idle.

The Management stated (August 1984) that the site was selected knowing fully well that the water available in Mathura district was saline and not fit for industrial use, but taking into account that it was a backward area and there was no sugar mill in the vicinity for utilising the sugarcane produced in the area.

3.07. *Cane availability*

The Company had been allotted a reserved area of 1.64

lakh hectares, spread over an area of 65 kms (0.84 lakh hectare within a radius of 16 kms of the factory). The actual area under sugarcane cultivation, however, ranged between 7897 and 17030 hectares during 1980-81 to 1982-83.

According to the Chief Sugarcane Advisor of the holding company, for running a sugar factory of 1250 TCD, production of at least 60 lakh qtls of sugarcane is required in the reserved area. Only 30 *per cent* of total production of the reserved area is supplied to the mill and balance diverted to *Gur* and *Khandsari* sugar factories. The availability of sugarcane during 1972-73 (just before obtaining the industrial licence) was only 49.88 lakh qtls out of which the share of the sugar factory was 15 lakh tonnes only.

The Director, Sugar Cane Research Institute, Shahjahanpur had also expressed (March 1973) doubts about the success of any cane development programme in Mathura district due to inadequate rainfall, and water available from tubewells being saline was unsuitable for sugarcane cultivation. The project was, however, taken up for execution. The Company incurred an expenditure of Rs.2.52 lakhs during 1977-78 to 1982-83 (including Rs.2.48 lakhs during 1979-80 to 1982-83) on cane development programme. The cane development programme did not give the desired results and even the cane yield declined from 88.5 lakh quintals (0.22 lakh hectares) in 1978-79 to 30.1 lakh qtls (0.13 lakh hectares) in 1979-80; 27.9 lakh qtls (0.08 lakh hectares) in 1980-81; 48.6 lakh qtls (0.13 lakh hectares) in 1981-82 and 54.6 lakh qtls (0.17 lakh hectares) in 1982-83.

3.08. *Production performance*

3.08.01. *Capacity utilisation*

The installed capacity of the plant is 1250 TCD and the total quantity of cane which the plant could crush in a normal season of 180 days working on three shifts is 22.50 lakh qtls. The table below indicates the quantity of cane actually crushed and utilisation of plant capacity during the last 3 years up to 1982-83 :

	Sugarcane crushed (in lakh qtls)	Actual days of crushing	Capacity utilisation (per cent)
1980-81	9.47	101	42.0
1981-82	18.69	180	83.1
1982-83	18.30	171	81.8

Shortfall in capacity utilisation of the plant was due to (i) inadequate cane availability and (ii) frequent stoppages of crushing due to strikes and mechanical break-downs.

3.08.02. *Loss of working time*

The table below indicates the hours available for crushing and loss of crushing hours during the three years up to 1982-83 :

	1980-81	1981-82 (Hours)	1982-83
Hours available for crushing	2408	4308	4088
Hours lost due to :			
No cane	301	361	41
Mechanical breakdowns	2	32	162
General cleaning work	126	353	366
Strikes	195	76	12
Miscellaneous	12	21	19
Total hours lost	636	843	600
Actual crushing hours	1772	3465	3488

3.08.03. *Loss of sugar*

The table below indicates sugar content in cane and loss of sugar in molasses and bagasse :

	1980-81	1981-82	1982-83
Cane crushed (in lakh qtls)	9.47	18.69	18.30
Sugar produced (in lakh qtls)	0.93	1.64	1.80
Sugar content in cane	12.27	(per cent) 11.46	12.42
Sugar recovery from cane	9.82	8.74	9.83
Loss of sugar in Molasses	1.48	1.57	1.49
Bagasse	0.94	1.06	1.06
Others	0.03	0.09	0.04

As per Sugar Industry Enquiry Commission Report, 1974 the loss of sugar in molasses and bagasse should not be more than 1.4 *per cent* and one *per cent* respectively. The actual loss of sugar in molasses and bagasse, however, ranged between 1.48 to 1.57 *per cent* and 0.94 to 1.06 *per cent* respectively during 1980-81 to 1982-83. Value of excess loss over the norms worked out to Rs.32.37 lakhs (7802 qtls) during the three years up to 1982-83.

3.09. *Cost of production*

The table below summarises the cost of production of sugar for three years ending 1982-83 :

	1980-81 (Cost per quintal in Rupees)	1981-82 (Provisional)	1982-83
Raw material	249.80	269.15	231.10
Conversion cost	122.90	91.83	89.26
Cost of production	372.70	360.98	320.36
Packing and selling expenses	10.39	9.30	10.88
Interest	70.92	44.47	51.28
Cost of sales	454.01	414.75	382.52
Average sales realisation	469.32	432.90	371.52

Salient features of cost elements are discussed below :

(a) *Higher cane price*

Minimum cane price to be paid by each factory is fixed by the Government of India under clause 3 of the Sugarcane (Control) Order, 1966 considering the recovery during previous season. However, the actual cane price payable by the factories is decided in tripartite meetings of cane growers, factory owners and State Government. The rates so fixed exceeded the minimum cane price fixed by the Government of India from Rs.6.09 to Rs.7.59 per quintal during the years from 1981-82 and 1982-83. The aggregate amount paid to the cane growers by the Company during the years 1980-81 to 1982-83 exceeded the amount payable according to the price fixed by the Government of India for the respective years by Rs.317.54 lakhs resulting in increase in cost of production as under :

Year	Additional cane price paid (Rupees in lakhs)	Increase in cost of production per quintal (in Rupees)
1980-81	64.30	68.98
1981-82	115.66	70.61
1982-83	137.58	76.44

(b) *Cane transportation charges*

Cane price payable for cane purchased at procurement centres is less than the price payable for cane purchased at factory gate so as to provide margin for expenditure on transportation of cane from the procurement centre to the factory. The expenditure incurred by the Company on transportation of cane from the centres through contractors was in excess of the deduction made from the sugarcane price (including the margin for transportation from centre to the factory) paid to the growers as shown below :

Particular	1980-81	1981-82	1982-83
	(Rupees in lakh)		
Transportation expenditure incurred by the Company	5.53	16.81	14.14
Amount deducted from growers	1.17	4.45	4.93
Excess expenditure on transportation of cane	4.36	12.36	9.21

As a result, cost of production per quintal of sugar produced during the three years up to 1982-83 increased by Rs.4.68 Rs.7.55 and Rs.5.12 respectively.

(c) *Repairs and maintenance*

The table below shows the expenditure incurred by the Company on repairs and maintenance of plant and machinery during the three years up to 1982-83 and the number of hours lost due to non-availability of plant for operation on account of mechanical break-downs and general cleaning :

Year	Expenditure (Rupees in lakhs)	Hours lost due to non-availability of plant	Percentage of hours lost to total hours
1980-81	13.41	128	20.1
1981-82	15.42	385	45.7
1982-83	17.91	528	88.0

There has been continuous increase in repair expenditure without any corresponding fall in the hours lost due to mechanical breakdowns and general cleaning.

The repair expenditure incurred by the Company worked out to 8 *per cent* approximately of the total conversion cost during the year 1981-82 and 1982-83 as against 3 to 6 *per cent* envisaged in the feasibility report of the project.

In February 1983, the Board of directors of the Company desired that an expert opinion might be obtained about the deficiencies in the plant from a technical team of the holding company but no action had been taken in this regard so far (January 1985).

3.10. *Sales performance*

The Company has no sales organisation of its own. The Board of directors in June 1978 authorised the holding company to conduct sales on behalf of the Company. Sale of free sugar is carried out by the holding company through selling agents appointed throughout the State and Delhi. For conducting sales, the holding company collects quotations (almost daily) from the selling agents and after assessment of the market conditions, sales are effected through the selling agents. Sales advices are issued by the holding company to the agents specifying the rates, quality and grade of sugar sold, amount to be realised and the period within which to be lifted.

The terms stipulated levy of penalty in case of non-lifting by the agents, at Rs.2.50 per bag.

(a) *Lapse of free sale quota*

Out of free sale sugar available with the Company, the Directorate of Sugar and Vanaspati releases quotas of sugar from time to time for sale during the same month and the quantity remaining unsold at the close of the month lapses. The table below indicates the quantity of free sale sugar available, quantities released for sale and quantities lapsed during the years 1980-81 to 1982-83 :

Year	Quantity of free sugar available for sale	Quantity released for sale (in tonnes)	Quantity lapsed	Remarks
1980-81	7861	4692	303	Includes 177 tonnes lapsed due to non-lifting by agents.
1981-82	15983	9063	1392	Includes 1066 tonnes due to non-finalisation of contract.
1982-83	21707	11704	2081	Includes 1119 tonnes lapsed due to non-lifting by agents.

(b) *Non-levy of penalty*

The terms stipulate levy of penalty in case of non-lifting by the agents at Rs.2.50 per bag. During the course of audit (June 1984) it was noticed that penalty amounting to Rs.0.44 lakh was not levied in 90 cases involving non-lifting of 17475 bags against sale advices issued between January 1982 to March 1983.

(c) *Non-recovery of penalty*

The quantities not lifted by selling agents are compiled monthly by the Company and forwarded to the holding company. After scrutinising these cases penalty is levied by the holding company and intimated to the Company for effecting recoveries. It was noticed in audit (June 1984) that penalties aggregating Rs.0.15 lakh levied in April 1983 by the holding company in respect of 5 sale advices of April 1982 were not debited to agent's account (January 1985).

3.10.02. *Molasses*

As in the case of sugar, sale of molasses is controlled by Uttar Pradesh Sheera Niyantran Adhiniyam, 1964 under which authorisations are issued by the Controller of Molasses for sale and supply of molasses to the distilleries at the prices laid down in the Adhiniyam.

The table below shows the details of production, sales, closing stock of molasses at the end of each of the three years ending 1982-83 :

Year	Production	Sales (In qtls.)	Closing stock
1980-81	46,293	16,454	36,873
1981-82	91,734	54,645	73,962
1982-83	83,115	80,573	76,504

It was noticed in audit that due to limited storage capacity of the steel tank (4800 tonnes), large quantity of molasses was kept in open *kachha* pits which resulted in dilution with rain water and 94,556 qtls of molasses were declared below grade as shown below :

	Molasses declared below grade	Molasses disposed of (In quintals)	Loss incurred (Rupees in lakhs)
1978-79	20857	20204	0.96
1979-80	7000	..	0.42
1982-83	66699	31067	0.42
Total	94556	51271	1.80

3.11. Man-power analysis

The total strength engaged during the crushing season was within the sanctioned strength but the actual strength engaged during off season exceeded the sanctioned strength of 276 workers in all the three years up to 1982-83 due to engagement of temporary workers resulting in an extra expenditure of Rs.6.69 lakhs as per details given below :

Year	Actual during off season	Number of workers excess engaged	Amount of extra expen- diture on salaries and wages of excess staff (Rupees in lakhs)
1980-81	325	49	2.06
1981-82	337	61	2.04
1982-83	341	65	2.59
Total			6.69

Despite excessive strength held, there was continuous increase in the amount of off season overtime payments for repairs and other miscellaneous jobs which increased from Rs.0.80 lakh in 1980-81 to Rs.2.52 lakhs in 1982-83.

3.12. *Inventory control*

The inventory management of the Company was deficient to the following extent :

(i) Maximum, minimum and re-ordering levels for items of stores had not been fixed by the Company so as to enable the Company to ascertain the extent to which the closing stock was in excess of requirements.

(ii) The items have not been classified into non-moving, slow-moving and fast-moving.

(iii) There was no system to ascertain obsolete and surplus at regular intervals.

(iv) No account of scrap received was being maintained.

(v) Surplus stores valuing Rs.0.80 lakh were last determined by the Company in 1980-81 out of which items valuing Rs.0.54 lakh (mainly brass tubes) were lying in stores (June 1984). After 1980-81 the position of surplus items had not been reviewed by the Company.

3.13. *Other points of interest*

3.13.01. *Non-recovery of establishment charges*

Rules 45 of Uttar Pradesh Sugar Cane (Regulation of Supply and Purchase) Rules, 1954 provides that if the cane dues are paid directly by the sugar factory to the cane growers, the remuneration payable by the cane union to sugar factory towards the expenditure on disbursement of cane price will be decided by the Cane Commissioner, Uttar Pradesh.

The Company without getting the rate of remuneration decided by the Cane Commissioner, made payment of cane dues for 1980-81 to 1982-83 directly to the cane growers. The expenditure incurred by the Company in the engagement of temporary staff for disbursement work amounted to Rs.1.81 lakhs (including Rs. 0.20 lakh for 1980-81) during these years against which the cane unions reimbursed Rs.0.09 lakh only in respect of 1980-81 up to January 1985.

Management stated (August 1984) that the matter of fixing the rate of remuneration was referred (February 1982) to the Cane Commissioner whose decision was awaited (January 1986).

3.13.02. *Avoidable expenditure*

The storage capacity of the existing two sugar godowns, constructed in 1977-78 at an estimated cost of Rs. 8 lakhs each, is 80,000 quintals which was inadequate to accommodate one normal season's sugar production (1.80 lakh quintals). Considering the inadequacy, the Board of directors approved (September 1978) construction of a third sugar godown of 40,000 quintals capacity at an estimated cost of Rs.8 lakhs including centage charges payable to U. P. Rajkiya Nirman Limited, the civil contractor. Work on the godown commenced in 1978-79 and after incurring an expenditure of Rs.2.30 lakhs on foundation work, further work was suspended in the same year. Reasons for stoppage of work were not on record. The work was, however, again resumed in January 1984 against a fresh contract for Rs.11 lakhs for the balance work and completed in May 1985 at a cost of Rs.15.20 lakhs.

It was noticed that the maximum stock holding of sugar at any point of time during the years 1978-79 and 1981-82 to 1983-84 ranged up to 1.73 lakh qtls which was much higher than the available storage capacity of 80,000 qtls. As an interim arrangement, the Company had been storing sugar in driver house and other factory buildings as well as in hired godowns which are not equipped with water-proofing which resulted in (i) loss of sugar due to moisture and (ii) avoidable expenditure on hiring of godown and up-keep thereof.

The matter was reported to the Management/Government in November 1984; replies were awaited (January 1985).

SECTION IV

GORAKHPUR MANDAL VIKAS NIGAM LIMITED

4.01. *Introduction*

Gorakhpur Mandal Vikas Nigam Limited was incorporated on 31st March 1976 as a wholly-owned Government Company with a view to promoting or advancing economic, industrial and agricultural development in the Mandal.

4.02. *Objects*

The aims and objects of the Company are :

- to aid, assist, promote or establish, develop or execute industries, projects or enterprises.
- to aid, counsel, assist or finance or promote the interest of industries in the said area,
- to develop tourist traffic by development of hotels, restaurants and other allied programmes, and
- to carry on the business of seeds, fertilizers, pesticides, plant protection equipments, agricultural implements, etc.

4.03. *Activities*

In pursuance of the above mentioned objects the activities undertaken by the Company are (i) operation of mini-mills, dal mills, oil expellers and setting up of rice mills, (ii) manufacture and sale of agricultural implements, dunlop carts and steel boxes, custom services and (iii) purchase and sale of fertilisers, grain seeds and pesticides.

4.04. *Organisational set up*

The management of the Company is vested in a Board of directors consisting of a part-time Chairman, a Managing Director and eleven other directors. The Managing Director is the Chief Executive of the Company and is assisted by a General Manager in day-to-day administration at the head office and five managers at five of its units. The posts of Secretary and Accounts Officer had not been filled (June 1985).

4.05. *Capital structure*

The authorised share capital (Rs.100 lakhs) of the Company was increased in its Board meetings to Rs.150 lakhs in May 1981 and Rs.200 lakhs in June 1982 without obtaining the approval of the share-holders in the General meeting of the Company in contravention of section 94(2) of the Companies Act, 1956. The paid-up capital of the Company as on 31st March 1984 stood at Rs.122.03 lakhs, of which Rs.89.56 lakhs had been subscribed by the State Government and shares for Rs.32.47 lakhs were allotted (October 1976) to the Uttar Pradesh Poorvanchal Vikas Nigam Limited (UPPVN) Faizabad, in consideration of four mini-sugar mills and one dal mill taken over (April 1976) by the Company.

4.06. *Working results*

The Company had not finalised its accounts from 1980-81 onwards. The accumulated loss as on 31st March 1984, as per the provisional accounts stood at Rs.92.27 lakhs which had eroded the portion of Government investment of Rs.89.56 lakhs. The loss was mainly attributable to :

- (i) low capacity utilisation of sugar mills, rice mills and dal mills,
- (ii) low yield of sugar, rice and dal,
- (iii) increased direct, as well as indirect expenses,
- (iv) shortage of fund, and
- (v) interruptions in supply of electricity.

4.07. *Performance of mini-sugar mills*

4.07.01. *Capacity utilisation*

The Company had taken over four mini-sugar mills from UPPVN. The installed capacity was 800 quintals of sugar-cane per mill per day. Based on availability of sugar cane (96,006 qtls), the actual capacity utilisation of the mills was as under :

Year	Nichlaul		Rudrapur		Ramwapur Kali		Mahuja	Newada
	Actual cane crushed	Percentage of actuals to installed capacity	Actual cane crushed	Percentage of actuals to installed capacity	Actual cane crushed	Percentage of actuals to installed capacity	Actual cane crushed	Percentage of actuals to installed capacity
	(Qtls)		(Qtls)		(Qtls)		(Qtls)	
1976-77	68410	71.3	62875	65.5	33877	35.3	46889	48.8
1977-78	50515	52.6	35442	36.9	51661	53.8	39070	40.7
1980-81	35737	37.2	20807	21.7	18677	19.5	15708	16.4
1981-82	46783	48.7	52546	54.7	52994	55.2	44032	45.9

NOTE—The mills did not run in 1978-79 and 1979-80.

The reasons for low capacity utilisation were (i) shortage of working capital (ii) age of the machinery and (iii) interrupted supply of electricity.

4.07.02. Low yield

As per the report (1961) of the Specialist, Rural Industries Planning Research and Action Institute, Lucknow, prepared as a guideline to the entrepreneurs setting up mini-khandsari units, the yield of sugar in mini-sugar mills should be 7.5 per cent of the sugarcane crushed. Against this norm, the Management fixed a norm of 6.5 per cent only which was based on the recovery of the mills prior to their take over (April 1976) from the UPPVN. However, the Company could not achieve the desired norm in any year of operation of these mills which resulted into heavy shortfall in production as indicated below :

Year	Cane crushed (Qtls)	Recovery as per norm of 6.5 per cent (Qtls)	Actual production (Qtls)	Percentage of actual recovery	Short-fall in production (Qtls)
1976-77	212051	13783	12365	5.83	1418
1977-78	176688	11485	10497	5.94	987
1980-81	90929	5910	5362	5.90	548
1981-82	196355	12763	10824	5.51	1939

Reasons for the low yield were, frequent power failures and age of plant and machinery.

4.07.03. *Cost of production and cost control*

The Company had not evolved a system of cost analysis and cost control so far (December 1984). Mill-wise cost of production of sugar per quintal was as under :

Year	Nichlaul	Rudrapur	Ramwapur Kali	Mahuja Newada
(In Rupees)				
1976-77	322.82	361.83	379.27	308.47
1977-78	318.20	462.79	332.92	349.19
1980-81	640.37	931.80	857.91	743.39
1981-82	537.80	681.13	633.30	774.10

Wide variations in cost of production were due to less capacity utilisation and low yield of sugar.

4.07.04. *Expenditure on fuel and consumable stores*

As exhibited in the table given below there were wide variations in respect of expenditure in fuel and consumable stores per quintal of cane crushed during the four years of running :

	Nichlaul		Rudrapur		Ramwapur Kali		Mahuja Newada	
	Fuel	Stores	Fuel	Stores	Fuel	Stores	Fuel	Stores
(In paise)								
1976-77	18.2	108.6	58.5	65.5	97.0	142.5	58.7	90.7
1977-78	68.6	99.0	88.7	142.9	83.5	144.4	74.6	102.2
1980-81	69.4	200.3	184.9	394.5	123.3	271.1	133.9	189.7
1981-82	45.8	173.5	188.1	120.4	251.7	97.7	117.0	121.8

Reasons for wide variations were low capacity utilisation, poor yield and frequent power failures resulting in increased expenditure on firewood and lubricants per quintal of cane crushed. The units had not maintained any account of bagasse produced and consumed as fuel.

4.07.05. *Marketing of sugar*

The Company which could sell the entire sugar produced as free sale, suffered losses on account of retaining bulk

quantity of stocks in anticipation of higher prices in future and disposing of during slump as indicated below :

(a) The Board, in respect of grade I sugar produced in the year 1976-77 decided (May 1977) to sell the stock at Rs.340 per quintal and again considering heavy stock on hand and slump in the market resolved (August 1977) to dispose of the sugar at the maximum rate prevailing which was then Rs.330 per quintal. However, the Company, out of 2698.56 quintals of grade I sugar produced at Rudrapur unit during 1976-77, sold 112 quintals in the same year (Rs.350 per quintal), 1895.56 quintals in the year 1977-78 (at an average rate of Rs.330 per quintal) and balance of 691 quintals in the year 1978-79 (at an average rate of Rs.218 per quintal). Had the Company disposed of the total stock of the year 1976-77 in the subsequent year (1977-78), as per decision of the Board in May and August 1977, loss sustained on the sale of 691 quintals of sugar amounting to Rs.0.77 lakh (at Rs.112 per quintal) could have been avoided.

(b) Out of total production of 824.83 quintals of grade I sugar in the year 1980-81 the Company disposed of 140 quintals up to March 1981 (at an average rate of Rs.740 per quintal) and retained the balance. It sold 573.83 quintals during September 1981 to March 1982 and 111 quintals in April 1982 (at the average rates of Rs.450 and Rs.351 per quintal respectively) when the market had declined. Had the stock of 684.83 quintals been sold during April and May 1981 when the price had touched a record high of Rs.740 per quintal, the Company could have earned an additional sale price of Rs.2.10 lakh.

4.08.01. *Modern rice mill, Captainganj*

(i) According to the project report prepared (1975-76) by the Pradeshia Industrial and Investment Corporation of U.P. Limited (PICUP) a modern rice mill provides higher production of rice at lower maintenance cost as compared to other types of rice mills viz. shallow and huller. As such, the Board decided (May 1977) to set up a modern rice mill at Captain-ganj (Deoria) which is a paddy producing area. The mill was commissioned in August 1979 at a capital cost of Rs.11.65

lakhs. Project report envisaged 70, 80 and 90 *per cent* capacity utilisation during the first three years of its production. The actual capacity utilisation was, however, 2.1 *per cent* (179.8 tonnes), 7.8 *per cent* (573.06 tonnes) and 0.9 *per cent* (81.3 tonnes) and the losses suffered were Rs.3.14 lakhs, Rs.2.35 lakhs and Rs.4.40 lakhs during the three years up to 1982-83 respectively. These losses were attributable to low capacity utilisation due to shortage of funds for purchase of paddy. The mill was lying closed since January 1983 for want of working capital. The capital expenditure of Rs.11.65 lakhs incurred on setting up of the mill remained unfruitful.

(ii) *Milling of paddy*

According to the project report, prescribed yield of rice was 65.5 *per cent* of the paddy milled against which the actual yield ranged between 27.4 and 63.8 *per cent* leaving a shortfall of 1031.35 quintals of rice (value Rs.2.46 lakhs) as tabulated below :

Year	Paddy milled (Qtls)	Yield as per norm (Qtls)	Actual yield (Qtls)	Percentage of actual yield	Short fall (Qtls)	Selling rate per (Rupees) in Qtls	(Rs. lakhs)
1979-80	4197.00	2749.00	2144.89	51.1	604.11	240.80	1.45
1980-81				(No procurement of paddy)			
1981-82	904.68	592.57	577.30	63.8	15.27	210.80	0.03
1982-83	1082.31	708.92	296.95	27.4	411.97	236.75	0.98
Total	6190.99	4050.49	3019.14		1031.35		2.46

During 1980-81 the Company milled paddy (7629 quintals) supplied by the Food Department at Rs.2.23 per quintal, the rate fixed by the Department. The actual yield of rice (4723.69 quintals) depending upon quality of paddy as calculated by the Food Department worked out to 4883.20 quintals (63 to 55 *per cent*). For low yield of rice (159.51 quintals) the Food Department recovered (September 1982) Rs.0.33 lakh from the Company. According to Management the reasons for low yield were (i) supply of inferior quality of paddy by the Regional Food Controller (RFC) beyond the storage capacity of the Company, (ii) delay

in lifting of rice by RFC resulting in driage and (iii) shortage of power. In the absence of any penal clause in the agreement no action could be taken against the RFC by the Company.

4.08.02.01. *Modern dal mill-Ramwapur Kali*

To utilise man-power and electrical load during off season of sugar mill at the Ramwapur Kali, the Company decided (November 1977) to set up a dal mill in the same campus at an estimated cost of Rs.4.45 lakhs and placed an order (March 1978) on a firm of Bahraich for supply of machinery at a cost of Rs.1.68 lakhs. It also paid an advance of Rs.0.50 lakh to the firm and incurred an expenditure of Rs.1.37 lakhs on construction of the building. The firm intimated (25th November 1979) that the machinery was ready for despatch but the Company could not procure it for want of funds. Out of advance of Rs.0.50 lakh, Rs.0.30 lakh was adjusted against other supplies and balance was outstanding against the firm. Expenditure incurred by the Company on civil works (Rs.1.37 lakhs) was, thus, rendered infructuous.

4.08.02.02. *Modern dal mill-Rudrapur*

An additional pulse and 'gota' conditionary unit was installed (December 1978) at a cost of Rs.1.05 lakhs at the premises of existing modern dal mill at Rudrapur (Deoria) with an installed capacity of one tonne of arhar per hour. The working results of the mill were as follows:

Year	Budgeted crushing*	Actual crushing	Percentage of actual to bud- geted crush- ing
	(in Quintals)		
1979-80	22400	1527.96	6.8
1980-81	22400	3023.35	13.5
1981-82	22400	1000.00	4.5

Thus, the entire expenditure of Rs.1.05 lakhs incurred proved to be infructuous.

The low capacity utilisation was stated (February 1985) by the Management to be due to shortage of funds for purchase of raw material.

*At 70 per cent capacity utilisation of the plant remaining for 160 days in a year at 20 hours per day,

4.09. *Purchase and sale of pesticides*

The table below indicates purchases, sales and closing balances of pesticides during the three years up to 1983-84 :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Opening balance	Nil	10.68	6.85
Purchases	12.56	3.67	Nil.
Sales	1.88	7.50	2.76
Closing balance	10.68	6.85	4.06

Closing balance of pesticides as on 31st March 1984 (Rs.4.06 lakhs) included pesticides valuing Rs.2.84 lakhs (purchased during 1981-82) usability period of which had expired (March 1984).

4.10. *Itwa rice mill project*

With a view to making use of the paddy available in the area, the Company decided (January 1978) to set up a modern rice mill at Itwa (Basti) at an estimated cost of Rs.17.36 lakhs partly to be met out of term loan of Rs.11 lakhs sanctioned (April 1978) by the Uttar Pradesh Financial Corporation (UPFC). The Company could not avail of the loan amount because of non-completion of legal formalities. Even though the UPFC kept the loan alive up to April 1982 subject to payment of commitment charges, the Company did not avail of the loan and the project, thus, could not make any head-way after 1979-80. The expenditure incurred by the Company amounting to Rs.4.87 lakhs on land and building (Rs.3.39 lakhs) machinery (Rs.1.38 lakhs) and other expenses (Rs.0.10 lakh) thus, rendered infructuous, as the assets acquired for the purpose were lying idle (June 1985).

4.11. *Accounting system and internal audit*

(a) *Accounting system*

The Company had not prepared any accounting manual laying down detailed accounting procedures (June 1985).

(b) *Internal audit*

Companies having paid-up capital of more than Rs.25 lakhs are required under the Companies Act, to have an internal audit system. The Company does not have any internal audit (June 1985).

The matter was reported to the Management and Government in October 1984; replies were awaited (June 1985).

SECTION V

OTHER GOVERNMENT COMPANIES

UTTAR PRADESH STATE HANDLOOM CORPORATION LIMITED

5.01. *Incorrect fixation of selling price*

The Company fixes selling prices of various kinds of terry-cot cloth after adding a percentage of 35/40 to the cost of processed cloth to cover the overheads on procurement, marketing loss due to shrinkage, grading and margin of profit. It was, however, noticed in audit (June 1984) that the selling cost of six fast moving varieties of terrycot cloth worked out between Rs.23.39 and Rs.65.04 per metre (after adding the margin stated above) while the actual sale price ranged between Rs.20.25 and Rs.59.50 per metre. Owing to fixation of selling rates on lower side, the Company incurred a loss of Rs.36.09 lakhs during 1981-82 to 1983-84.

The matter was reported to the Management/Government in October 1984 : replies were awaited (January 1985).

5.02. *Loss of cash*

A sum of Rs.1.64 lakhs was drawn on 30th January 1984 by the Production Assistant at Burhanpur (Moradabad) for making payment to 167 weavers for purchase of 4970 pairs of *Janta dhoties*. Payments amounting to Rs.0.11 lakh were made on 31st January and the balance amount of Rs.1.53 lakhs kept in the centre was robbed (31st January night) by an outsider by murdering the Production Assistant and the guard on duty.

Departmental investigations (February 1984) revealed that :

(i) the *dhoties* were not purchased at the centre but equivalent number of defective *dhoties* were procured from somewhere else and directly sent to the calendering plant at Kashipur (Nainital) for calendering, and

(ii) the Deputy Project Officer did not satisfy himself about the sudden procurement of such a large number of

dhoties at the centre (the highest procurement transaction at the centre being Rs.0.40 lakh in the past) before issuing the cheque to the Production Assistant.

The unsatisfactory working of the production centre was accepted (March 1984) by the Managing Director, and the Deputy Project Officer was reverted back to the parent department.

The matter was reported to the Management/Government in October 1984; replies were awaited (January 1985).

5.03. *Establishment of a process house*

(a) With a view to achieving quality in the processing of cloth, keeping a close and continuous watch on the trend of fashion and for providing marketing assistance to the weavers, the Company established a process house at Khalilabad (Basti). Construction of process house was taken up in 1978-79 and it was ready for use in May 1981. Processing was, however, started only in May 1982 on account of delay in the appointment of suitable technical personnel. The process house, thus, remained idle for one year resulting in infructuous expenditure of Rs.2.28 lakhs on salaries and allowances of non-technical personnel and Rs.1.78 lakhs on other revenue expenditure during 1981-82.

(b) The Company had been exempted from levy of excise duty on cloth processed at its process house. In spite of starting its own process house since May 1982, the Company got its cloth processed from private processors and paid excise duty to the tune of Rs.3.25 lakhs during 1982-83 and 1983-84.

(c) A comparative study of the processing cost incurred in the process house and the processing charges paid to the private processors during the two years up to 1983-84 in respect of dyeing and printing of light shade shirting of terrycot cloth revealed that processing in Company's own process house was cheaper compared to charges paid to private processors. On account of the work being got done from private processors even though the capacity of the process house was not fully utilised, the Company incurred an extra expenditure of Rs.1.80 lakhs on dyeing (165617 metres) and printing (25539 metres) of terrycot shirting in light shade during 1982-83 and 1983-84.

Management attributed lack of experience of staff, labour problems, strikes, power cuts, *etc.* as reasons for extra expenditure of Rs.1.80 lakhs on dyeing and printing of terrycot shirting. The cases were reported to the Management/Government in September 1984; replies were awaited (February 1985).

5.04. *Avoidable payment of interest*

Against a consignment of 150 bales of china raw silk, the Company failed to make payment of Rs.1.67 lakhs to the Central Silk Board (Board), Bangalore due to misplacement of papers. The Board charged interest of Rs.0.55 lakh on the unpaid amount for the period from 1st March, 1982 to 30th November 1983. Request of the Company for waiver of interest charges had not been acceded to by the Board. The Board adjusted (December 1983) a sum of Rs.0.25 lakh, out of the advances paid (July 1983) by the Company for another consignment of raw silk. The payment of balance amount of Rs.0.30 lakh was yet to be made (January 1986) by the Company.

Responsibility for the loss had not been fixed (June 1985). The relevant papers also are yet to be traced by the Company (June 1985).

The matter was reported to the Management/Government in September 1984; replies were awaited (January 1985).

HANDLOOM INTENSIVE DEVELOPMENT PROJECT (BIJNORE) LIMITED

5.05. *Fraudulent withdrawal from bank*

The Company operated a current account in Syndicate Bank at the Bhojpur centre (Moradabad). It was alleged that on 27th May 1983, a sum of Rs. one lakh was withdrawn from the bank by presenting a cheque with forged signature of the Project Officer as drawer. The *modus operandi* adopted was that a cheque along with its counterfoil, was stolen between 23rd and 27th May 1983 from the cheque book kept in the custody of the cashier. The fraudulent drawal was detected on 30th May 1983 by the cashier. The bank, however, held (June 1983) that the payment against the cheque was released after proper verification of drawer's signatures with the specimen signature and after proper identification of the payee, *i.e.* assistant accounts officer. FIR was lodged (May 1983) with

the Police and the Project Officer suspended the cashier, the production assistant and the production clerk suspecting their involvement in the fraud. The case has not been finalised so far.

Inadequate internal control over custody/movement of cheque book facilitated the misuse of cheque book resulting in mis-appropriation of rupees one lakh.

The matter was reported to the Management in August 1984 and to Government in September 1984 ; replies were awaited (January 1985).

U. P. SMALL INDUSTRIES CORPORATION LIMITED

5.06. *Rejected claims*

The Company imported 9454.90 tonnes of pig iron through Steel Authority of India Limited (SAIL) under 'Buffer Scheme' from China during January/February 1982. Under the scheme, port charges and railway freight paid by the Company were to be reimbursed by SAIL. The imported material was unloaded at Calcutta (4095.90 tonnes) and Haldia (5359 tonnes) ports and despatched to Agra, Varanasi, Kanpur and Ghaziabad depots of the Company. The Company claimed Rs.3.28 lakhs towards port charges (February 1982) and Rs.28.25 lakhs towards railway freight (April 1982) from SAIL. Claims amounting to Rs. 2.37 lakhs on account of port charges were rejected as these were not supported with the vouchers of port trust. Claims in respect of railway freight of Rs.3.47 lakhs also were rejected as the freight was charged on the basis of capacity of wagons (10497.90 tonnes) instead of on actual weight (9454.90 tonnes). Further an amount of Rs.0.65 lakh was rejected as in those cases, the material was not despatched through shortest route.

The Company stated (February 1984) that there was no facility for the weighment of the wagons at Haldia port and as such the railway receipts could not show the clear weight and it could not be ascertained whether the wagons were loaded to their capacity.

The matter was reported to the Management/Government in October 1984 ; replies were awaited (January 1985).

5.07. *Loss of cash and stores*

An Assistant Depot Manager of the Company posted at Gorakhpur and Lucknow put the Company to a loss of Rs.0.96 lakh during the period from April 1978 to April 1980 by selling raw materials at lesser rates (Rs.0.40 lakh) unauthorised payment of bouns to self and staff (Rs.0.05 lakh), non-remittance of sale proceeds (Rs.0.15 lakh) and shortage found on physical verification (Rs.0.36 lakh). The above losses though reported by the Senior Accounts Officer of the Company in January 1981, enquiry officer was appointed in November 1981 and on the basis of his findings, the official was suspended in January 1983. No recovery had been made from the official.

The matter was reported to the Management in August 1984 and to Government in September 1984, replies were awaited (January 1985).

5.08. *Sale at lesser price*

Even though sale price of G. P. sheet (24 gauge) was fixed at Rs.9372 per tonne by the Naini Depot Manager of the Company from July 1983, 51.147 tonnes and 21.750 tonnes were sold by the same depot manager at Rs.8,444 and Rs.8,450 per tonne respectively from August to October 1983. This resulted in short realisation of Rs.0.68 lakh.

The matter was reported to the Management/Government in September 1984; replies were awaited (January 1985).

AGRA MANDAL VIKAS NIGAM LIMITED

5.09. *Shortage in wheat procurement*

Under U. P. Government Support Price Scheme, Khair Centre (Aligarh) of the Company procured 2269.60 quintals of wheat (value : Rs.3.34 lakhs) from May to July 1983. After delivering (June and July 1983) 1981.94 quintals of wheat to Food Corporation of India, a balance of 287.66 quintals of wheat should have been available in stocks. But the General Manager who conducted inspection of the centre in July 1983 reported that no stock of wheat was available in the store. Thus, there was shortage of 287.66 quintals of wheat valuing Rs.0.43 lakh for which FIR was lodged (July 1983) with the Police.

In the departmental enquiry conducted (July 1983) by the General Manager, the centre in-charge and accountant were held responsible for the shortage. The services of both the employees were dispensed with (August 1983) without taking any action for recovery of the shortage of wheat.

Government stated (November 1984) that the matter was under investigation by Criminal Investigation Department and that a civil suit against the centre in-charge and accountant was being proposed. The suit was, however, not filed (October 1985). Further, it was stated that a claim was lodged with insurance company who had given fidelity guarantees of these officials to the extent of Rs.2000 each. Management stated in October 1985 that it was proposed to recover the amount as arrear of land revenue.

5.10. *Irrecoverable loss*

A junior engineer posted at Etah workshop of the Company was advanced Rs.25500 (during April to June 1983) for getting fabrication of body done on Metador chassis, purchase of spare parts for workshop and for repair of a car. He submitted vouchers for Rs.14316 and the balance amount of Rs.11184 was outstanding against him. Besides, shortages in valuing Rs.0.19 lakh were also detected against him as a result of surprise check conducted by the General Manager (January 1983). However, the junior engineer was transferred to Mathura centre (June 1983) from where he tendered his resignation which was accepted by the Managing Director (December 1983). Thus, acceptance of his resignation without recovery/adjustment of outstanding advances and shortage in stores resulted in a loss of Rs.0.30 lakh to the Company.

The matter was reported to the Management in July 1984 and to Government in August 1984: replies were awaited (January 1985).

UTTAR PRADESH STATE BRIDGE CORPORATION LIMITED

5.11. *Non-recovery of penal interest*

According to the circulars issued in May 1975 and September 1978 by the Cement Controller, Government of India, the manufacturers/sole selling agents were required to supply cement within 15 days from the date of receipt of advance payment failing which they were liable to pay interest on the amount of advance at 14 per cent per annum for the period exceeding 15 days.

During test check in audit (May 1983), it was noticed that against advance payment (Rs.17.72 lakh) made by the Unit I, Gorakhpur of the Company (November 1978 to April 1982), three manufacturers did not supply the cement in time and delay ranged from 4 to 337 days beyond 15 days prescribed, but interest of Rs.0.28 lakh at 14 *per cent* per annum as stipulated by Cement Controller was not recovered from the manufacturers/sole selling agents.

The matter was reported to the Management/Government in September 1984 ; replies were awaited (January 1985).

UTTAR PRADESH STATE TOURISM DEVELOPMENT CORPORATION LIMITED

5.12. *Avoidable expenditure*

The State Government transferred various tourist bungalows at different places to the Company during 1975-76 to 1982-83. As per instructions issued (June 1974) by the State Government, the valuation of these bungalows was to be done by a committee headed by the Additional Chief Engineer, Public Works Department (Buildings). The Company, however, got the valuation of eight such bungalows done (February 1983) by a private architect at a cost of Rs.0.31 lakh without ascertaining whether such valuation would be acceptable to Government. The valuation had been rejected by Government (August 1983). Justification/reasons for incurring this avoidable expenditure were not on record.

The matter was reported to the Management/Government in September 1984 ; replies were awaited (January 1985).

CHAPTER II

STATUTORY CORPORATIONS

SECTION VI

6.01. *Introduction*

There were four Statutory Corporation as on 31st March 1984 :

- Uttar Pradesh State Electricity Board,
- Uttar Pradesh Financial Corporation,
- Uttar Pradesh State Warehousing Corporation, and
- Uttar Pradesh State Road Transport Corporation.

The accounts of Uttar Pradesh State Road Transport Corporation for the years 1979-80 to 1983-84 were in arrears (March 1985). The summarised financial results of the Corporation based on the account for 1978-79 were already included in the Report of the Comptroller and Auditor General of India for the year 1981-82 (Commercial). Operational performance and review on the working of Agra region of the Corporation are dealt with in Section VIII *ibid*.

The position of arrears in the finalisation of accounts was last brought to the notice of the Government in March 1985. A synoptic statement showing the summarised financial results of the other three Corporations based on the accounts for 1983-84 is given in Appendix 'C'.

6.02. *Uttar Pradesh State Electricity Board*

The working results and operational performance, review on the working of Varanasi Electric Supply Undertaking, irregularities on loss of revenue and other topics of interest relating to the Uttar Pradesh State Electricity Board have been reviewed in Section VII of this Report.

6.03. *Uttar Pradesh Financial Corporation*

6.03.01. *Introduction*

The Uttar Pradesh Financial Corporation was established on 1st November 1954 under Section 3 (1) of the State Financial Corporations Act, 1951.

6.03.02. *Paid-up capital*

The paid-up capital of the Corporation as on 31st March 1984 was Rs.1000 lakhs (State Government : Rs.485.18 lakhs, Industrial Development Bank of India Rs.485.18 lakhs and others : Rs.29.64 lakhs).

6.03.03. *Guarantees*

Government guaranteed repayment of share capital of Rs.965 lakhs* (excluding special share capital of Rs.35 lakhs under Section 6(1) of the State Financial Corporations Act, 1951) and payment of minimum dividend thereon at the rate of 3.5 per cent. Subvention paid by Government (up to 1963-64) towards the guaranteed dividend amounted to Rs.13.50 lakhs. During the year 1981-82, Government directed the Corporation to pay the subvention amount in five yearly instalments of Rs.2.70 lakhs each. The Corporation paid the first instalment of Rs.2.70 lakhs during 1981-82. The second and third instalments due for repayment during 1982-83 and 1983-84 were neither paid nor provided for in the accounts.

The State Government had also guaranteed the repayment of bonds and debentures raised by the Corporation (Rs.5637.50 lakhs) and payment of interest.

6.03.04. *Financial position*

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1983-84 :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Capital and liabilities			
Paid-up capital	1000.00	1000.00	1000.00
Reserve fund and other reserves and surplus	613.89	692.00	751.68
Borrowings			
Contribution towards share capital pending increase in authorised capital	450.00	900.00	1400.00
Bonds and debentures	3987.50	4675.00	5637.50
Others including funds under special schemes of the State Government.	60.1759	81.7661	10348.88

*Figure as per Finance Account is Rs. 1457.14 lakhs.

1981-82 1982-83 1983-84
(Rupees in lakh)

Subvention paid by State Government on account of dividend	10.80	10.80	10.80
Other liabilities and provisions	291.36	402.42	380.52
Total	12371.14	15856.83	19529.38
Assets			
Cash and bank balances	797.57	1086.61	1025.49
Investments	32.68	32.68	32.68
Loans and advances	10568.57	13728.45	17482.28
Net fixed assets	39.96	40.93	64.44
Dividend deficit account	10.80	10.80	10.80
Other assets	921.56	957.36	913.69
Total	12371.14	15856.93	19529.38
Capital employed*	10397.84	13494.93	16908.39
Net worth**	1603.09	1681.20	1740.88
Capital invested***	11747.32	15069.57	18515.09

6.03.05. Working results

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

Particulars	1981-82	1982-83	1983-84
	(Rupees in lakh)		
Income @			
Interest on loans and advances	587.92	1021.71	1307.87
Other income	30.26	27.12	34.42
Total	618.18	1048.83	1342.29

*Capital employed represents the mean of the aggregates of opening and closing balances of (i) paid-up capital (ii) bonds and debentures (iii) reserves (iv) borrowings including refinance, (v) deposits and (vi) funds for special scheme advances by the State Government.

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

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

@The Corporation changed the system of accounting from mercantile to cash system from the year 1981-82.

	1981-82	1982-83	1983-84
Expenses	(Rupees in lakh)		
Interest on long-term loans	394.86	696.61	958.73
Other expenses	156.91	207.89	228.58
Total	551.77	904.50	1187.31
Profit before tax	66.41	144.33	154.98
Provision for tax	22.46	48.82	58.58
Other appropriations	29.26	57.73	61.99
Amount available for dividend	16.38	33.86	33.85
Dividend paid	33.54	33.77	33.77
Total return on capital employed	461.27	840.94	1113.72
Total return on capital invested	461.27	840.94	1113.72
Rate of return on :			
—Capital employed	4.4	6.2	6.6
—Capital invested	3.9	5.6	6.0

6.03.06. Sanction and disbursement of loans

The table below indicates the loan applications received, loans sanctioned, amounts disbursed, etc. during the three years up to 1983-84 :

Particulars	1981-82		1982-83		1983-84		Cumulative since inception	
	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
(1) Applications pending at the beginning of the year.	356	1265.01	563	1958.16	401	1775.18	..	..
(2) Applications received	6985	10645.25	6079	8679.58	6058	10767.28	37373	69344.90
(3) Total	7341	11910.26	6642	10637.74	6459	12542.46	37373	69344.90
(4) Application sanctioned	4774	5746.33	5151	5439.93	5013	6437.78	26792	38840.90

(5) Applications cancelled/ withdrawn/ rejected	2004	3806.36	1090	3129.22	977	2672.42	1012	24237.33
(6) Applications pending at the close of the year	563	1958.16	401	1775.18	469	2612.54	469	2612.54
(7) Loans disbursed during the year	3679	3162.20	3961	3805.40	3996	4589.73	17017	21267.53
(8) Effective commitments	..	10218.92	..	11390.22	..	12104.31	..	..
(9) Amount outstanding at the close of the year		10568.57		13728.45		17482.28		
(10) Amount over- due for recovery								
Principal		556.04		903.00		1634.74		
Interest		570.73		974.40		1717.90		
Principal and interest		1417.45		1640.62		1412.97		
due for which re- covery certificates issued/suits filed								
Total		2544.22		3518.02		4765.61		
				(Per cent)				
(11) Percentage of loans dis- bursed to effective commitments		30.9		33.4		37.9		
(12) Percentage of defaults to total loans standing		24.1		25.6		27.3		

NOTE—The difference between the figures under the amount against column (3) and the aggregate of the amounts (4), (5) and (6) represents difference between the amounts of loans applied for and those actually sanctioned.

6.04. Uttar Pradesh State Warehousing Corporation

6.04.01. Introduction

The Uttar Pradesh State Warehousing Corporation was established in March 1958 under Section 28 (1) of the Agricultural Produce (Development) and Warehousing Act, 1956 replaced by Warehousing Corporations Act, 1962.

6.04.02. Paid-up capital

The paid-up capital of the State Warehousing Corporation was Rs.478.50 lakhs (State Government : Rs.248.25 lakhs and Central Warehousing Corporation: Rs.230.25 lakhs) as on 31st March 1984 against the paid-up capital of Rs.410.50 lakhs (State Government : Rs.205.25 lakhs and Central Warehousing Corporation : Rs.205.25 lakhs) as on 31st March 1983.

6.04.03. Guarantees

The table below indicates the details of guarantees given by Government for repayment of loans raised by the Corporation and payment of interest thereon :

Particulars	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1984		
			Principal	Interest	Total
(Rupees in lakhs)					
State Bank of India	1977-78 and 1981-82	1168.00	966.05	190.12	1156.17

6.04.04. Financial position

The table below indicates the financial position of the Corporation under broad headings for the three years up to 1983-84 :

	1981-82	1982-83	1983-84 (Provisional)
(Rupees in lakhs)			
<i>Liabilities</i>			
Paid-up capital	405.50	410.50	478.50
Reserves and surplus	870.40	927.30	934.95
Borrowings	1074.30	1023.30	966.05
Trade dues and other current liabilities	349.71	437.44	276.75
Total	2699.91	2798.54	2656.25

	1981-82	1982-83	1983-84 (Provisional) (Rupees in lakhs)
<i>Assets</i>			
Gross block	2015.71	2123.68	2215.44
Less : Depreciation	236.04	294.01	367.59
Net fixed assets	1779.67	1829.67	1847.85
Capital work-in-progress	57.66	9.09	..
Current assets, loans and advances	856.86	939.67	803.68
Miscellaneous expenditure	5.72	20.11	4.72
Total	2699.91	2798.54	2656.25
Capital employed*	2286.91	2331.90	2374.78
Capital invested**	2340.00	2350.90	2369.30

6.04.05. Working results

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

Particulars	1981-82	1982-83	1983-84 (Provisional) (Rupees in lakhs)
Warehousing charges	551.28	583.01	568.97
Other income	17.02	13.16	18.90
Total	568.30	596.17	587.87
<i>Expenses</i>			
Establishment charges	174.55	195.10	225.10
Interest	108.00	115.18	110.00
Other expenses	168.58	180.33	170.87
Total	451.13	490.61	505.97

*Capital employed represents net fixed assets *plus* working capital.

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

Particulars	1981-82	1982-83	1983-84 (Provisional) (Rupees in lakhs)
Profit before tax	117.17	105.56	81.90
Provision for tax	..	..	..
Other appropriations	65.50	56.90	45.00
Amount available for dividend*	30.58	32.88	36.90
Dividend paid	30.48	32.83	36.84
<i>Total return on :</i>			
Capital employed	225.17	220.74	191.90
Capital invested	225.17	220.74	191.90
<i>Rate of return on :</i>			
		(per cent)	
Capital employed	9.8	9.4	8.1
Capital invested	9.6	9.4	8.1

6.04.06. Operational performance

The following table gives the details of the storage capacity created, capacity utilised and other information about the performance of the Corporation for the three years up to 1983-84 :

Particulars	1981-82	1982-83	1983-84 (Provisional)
Number of stations covered	144	144	144
Storage capacity created upto the end of the year (tonnes in lakhs)			
Owned	9.03	9.16	9.16
Hired	3.92	3.77	3.10
Total	12.95	12.93	12.26
Average capacity (tonnes in lakhs)	12.70	13.24	12.92
Average capacity utilised during the year (tonnes in lakhs)	12.86	13.53	12.13
Percentage of utilisation	101.2	102.2	93.1
Average revenue per tonne per year (Rupee)	44.19	44.06	48.46
Average expenditure per tonne per year (Rupees)	35.08	36.26	41.71
Profit per tonne (Rupee)	9.11	7.80	6.75

* Includes surplus from previous year and after other adjustments.

SECTION VII

UTTAR PRADESH STATE ELECTRICITY BOARD

7.01. *Introduction*

The Uttar Pradesh State Electricity Board was established on 1st April 1959 under Section 5 (1) of the Electricity (Supply) Act, 1948.

7.02. *Capital*

The capital requirements of the Board are provided in the form of loans from Government, public, banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs.3519.47 crores at the end of March 1984 and represented an increase of Rs.389.88 crores *i.e.*, 12.4 *per cent* on the aggregate of long-term loans of Rs.3129.59 crores at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to March 1984 were as follows :

Sources	Amount outstanding as on 31st March		Percentage of increase
	1983	1984	
(Rupees in crores)			
State Government	2478.87	2808.56*	13.3
Others	650.72	710.91	9.2
Total	3129.59	3519.47	12.4

7.03. *Guarantees*

Government guaranteed the repayment of loans raised by the Board to the extent of Rs.707.86 crores and payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1984 was Rs.480.81 crores.

*Figures as per Finance accounts is Rs. 2802.21 ; difference is under reconciliation.

7.04. Financial position

The financial position of the Board at the close of the three years up to March 1984 is given in the following table :

	1981-82	1982-83	1983-84 (Provisional)
	(Rupees in crores)		
<i>Liabilities</i>			
Loans from Government	2205.85	2478.87	2808.56
Other long-term loans (including bonds)	550.30	650.72	710.91
Reserves and surplus	196.69	257.18	272.40
Current liabilities	625.83	789.44	1428.00
Total	3578.67	4176.21	5219.87
<i>Assets</i>			
Gross fixed assets	1974.79	2079.96	2202.30
Less : Depreciation	198.35	200.28	449.95
Net fixed assets	1776.44	1879.68	1752.35
Capital works-in-progress	670.33	914.64	1196.75
Current assets including investments	965.81	1212.88	1506.84
Miscellaneous expenditure not written off	6.63	9.55	18.57
Accumulated losses	159.46	159.46	745.36
Total	3578.67	4176.21	5219.87
Capital employed*	2116.42	2303.12	1831.19
Capital invested**	2952.84	3386.77	3791.86

7.05. Working results

The working results of the Board for the three years up to March 1984 are summarised below :

	1981-82	1982-83	1983-84 (Provisional)
	(Rupees in crores)		
Revenue receipts	347.85	454.55	553.58

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

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

	1981-82	1982-83	1983-84 (Provisional)
		(Rupees in crores)	
Subsidy from State Government	159.40	155.48	160.88
Total	507.25	610.03	719.46
Revenue expenditure	318.00	397.13	746.25
Gross surplus (+)/deficit (—) for the year (+)	189.25	(+)212.90	(—)26.79
Appropriations :			
Interest on			
—Government loans	111.34	120.72	498.04
—Other loans	42.05	50.41	59.27
Write off of intangible assets	1.43	1.62	1.79
Total	154.82	172.75	(—)559.10
Net surplus (+)/Deficit (—)	(+)34.43	(+)40.15	(—)585.89
Total return on capital employed	187.82	211.28	(—) 28.58
Total return on capital invested	187.82	211.28	(—)28.58
Rate of return on :			
	(Per cent)		
Capital employed	8.9	9.2	..
Capital invested	6.4	6.4	..

7.06. Operational performance

The following table indicates the operational performance of the Board for the three years up to 31st March 1984 :

Particulars	1981-82	1982-83	1983-84 (Provisional)
	(MW)		
<i>Installed capacity :</i>			
Thermal	2545.10	2545.10	2591.50
Hydel	1212.35	1212.35	1332.35
Others	12.50	12.50	..
Total	3769.95	3769.95	3923.85
Normal maximum demand	3200	3454	3294

	1981-82	1982-83	1983-84 (Provisional)
Power generated :		(Mkwh)	
Thermal	7512.159	8419.694	7663.132
Hydel	3855.632	4175.396	4020.125
Others	0.281	..	..
Total	11348.072	12595.090	11683.257
Less : Auxiliary consumption	959.045	1088.067	1014.930
Net power generated	10389.027	11507.023	10668.327
Power purchased	267.475	1140.998	2571.405
Total power available for sale	10656.502	12648.021	13239.732
Power sold and billed	8624.467	10271.719	10828.285
Power sold but not billed	6.415	..	..
Power supplied free	12.679	..	..
Total	8643.561	10271.719	10828.285
Transmission and distribution losses	2012.941	2376.302	2411.447
		(per cent)	
Load factor	30.8	33.9	32.9
Percentage of transmission and distribution losses to total power available for sale	18.9	18.8	18.2
Number of units generated per KW of installed capacity	3010	3340	2977

7.07. The following table gives other details about the working of the Board as at the end of the three years up to 31st March 1984 :

Particulars	1981-82	1982-83	1983-84
Villages/towns electrified (Numbers)	47525	53367	58029
Pump-sets/wells energised (Numbers)	434696	460553	484293
Number of sub-stations (132 KV and above)	157	157	161
Connected load (MW)	5664.813	5946.220	6251.439

Particulars	1981-82	1982-83	1983-84
Number of consumers	2237215	2332216	2439604
Number of employees	102563	103978	112912

The following table gives the details of power sold, revenue expenses, and profit per Kwh sold during the three years up to 31st March 1984 :

Units sold	1981-82	1982-83	1983-84
	(Mkwh)		
Agriculture	2817.672	3398.466	3505.798
Industrial	4007.342	4063.874	4051.980
Commercial	64.925	402.084	611.067
Domestic	979.424	1292.820	1316.538
Others	767.783	1114.475	1342.902
Total	8637.146	10271.719	10828.285

Revenue per Kwh (Paise)			
after excluding subsidy	40.16	44.25	50.14
Expenditure per Kwh* (Paise)	43.24	44.53	69.08
Loss per Kwh (Paise)	3.08	0.28	18.94

7.08. Varanasi Electric Supply Undertaking

7.08.01. Introduction

In February 1975, the Board took over the business of a licensee company which was supplying energy and maintaining distribution lines within the municipal and cantonment limits of Varanasi and set up Varanasi Electric Supply Undertaking (VESU) to carry on the business of the *ex*-licensee.

A special officer who was appointed by the State Government (March 1976) to assess the value of assets and liabilities of the *ex*-licensee as on the date of take over, valued (March 1982) the assets at Rs.230.11 lakhs and the liabilities at Rs.263.80 lakhs respectively. The difference of Rs.33.69 lakhs was the net amount recoverable from the *ex*-licensee by the Board. The

*Worked out after taking into account the total depreciation but excluding interest on loans.

ex-licensee obtained (July 1982) a stay order from the Calcutta High Court against the recovery of Rs.33.69 lakhs assessed by the Special Officer computing the value of asset at book-value less depreciation *plus* solatium at 10 *per cent* according to the Indian Electricity Act, 1910. The Calcutta High Court in April 1984 ordered that the authorities concerned should compute the compensation payable to the *ex*-licensee on the basis of the market value of the assets *plus* solatium at 20 *per cent*. An appeal against the judgment of the High Court was also filed (September 1984) by the Board and decision was awaited (June 1985). The Board also did not accept the valuation of special officer and filed (August 1982) a claim for Rs.107.83 lakhs in the High Court at Allahabad. Decision on this case was also awaited (June 1985).

7.08.01.02. *Pre-take over transactions*

Liabilities relating to the pre-take over period were to be borne by the erstwhile licensee and for payments made after the takeover by the Board, in discharge of such liabilities, claims were to be preferred before the special officer appointed by Government.

(i) An amount of Rs.4.12 lakhs was paid (December 1982) to the staff taken over by the Board from the *ex*-licensee as arrears for the period from April 1969 to February 1975 pursuant to an award given by the Industrial Tribunal, Lucknow in December 1981 for increased wages and (ii) a sum of Rs.0.35 lakh was also paid (January 1983) to the Regional Provident Fund Commissioner, Kanpur on account of employer's contribution to provident fund/administrative charges relating to the arrear wages paid. These payments which were the liabilities of *ex*-licensee were not claimed by the Board from the special officer though included in the claim filed before the Court.

7.08.02. *Organisational set-up*

The administrative control of VESU is vested in Chief Zonal Engineer, Varanasi. In October 1983, the generation function was transferred from the Undertaking to a generation division under the control of Chief Zonal Engineer at Lucknow.

7.08.03. *Activities*

The activities of VESU comprise generation (up to September 1983), distribution of electricity, billing, realisation of

dues for energy sold, construction of lines and sub-stations within the municipal and cantonment limits of Varanasi.

7.08.04. Generation

Five plants having a total installed capacity of 14 MW were taken over by the Board from the *ex-licensee* (February 1975). The following table shows the utilisation of installed capacity during the five years up to 1983-84 :

	1979-80	1980-81	1981-82	1982-83	1983-84
	(In Mkw/h)				
(a) Installed capacity	122.64	122.64	122.64	122.64	122.64
(b) Derated capacity	74.46	74.46	74.46	74.46	74.46
(c) Actual (gross) generation	8.63	6.65	7.70	5.67	9.93
(d) Less : Auxiliary consumption	1.24	0.97	1.15	0.66	2.61
(e) Net generation	7.39	5.68	6.55	5.01	7.32
(f) Percentage of gross generation to derated capacity	11.6	8.9	10.3	7.6	13.3

Acceptances of the Board to the proposal of the Undertaking (October 1977) for derating the installed capacity to 74.46 Mkw/h (8.5 MW) was awaited (January 1985). The shortfall in generation was stated by the Undertaking to be due to poor quality of coal (paragraph 7.08. 04.02 *Infra*), frequent mechanical failures, labour problems and age of the machinery.

This contention is, however, not tenable as the steep shortfall even below the derated capacity would indicate that the computation of derated capacity was not realistic and even that capacity could not be achieved.

The Undertaking incurred an expenditure of Rs.8.88 lakh during 1980-81 for overhauling the plant/equipment. The overhauling had a marginal impact in 1981-82 on capacity utilisation which again showed a downward trend during 1982-83 and 1983-84. No action had been taken to set right two machines (8 MW) which stopped functioning from February 1978 and September 1979 onwards on account of worn-out gears and poor condition of governors.

Management stated (June 1985) that these machines being old (1928) were beyond economical repair and were under process of disposal.

7.08.04.01. *Cost of generation*

The cost of generation during the three years up to 1983-84 was as under :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Variable cost :			
Coal consumed	35.46	33.20	36.80
Other expenses	9.552	8.33	10.22
Total variable cost	44.98	41.53	47.02
Fixed cost	20.03	22.56	34.92
Total cost of generation*	65.01	64.09	81.94
	(Mkwh)		
United generated excluding auxiliary consumption	6.55	5.01	3.35
Cost per unit generated	(paise per kwh)		
Variable cost	69	83	140
Fixed cost	30	45	104
Total cost	99	128	244

The cost of generation per unit had been increasing every year and was high as compared to the average selling rate of the Board (66 paise in 1981-82 and 70 paise in 1982-83 and 1983-84). The Board incurred a loss of Rs.109.13 lakhs on 14.92 Mkwh sold by the Undertaking during the three years up to 1983-84.

*The total cost of generation is inclusive of depreciation.

The high cost of generation was attributed (August 1984) by the Management mainly to higher rate of consumption of coal as compared to norms and high incidence of establishment charges. The steep rise in 1983-84 was also due to abnormally low generation compared to earlier years.

7.08.04.02. *Consumption of coal*

The norms for consumption of coal per unit of electricity generated had not been fixed. The consumption of coal per unit in the Undertaking during the three years up to 1983-84 was as under :

Year	Units generated	Coal consumed	Total consumption per Kwh
	(Mkwh)	(tonnes)	(kg)
1981-82	7.70	14203	1.84
1982-83	5.67	13955	2.46
1983-84	4.00	13497	2.62

The increase in the rate of coal consumption was attributed by the Management (August 1984) to poor quality of coal supplied by the Coal India Limited. It was noticed in test check in audit (August 1984) that, prior to the year 1982-83, there was no system to analyse the chemical properties of coal. In the 3 years up to 1984-85 on the basis of test results/inspections, deductions of Rs 2.19 lakhs, Rs.1.42 lakhs and Rs.10.64 lakhs respectively were made from the bills of the supplier for poor quality of coal. The actual loss of generation as well as revenue lost on account of poor quality of coal fed had not been worked out by the Undertaking up to June 1982. The Management, however, estimated (April 1983) loss of generation of 8.52 lakh units during the period from July 1982 to January 1983 and a revenue loss of Rs.5.97 lakhs at the average selling rate of 70 paise per Kwh due to the use of poor quality coal.

7.08.04.03. *Shortage of coal*

The daily progress report on generation indicated that generation had stopped on 23rd July 1981 due to non-availability of usable coal, even though there should have been a

minimum balance of 8,593.46 tonnes of usable coal throughout July 1984 as per records as detailed below :

	<i>Quantity</i> (In tonnes)
Opening balance on 1st July 1984	9233.96
Receipt during the month	Nil
Consumption of coal during the month	456.50
Balance	8777.46
Less : Unusable coal	184.00
Balance usable coal	8593.46

Thus, there was a shortage of 8,593.46 tonnes of coal valuing Rs.12.89 lakhs (at an average rate of Rs.150 per tonne) which was stated by the Management to be under investigation (June 1985).

7.08.04.04. *Transportation of coal*

Coal is transported from Railway siding to the power house by private contractors. The agreements entered into with three transportation contractors provided for measurement of coal by volumetric method once at Railway station and again at the power house after its carriage and shortages, if any, found, were to be recovered from the contractor's account at the rates prescribed in the contract. During the period from March 1980 to March 1984 shortages of 195.28 tonnes of coal (value : Rs.0.61 lakh) were noticed for which recoveries were not made from the contractors as per stipulation in the agreement.

The Management stated (August 1984) that difference in quantity was due to physical conditions and not due to fault of the contractors. The contention of the Management was, however, contrary to the provisions of the agreement entered into with the contractors.

7.08.05. *Revenue realisation*

(a) *Assessment and realisation*

The position of assessment, realisation and arrears during

the three years up to 1983-84 was as follows :

Year	Amount assessed during the year]	Arrears brought forward	Total reco-verable dues	Realisation during the year	Arrears at the close of the of the year	Percentage of arrears to total dues
(Rupees in lakhs)						
1981-82	868.11	269.67	1137.78	759.11	378.67	33.3
1982-83	999.80	378.67	1378.47	815.97	562.50	40.8
1983-84	1248.50	562.50	1811.00	1003.73*	807.27	44.6

The accumulation of arrears was mainly due to :

(i) non-payment of arrears by Government departments, municipal corporation, heavy power consumers and autonomous bodies (the autonomous bodies included one single consumer *viz.* U. P. Jal Sansthan from whom arrears amounting to Rs.600.28 lakhs were due (March 1984) of which Rs.286.40 lakhs were recovered by March 1985 ;

(ii) non-payment of dues by the consumers because of incorrect meter readings and issue of cumulative bills ;

(iii) failure to disconnect the supplies of consumers who fail to pay the dues in time ;

(iv) delay in issue of recovery certificates and ineffective enforcement thereof ; and

(v) delay in permanent disconnection where the consumers were in default for more than six months.

Neither periodical review of old cases was conducted nor action taken to ascertain the amounts which had become time-barred/irrecoverable.

(b) Realisation of dues through recovery certificates

The electricity dues remaining unpaid for more than thirty days from the due date of payment stipulated in the bill, are recoverable as arrears of land revenue under Uttar Pradesh Public Money (Recovery of Dues) Act, 1972. It was noticed (August 1984) that steps against defaulting consumers for issue of recovery certificates were not taken immediately after the first default.

*This includes Rs. 56.73 lakhs being the arrears of revenue in respect of consumers transferred to another unit of the Board.

The table below indicates the position regarding issue of recovery certificates, recoveries made, certificates returned unrealised and the amount outstanding at the close of the three years up to 1983-84 :

	1981-82		1982-83		1983-84	
	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
Recovery certificates pending at the beginning of the year	1148	9.11	1163	13.87	683	21.59
Recovery certificates issued during the year	289	6.52	290	11.57	250	7.72
Total recovery certificates issued	1437	15.63	1453	25.44	933	29.31
Recoveries made during the year	167	0.73	50	0.60	90	0.94
Recovery certificates returned without realisation	107	1.03	720	3.25	49	2.35
Recovery certificates pending at the close of the year	1163	13.87	683	21.59	794	26.02

The revenue authorities returned during 1979-80 to 1983-84, 1044 recovery certificates issued during the period from April 1979 to March 1984 (amount involved : Rs.7.57 lakhs) as the whereabouts of the consumers were not known or they had no assets from which recoveries could be effected.

(c) Assessment for defective meters

As per the orders of the Board (October 1976), in case the meter of a consumer becomes defective, the billing is to be made on the basis of maximum demand and consumption recorded during the preceding three months. In 3 cases test-checked in audit, it was seen that billing had been done on ad hoc basis and not in accordance with the Board's orders.

This resulted in an under assessment of Rs. 1.86 lakhs in respect of these consumers for which bills were raised in September 1983 at the instance of Audit; particulars of recovery were, however, awaited (June 1985).

(d) During an inspection of the premises of a consumer conducted in September 1983, it was noticed that the actual load was 49.78 Kw against the sanctioned load of 11.63 Kw. The body seal of the power meter was also found to be broken. The consumer was directed to pay (October 1983) Rs.0.61 lakh (66655 units) as per the Board's orders and was also informed that failure to pay the dues by 18th October 1983 would result in disconnection. The consumer filed a suit in the court and in May 1984, was granted a temporary stay against disconnection subject to the consumer furnishing security for Rs. 0.62 lakh in the court by 30th June 1984. It was also ordered by the court that if the consumer failed to deposit the amount by 30th June 1984, the stay would be automatically cancelled. Although the consumer failed to deposit the amount by 30th June 1984, his premises was not disconnected (January 1985).

7.08.06. *Construction activities*

VESU undertakes works of construction/extension of lines and sub-stations and providing service connections to the consumers. The table below indicates the budgeted and actual expenditure on execution of works together with the expenditure on establishment :

Year	Works expenditure		Establishment expenditure	Percentage of establishment expenditure to works expenditure
	Budgeted	Actual		
(Rupees in lakhs)				
1981-82	145.00	30.81	14.39	46.7
1982-83	222.98	28.05	16.89	60.2
1983-84	163.25	47.01	16.61	35.3

The value of work done during the three years up to 1983-84 was far less than the budgeted estimates due to shortage of funds and material. The percentage of establishment

expenditure to cost of works exceeded the norms of 15 per cent provided in the budgets.

The actual expenditure (Rs. 105.87 lakhs) booked to the works-in-progress included expenditure on completed (1981--1984) works which was not segregated and transferred to the fixed assets on completion of works with the result that depreciation was not charged on these assets in the accounts of the Board.

7.08.07. *Inventory control*

Purchase and procurement

(i) The requirement of material for the running maintenance of power house and construction and sub-stations is met either by drawal from stores centres of the Board or through purchases from the market by the Superintending/Executive Engineer on approval by the appropriate purchase/works committee.

The annual requirement of stores was not being estimated and procurement of material was, therefore, made without realistic assessment resulting in excessive holding of stores as shown below :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Value of stores and spare parts at the beginning of the year	149.22	151.96	141.95
Receipts during the year	173.85	175.73	150.29
Value of stores available for consumption	323.07	327.69	292.24
Consumption during the year	140.78	153.12	142.08
Transfer out of circle during the year	30.33	32.62	10.29
Value of closing stock	151.96	141.95	139.87
Value of closing stock in term of month's consumption	13	11	12

Physical verification of central stores for 1983-84 was not conducted (January 1985).

(ii) Materials were not classified into critical, non-critical, fast and slow moving items.

(iii) Maximum, minimum and re-ordering levels of stock had not been fixed.

(iv) No reserve limits of stock were fixed by the Board during any of the years.

(v) The value of inventory at the close of March 1984 (Rs. 139.87 lakhs) included stores valued Rs. 10.23 lakhs which were surplus to the requirement. Similarly, stores valued Rs. 2.82 lakhs were declared (August 1984) scrap/unserviceable and were lying in stock (January 1985).

(vi) In July 1980, the Undertaking received 331 metres of 3 crore 400 sq. mm. cable from Board's stores centre at Varanasi. 135 metres of cable valued Rs. 0.46 lakh was found defective after laying (February 1982) and returned to the suppliers (April 1982) for replacement. The replacement was not made so far (January 1985).

(vii) The system of maintenance of store accounts was not uniform viz. the numerical accounts of stores were maintained on bin cards up to December 1980; in stock registers from January 1981 to September 1983 and again on bin cards from October 1983 onwards.

The value of the stores was not worked out and no steps were taken to ensure that the value of stores as shown in the monthly accounts of the Undertaking tallied with the value of stores worked out based on the balance as per bin cards/store ledgers.

(viii) Stores materials valued Rs. 0.13 lakh were found short in the stores held by a Junior Engineer during the handing over of charge to the Store Keeper in May 1979. Recovery/adjustment of the material found short had not been made till now (August 1984).

7.08.08. *Man-power analysis*

The table below summarises the position of sanctioned and actual strength of staff in the Undertaking at the close of

the three years up to 1983-84 :

Year	Staff sanctioned	Actual strength	Percentage of excess to sanctioned strength
(In numbers)			
1981-82	254	454	78.7
1982-83	247	427	72.9
1983-84	283	548	93.6

The incidence of establishment expenditure on excess strength was Rs.14.6 lakhs, Rs.16.8 lakhs and Rs.20.4 lakhs in the three years up to 1983-84 respectively. Management stated (June 1985) that the concerned authorities have already been apprised of the position.

In July 1979, the Board ordered to stop the engagement of labour on muster roll. It was, however, noticed (August 1984) that 92 persons on regular basis were working on muster roll. The incidence of expenditure in respect of such workers was approximately Rs.3.53 lakhs per annum.

The Technical Committee on Power appointed by Government (March 1972) for suggesting ways and means for improving efficiency recommended (December 1972) that in large size power stations there should be around four employees per MW of installed capacity.

On this basis, the number of persons required in generation unit of the Undertaking worked out to 56 against which the actual number of workers employed ranged between 283 and 301 in addition to muster roll labour during the five years up to 1983-84. The Management attributed (August 1984) high incidence of establishment charges to the invalid conditions of 57 coal coolies and 6 ash coolies out of total force of 158 coolies. These coolies are incapable of lifting load over their heads due to old age although they were yet to render 1 to 24 years' service before retiring on superannuation. Expenditure on salaries and allowances of such invalid coolies amounted to Rs.0.46 lakh per month (approximately).

7.08.09. Overtime

(i) The incidence of overtime during the three years up to 1983-84 is indicated below :

Section	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Headquarter	1.05	1.93	1.59
Commercial	1.16	1.81	3.04
Generation	5.94	5.87	4.72
Meters and testing	0.22	0.27	0.37
Distribution	11.13	10.76	16.38
Computer	0.78	0.04	Nil
Total ..	20.28	20.68	26.10

The highest payment on overtime was made in Distribution section which was 54.9 *per cent* in 1981-82, 52 *per cent* in 1982-83 and 62.8 *per cent* in 1983-84 of the total overtime wages paid during the respective years.

In spite of large labour force deployed for the running of the power houses, the expenditure on overtime paid to staff in generation unit increased from 1.74 paise per Kwh in 1979-80, to 4.41 paise in 1980-81, 7.71 paise in 1981-82, 10.35 paise in 1982-83, and to 14.05 paise in 1983-84.

(ii) According to the provision of Factories Act, 1948 the total overtime hours of an employee should not exceed 50 in a quarter. This statutory limit was not adhered to and maximum overtime paid ranged up to 700 hours to an employee in a quarter. A test check in audit (August 1984) also revealed that ten invalid coolies in generation unit were also paid overtime.

(iii) Prior permission for engagement of labour on overtime was neither sought for nor the purpose for which they were employed on overtime was indicated.

(iv) As per the service conditions of the Board, all the class IV employees become due for retirement on attaining the age of 60 years and are not to be retained in service after that

date except in very special circumstances and with the previous sanction of the Board in writing. During test check in audit it was noticed that in contravention of these regulations, out of 61 class IV employees retired from the Undertaking on 16th June 1982, 42 employees had rendered service beyond 60 years without obtaining the previous sanction of the Board. The excess service rendered ranged between 31 and 72 months during which the expenditure on their salaries and allowances aggregated Rs.6.49 lakhs (approximately) including Rs.0.51 lakh towards employees' contribution to Employees' Provident Fund and administrative charge thereon.

The Board accorded *ex-post-facto* approval for continuation of service beyond the age of 60 years in respect of 21 persons in November 1981, 3 persons in December 1982 and 6 persons in April 1984. Sanction of the Board for retention of 8 persons beyond the age of 60 years was yet to be received (January 1985).

7.08.10. *Other topics of interest* ,

7.08.10.01. *Coal handling contract*

In October 1981, tenders for coal handling were invited and the lowest rate of Rs.10.51 per tonne quoted was considered higher than the rate of Rs.6.47 per tonne being paid for against the existing contract which was valid up to 15th January 1982. All the offers were rejected (February 1982).

As fresh contract had not been awarded, the existing contractor was allowed to continue the work by issuing work orders from time to time at Rs.10.51 per tonne which was the rate quoted by him in October 1981. The Undertaking reinvited tenders (October 1981) which were to be opened on 25th February 1982. The contractor meanwhile obtained an injunction from the civil court (February 1982) prohibiting the reinvitation of tenders. The court held that a binding contract had been constituted between the parties as the contractor was allowed to continue the work through work orders on the basis of his quoted rate of Rs.10.51 per tonne. In the meantime, the Undertaking invited (October 1982) fresh tenders for the next year (1983-84). The agreement for the year 1983-84 was finalised (January 1983) at the lowest rate of Rs.7.20 per tonne. Computed with reference to this rate, the execution of the work (16346 tonnes) during 1982-83 at the higher rate of Rs.10.51

per tonne by issuing work orders resulted in an extra expenditure of Rs.0.54 lakh.

7.08.10.02. *Purchase of loaders*

With a view to facilitating coal handling arrangement in the power house, tenders for purchase of two diesel operated loaders were invited in September 1981. Only one offer was received from a firm of Faridabad which quoted Rs.1.92 lakhs per loader. The offer which was valid up to 18th November 1981 was extended up to 25th December 1981 and up to 28th February 1982 at the instance of the Board. The firm while extending the validity up to 28th February 1982 revised the price to Rs.2.03 lakhs each. Again at the request of the Board, the validity period of the offer was further extended by the firm up to 30th April 1982. The letter of intent was issued telegraphically on 30th April 1982 which was followed by detailed order on 17th June 1982. The delay in issue of the order within the validity period resulted in an extra expenditure of Rs.0.25 lakh (inclusive of excise duty and sales tax).

7.08.10.03. *Non-levy of surcharge*

According to the rate schedule applicable to the consumers of small power for private tubewells and pumping sets for irrigation purposes having a connected load up to 25 HP and small and medium power consumers having connected load up to 75 KW, a surcharge of 2 *per cent* per month or part thereof was leviable from 1st June 1979 for delay in payment beyond the due date.

A test check (April 1982) in audit of the records of the Undertaking revealed that surcharge amounting to Rs.5.75 lakhs due from 1610 consumers for the period from May 1981 to April 1982 had not been levied. On being pointed out by Audit in April 1982, the bills were issued in May and June 1982. The Management stated (August 1984) that as most of the consumers have been transferred to a sister division of the Board, information about the up-to-date recovery of the surcharge could not be furnished.

7.08.10.04. *Damaged transformers*

The Undertaking had sent for repair, 14 distribution transformers of various capacities during 1979-80 and 1980-81 to a firm of Varanasi. These transformers (valuing Rs.1.61

lakhs) have not yet (June 1985) been repaired and returned as the firm was stated (June 1982) by the Management to be closed since long.

7.08.10.05. *Claims for missing coal wagons*

112 claims (value : Rs.16.47 lakhs) relating to missing coal wagons for the period up to 1981-82 (49 claims for Rs.5.29 lakhs) and for 1982-83 (63 claims for Rs.11.18 lakhs) were pending with Railways for settlement (January 1985). Management stated (January 1985) that the claims were being pursued.

7.08.10.06. *Non-recovery of security deposit*

The Board in March 1983 revised upward the rates of security deposits to be realised from the consumers. These rates were made applicable to the existing consumers except domestic consumers, in whose cases the revised rates were applicable on reconnection after being disconnected. The revised security deposits amounting to Rs.12.18 lakhs were not recovered (January 1985) from small and medium power consumers who had a connected load of 40593 Kw as on 31st March 1983. The Management stated (August 1984) that the matter had been reported (July 1984) to higher authorities for getting the bills raised through the computerised billing system.

7.08.10.07. *Non-recovery of cost of the burnt meters*

The cost of the meters burnt at the premises of the consumers is recoverable from them at varying rates depending upon the capacity of the meters. A sum of Rs.0.92 lakh representing the cost of 660 meters burnt during the period from May 1983 to February 1984 was not billed and recovered from the consumers. On being pointed out by Audit (August 1984) the details were fed to computer (September to November 1984).

7.08.11. *Summing-up*

(i) The Board took over in February 1975 the business of a licensee company which has supplying energy and maintaining distribution lines within the municipal and cantonment limits of Varanasi. The special officer appointed by Government decided (March 1982) that a sum of Rs.33.69 lakhs was payable to the Board but the Board filed a suit for recovery of Rs.107.83 lakhs. The *ex*-licensee also filed a suit against assessment of special officer.

(ii) The cost of generation per Kwh increased from 99 paise in 1981-82 to Rs.1.28 in 1982-83 and to Rs.2.44 in 1983-84 as against the average selling rate of 66 paise in 1981-82 and 70 paise during 1982-83 and 1983-84.

(iii) Arrears of revenue increased from Rs.378.67 lakhs in 1981-82 to Rs.807.27 lakhs in 1983-84 (after adjusting Rs.56.73 lakhs transferred to another unit of the Board).

(iv) Out of the arrears of dues of Rs.807.27 lakhs at the close of March 1984, Rs.600.28 lakhs pertained to Jal Sansthan, Varanasi.

(v) There were 265 staff members in excess of the sanctioned strength at the close of March 1984. Despite this, employees were engaged on overtime basis without even adhering to the maximum statutory limit of 200 hours per employee per annum.

(vi) The expenditure on overtime during 1983-84 was Rs.26.10 lakhs.

(vii) 42 class IV employees were retained in service from 31 months to 72 months over and above the superannuation age of 60 years.

(viii) Additional security deposit of Rs.12.18 lakhs recoverable from small and medium power consumers was not billed and recovered.

The matter was reported to the Board/Government in November 1984; replies were awaited (January 1985).

7.09. *Loss of revenue*

7.09.01. *Non-levy of additional charge*

Agreement entered into (November 1976 and April 1982) by the Board with a consumer of Renukoot (Mirzapur) provided for payment of an additional charge of 7 paise per hundred rupees or part thereof per day on the unpaid amount of the bill for the period for which the payment was delayed. It further provided that payment made by cheque or any other means, shall be deemed to have been made when money is received in Board's bank account.

In test check of Electricity Generation Division, Pipri (September 1982), it was noticed that during March 1981 to

March 1982 payments were made by the consumer by out-station cheques, in respect of which the credit was received in the Board's account with the bank 4 to 49 days after the due dates. However, the additional surcharge for the belated payment was not levied, resulting in short assessment and realisation of Rs.19.14 lakhs.

The matter was reported to the Board in November 1982 and to Government in October 1984; replies were awaited (January 1985).

7.09.02. *Time barred claims*

(a) A sick textile mill of Saharanpur was taken over (April 1974) by the National Textile Corporation Limited under Sick Textile Undertakings (Nationalisation) Act, 1974. The Commissioner of Payments, appointed under the Act, notified (1st April 1977) that the arrear claims against the mill pertaining to pre-takeover period might be preferred with him within 30 days from the date of notification.

The Electricity Distribution Division I, Saharanpur, however, preferred the claim for electricity charges, coal variation charges and surcharge amounting to Rs.7.98 lakhs pertaining to the period from May 1971 to October 1972 belatedly on 17th December 1977 with the Commissioner of Payments thereby rendering the claim time barred. The Division replied to Audit (August 1984) that the press release issued by the Commissioner of Payments was received from the Additional Chief Engineer (Commercial) after a period of seven months and hence the claim could not be preferred in time.

The matter was reported to the Board in September 1984 and to Government in November 1984; replies were awaited (January 1985).

(b) The power connection of a Textile Mill of Hathras (load 940 KVA) was disconnected (July 1970) by the Executive Engineer, Electricity Distribution Division, Hathras for non-payment of dues (Rs.4.34 lakhs) for the period from December 1967 to the date of disconnection. In December 1972, the management of the said textile mill was taken over by the Central Government and U. P. State Textile Corporation Limited was appointed (December 1972) as custodian and new load connection was released by the Board (May 1973 to May 1975). The mill was nationalised (1st April 1974) under Sick

Textile Undertakings (Nationalisation) Act, 1974 and taken over by National Textile Corporation Limited (NTC). Under the provisions of the said Act, claims pertaining to the pre-nationalisation period were to be preferred with the Commissioner of Payments appointed under the Act within a period of 30 days from 1st April 1974 for payment out of the amount payable to former owner of the mill by NTC. The Division, however, failed to lodge the claim within the prescribed period and the claim lodged in December 1977 was not entertained by the Commissioner of Payments on the ground of its being time barred.

The matter was reported to the Board in September 1982 and to Government in September 1984; replies were awaited (January 1985).

7.09.03. *Non-segregation of circuit*

According to the rate schedule applicable to large and heavy power consumer, if the energy supplied for industrial and processing purposes is utilised for domestic purposes also, such consumption at the request of the consumer, should be segregated, metered and charged under the appropriate rate schedule. In case separate metering is not arranged the entire consumption has to be charged at higher rate.

It was noticed on test check during March and September 1982 and June 1984 that consumers were, however, not billed at higher rates on detailed below :

(i) A HT consumer under Electricity Distribution Division, Ballia who was not having a separate meter for residential light and fan during the period from November 1979 to December 1983 was billed at the lower rate applicable for those consumers who had separate meter for light and fan. The consumer was billed for the difference between the higher and lower rates of charge in April 1984 for Rs.47.79 lakhs for the period from November 1979 to June 1983; recovery particulars are awaited (November 1984). Bills amounting to Rs.11.18 lakhs for the period from July to December 1983 were not raised (November 1984).

The matter was reported to the Board in March 1983 and to Government in September 1984; replies were awaited (January 1985).

(ii) A consumer under Electricity Distribution Division, Sitapur was found (September 1979) using factory power for residential light and fan. The consumer was, however, continued to be billed at a lower rate applicable to factory power instead of at higher rate. This resulted in short assessment of Rs.3.91 lakhs during April to November 1981. The case was stated by the Divisional Officer to be *sub judice* (September 1984).

The matter was reported to the Board in September 1983 and to Government in August 1984; replies were awaited (January 1985).

(iii) A consumer of Electricity Distribution Division, Rampur having a contracted load of 353 KVA for factory power was found (April 1983) by the vigilance cell of the Board, using factory power for residential light and fan purposes and was not charged under the higher rate applicable. The short-assessment on this account during April 1973 to May 1984 worked out to Rs.0.22 lakh.

The Divisional Officer stated (February 1985) that the matter was under investigation.

The matter was reported to the Board/Government in December 1984 replies were awaited (January 1985).

7.09.04. *Short-assessment*

(a) The rate schedule (LMV-3) applicable to public/street light provides as under :

(i) minimum charge per lamp per month or part thereof at the rate notified from time to time has to be made,

(ii) where the supply is unmetered billing was to be done on the basis of units (Kwh) computed with reference to the total number of lamps, wattage and burning hours,

(iii) in the case of any lamp remaining unlit, a deduction may be allowed.

A test check (March 1984) in audit revealed that public/street light of a colony in Lucknow, the supply of which was unmetered was billed by Electricity Distribution Division, Lucknow on the basis of minimum charges instead of computing the number of units consumed based on formula given in the schedule. This resulted in short-assessment of Rs.3.26 lakhs during April 1980 to March 1984.

The Divisional Officer stated (March 1984) that the assessment could not be made as the position of unlit lamp was not available.

The matter was reported to the Board in July 1984 and to Government in August 1984; replies were awaited (January 1985).

(b) According to the tariff applicable to small and medium power consumers effective from 1st November 1982, the minimum consumption guarantee and rate of charge were revised to Rs.25 per BHP per month and 57 paise per Kwh respectively. It was noticed during test check (July 1984) that in the case of 346 small and medium power consumers, the Electricity Distribution Division, Kasipur raised bills at the rates applicable up to 30th October 1982 (Rs.22.50 per BHP/month and 52 paise per Kwh respectively as the advice for revision of rate was sent only in May 1984. This resulted in under-charge of revenue aggregating Rs.0.40 lakh for the period from November 1982 to May 1984.

The matter was reported to the Board/Government in September 1984; replies were awaited (January 1985).

(c) An inspection of the premises of a cold storage plant, Khalilabad (Basti) on 24th April 1982 disclosed that the meter of the consumer was recording only two-third consumption due to burning of one current transformer of the meter. The meter was replaced on 22nd June 1982. It was, however, observed by the Board (February 1983) that the meter had been recording low consumption since October 1979. The under-assessment for the period from October 1979 to June 1982 amounted to Rs.0.66 lakh. The demand of Rs.0.66 lakh was, however, revised to Rs.0.14 lakh for the period from October 1981 to June 1982 based on the representation of the consumer that the assessment should be made up to six months back from the period of detection of defect in terms of Section 26 (6) of the Electricity Act, 1910. Approval of the Superintending Engineer for revision in the demand had not been obtained (February 1985).

The matter was reported to the Board in September 1984 and to Government in December 1984; replies were awaited (February 1985).

7.09.05. *Incorrect application of tariff*

In June 1979, the Resident Engineer, Lucknow Electric Supply Undertaking sanctioned 300 Kw (325.5 KVA) temporary load for six months to a consumer of Lucknow for operation of the grain silo installation with transport and handling facilities. The load was released (July 1979) and the temporary supply was still continuing (July 1984) without the sanction of the Board.

A test check (May 1983) revealed that against the rate schedule HV-2 applicable the consumer was assessed for the first time (July 1980) under rate schedule LMV-10 applicable to mixed load consumers resulting in short-assessment of Rs.4.88 lakhs during July 1979 to June 1984.

In reply, the Undertaking intimated (May 1983) that the tariff applied would be scrutinised for its correct application.

The matter was reported to the Board in December 1983 and to Government in September 1984; replies were awaited (January 1985).

7.09.06. *Jammed/burnt meters*

As per orders of the Board (October 1976) assessment in the case of jammed and burnt meters of non-seasonal industries is required to be made on the basis of maximum demand and consumption recorded during the preceding three months when the meter was recording consumption correctly.

The accounts of Lucknow Electric Supply Undertaking revealed that three consumers of Lucknow whose meters were reported jammed (September 1980 — one and January 1982 — two) were billed on *ad hoc* basis resulting in short-assessment to the extent of Rs.0.26 lakh from the period when the defect was detected to March 1983.

The matter was reported to the Board in December 1983 to Government in August 1984; replies were awaited (January 1985).

7.09.07. *Grant of inadmissible development rebate*

According to tariff applicable to heavy power consumers, new industrial units are entitled to a development rebate of 10 per cent on demand and energy charges for a period of three

years from the date of taking supply. The rebate is also admissible for the unexpired period of three years to those existing industrial units which have not completed three years from the date of commencement of supply. It was noticed in test check (January 1982) of the records of the Executive Engineer, Electricity Distribution Division II, Saharanpur that a development rebate of Rs.0.62 lakh was allowed during October 1979 to December 1981 to a firm of Saharanpur which was not a new industrial unit and was not entitled to the rebate under Board's tariff. On being pointed out, the Additional Chief Engineer (Commercial) stated (September 1984) that the recovery of inadmissible development rebate allowed would be watched.

The matter was reported to the Board in March 1982 and to Government in November 1984; replies were awaited (January 1985).

7.09.08. *Reduction of load*

A consumer of Lucknow with a sanctioned load of 50 BHP (44 KVA) was permitted (May 1982) an additional load of 200 KVA. The agreement entered into (June 1982) by the Electricity Distribution Division, Lucknow with the consumer provided for maintenance of additional load (200 KVA) by the consumer for a minimum period of two years. It further provided that in the event of failure on the part of the consumer to take power during initial period of supply (two years) the consumer would have to pay the proportionate minimum annual charge or the demand chargeable up to the date of removal of supplier's line and also the expenditure incurred by the Board on erection of the line and sub-station.

The load was reduced (February 1983) by 119 KVA at the request (January 1983) of the consumer without installing the equipments suitable for the reduced load (October 1984). No recovery, as per provisions of the agreement of proportionate minimum charges (Rs.0.71 lakh) and the expenditure (Rs.0.54 lakh) in providing additional load was made (October 1984).

The Divisional Officer stated (October 1984) that the replacement of the existing transformer was not made with the transformer of the lower capacity so far (October 1984).

The matter was reported to the Board in December 1983 and to Government in August 1984 ; replies were awaited (January 1985).

7.09.09. *Theft of energy*

As per orders of the Board (October 1976), where tampering with the body seal of a meter is detected and there is evidence that the consumer has dishonestly abstracted, consumed, used or wasted energy, the assessment is to be made on the basis of load, multiplying factor, hours and days of unauthorised drawal of powers.

In test check (November 1982) of the records of Electricity Distribution Division, Unnao, it was noticed that although three consumers were found during raids conducted by the Board (April and June 1981), making unauthorised use of electricity by tampering the body seal of meter, the assessment as per orders (October 1976) of the Board was not made, resulting in short assessment of Rs. 0.51 lakh, during June 1981 to October 1982.

The matter was reported to the Board in March 1983 and to Government in September 1984 ; replies were awaited (January 1985).

7.09.10. *Recoveries at the instance of Audit*

Following cases of under/non-assessment of dues were noticed wherein assessment of Rs.16.17 lakhs was made at the instance of Audit out of which Rs. 3.21 lakhs were recovered (June 1985) and balance recoveries were awaited.

(a) *Non levy of additional surcharge*

According to the tariff applicable to licensees, heavy, large and mixed load consumers, whose monthly bill is not paid by the due date specified therein, are liable to pay additional charge of seven paise per Rs. 100 or part thereof per day of delay on the unpaid amount of the bill.

During test check (July and November 1983 and February 1984) in audit, it was noticed that in six divisions, the additional charge aggregating Rs. 10.55 lakhs (50 consumers

for delayed payment during April 1982 to July 1984 was not claimed, as indicated below:

Name of division	Number of consumers	Period	Amount	Amount billed	Amount realised
(Rupees in lakhs)					
Electricity Distribution Division II, Varanasi	14	April 1982 to July 1984	6.84	6.84	..
Electricity Distribution Division I, Lucknow	1	May to July 1983	1.39	1.39	..
Lucknow Electric Supply Undertaking	11	June 1982 to March 1983	0.24	..	..
Electricity Distribution Division I, Jaunpur	9	March 1983 to February 1984	1.07	1.10	0.01
Electricity Distribution Division, Jhansi	14	April 1983 to March 1984	0.55	0.55	0.08
Electricity Distribution Division II, Basti	1	April 1982 to January 1983	0.46	..	..
	50		10.55	9.88	0.09

It would be seen from the above table that against Rs.10.55 lakhs recoverable from 50 consumers, the Board had so far recovered Rs. 0.09 lakh (on being pointed out in audit) only (May to July 1984) from eleven consumers.

The cases were reported to the Board in December 1983, and July, August and September 1984 and to Government in August, September and November 1984; replies were awaited. (June 1985).

(b) *Short-assessment*

The energy meter of a consumer (contracted demand 90 KVA) of Electricity Distribution Division I, Bulandshahr was defective since the date of installation (11th May 1978) as

it recorded nominal consumption of 1,054 units for the period from May to September 1978. The meter was checked (19th September 1979) by the Assistant Engineer (meters), and it was reported (18th October 1979) by him that one phase of Kwh and KVAh sections of the meter were running in reverse order thereby recording one-third consumption since October 1978.

During test check (July 1983) of records of the division it was noticed that the bill amounting to Rs. 0.24 lakh for the period 11th May 1978 to 19th September 1979 during which the meter was defective and recording one-third consumption was not raised on the consumer by the division.

Chief Zonal Engineer stated (September 1984) that the bill has since been issued ; realisation was awaited (November 1984).

The matter was reported to the Board/Government in August 1984 ; replies were awaited (January 1985).

(c) Incorrect application of tariff

Two stations of All India Radio in the State, which have contracted load of above 25 Kw being commercial organisations ; are required to be billed at the rate of Re. 0.60 to Re. 0.80 per Kwh. During test check in audit (January to March 1983), it was noticed that in Electricity Distribution Division II, Bijnore and Electricity Distribution Division, Rampur the All India Radio at Najibabad (Bijnore) and Rampur were billed at Re.0.35 to Re.0.68 per Kwh resulting in short assessment of Rs. 0.94 lakh during June 1979 to January 1984.

It was stated by the Chief Zonal Engineer, Bareilly (August 1984) that in respect of Electricity Distribution Division II, Bijnore a bill was issued to the consumer. Reply from the Executive Engineer, Electricity Distribution Division, Rampur was awaited (January 1985).

The matter was reported to the Board in May and June 1983 and to Government in August 1984 ; replies were awaited (January 1985).

(d) Jammed/burnt meters

As per the orders of the Board (October 1976) assessment in the case of jammed and burnt meters of non-seasonal indus-

tries is required to be done on the basis of maximum demand and consumption recorded during preceding three months when the meter was recording consumption correctly.

(i) The accounts of two divisions revealed that in 8 cases provisional bills for minimum charges were issued but final assessments as per Board's orders (October 1976) were not made (September 1984). This resulted in short-assessment of Rs. 1.41 lakhs for different periods during September 1981 to August 1984 as detailed below :

Name of division	Number of consumers	Assess-able amount	Amount provisionally billed	Short-assessment
(Rupees in lakhs)				
Electricity Distribution Division, Hapur	7	1.47	0.36	1.11
Electricity Distribution Division I, Mathura	1	0.35	0.05	0.30
				1.41

The Divisional Officers stated (September 1984) that bills for short-assessment were being raised.

The matter was reported to the Board in December 1983 and to Government in August 1984; replies were awaited (January 1985).

(ii) Similarly, in the case of seasonal process industry when a meter is found jammed, assessment on the basis of consumption recorded during the corresponding period of the preceding season is required to be made as per orders of the Board (October 1976).

The meter of a sugar factory of Kashipur (Nainital) remained jammed during 1st March to 4th June 1982 for which an assessment on the basis of units consumed during March to May 1981 (1,33,646 Kwh) was required to be made. The Electricity Distribution Division, Kashipur, however, billed the consumer for 19,342 units recorded by the jammed meter during March to 4th June 1982 resulting in short-assessment to the extent of Rs. 0.93 lakh. On being pointed

out by Audit in April 1983, the Executive Engineer assessed (October 1984) the consumer.

The Board stated (May 1985) that the division had assessed the consumer and realised (January 1985) the amount.

The matter was reported to Government in August 1984; reply was awaited (January 1985).

(e) *Non-ledgerisation*

Revenue Manual of the Board provides that besides prompt entry of the new connections of different categories in the ledgers of the consumers, assessment should be made after every two months in the case of light and fan consumers and monthly in respect of other cases.

A test check (September 1983) in audit revealed that in the case of 212 private tube-wells/pump-sets, 4 small and medium power and 10 light and fan consumers of Electricity Distribution Division I Ghazipur connected during January 1980 to June 1983, there was delay of 3 to 30 months in making entries in the ledgers which resulted in non-assessment of revenue (Rs. 2.77 lakhs) during January 1980 to July 1983. On being pointed out in audit, assessment was revised during September to December 1983, of which a sum of Rs. 2.19 lakhs was realised during November 1983 to April 1984.

The Divisional Officer stated (November 1984) that 39 cases involving a sum of Rs. 0.40 lakh, connections have been disconnected and notices have been issued for realisation of the dues.

The matter was reported to the Board in July 1984 and to Government in August 1984; replies were awaited (January 1985).

7.10. *Other topics of interest*

7.10.01. *Extra expenditure on works*

(a) The total quoted costs of first four tenders of firms 'A', 'B', 'C' and 'D' obtained by Chief Engineer (Thermal Design and Engineering), Lucknow, (October 1982) through open advertisement and valid up to 19th February 1983 against specification No. 25 AC for civil works at Anpara Thermal Power Project were Rs. 193.16, Rs. 200.70, Rs. 214.57 and Rs. 230.24 lakhs respectively. As the tenders could not be finalised within the validity period (19th February 1983),

the firms were requested to extend the validity date to which only firms 'A' and 'D' agreed. The Central Stores Purchase Committee decided (6th June 1983) to divide the work between the firms 'A' and 'D' at the rates, terms and conditions of the lowest tenderer (A). Accordingly, negotiations were held with firm 'D' whose rates, out of the 14 items involved in the work, were higher for 4 items, lower for 9 items and at par for one item. As a result of negotiation, firm 'D' reduced (23rd June 1983) the rates of 4 items and after reduction the total quoted price of it came down to Rs. 187.22 lakhs which was lower than the quoted price of firm 'A' (Rs. 193.16 lakhs.). Instead of distributing the work between firms 'A' and 'D', a larger part of the work was awarded to firm 'A' at higher rates, resulting in extra expenditure of Rs. 0.61 lakh in respect of the quantum of work in excess of 50 *per cent*.

The matter was reported to the Board in July 1984 and to Government in August 1984; replies were awaited (January 1985).

(b) An agreement for construction of trenches, tunnels and foundations of auxiliary structure at 400 KV Sub-station, Moradnagar was entered into (26th September 1977) with a contractor of Moradnagar for Rs.11.19 lakhs. The date of commencement of the work, as per agreement, was 1st November 1977 and the scheduled date of completion was 31st July 1978. The contractor started the work on 10th November, 1977 but could not go ahead with the work due to non-availability of drawings in time and acute shortage of cement in the division resulting in the foundation work of RCC tunnels, (which should have been completed before setting in of rains) being continued beyond the rainy season. In July and August 1978 there were heavy rains and consequently the sides of the excavated tunnels collapsed damaging the shuttering and reinforcement. This necessitated cleaning of slush, filling of the tunnel with sand bags, removing of mild steel iron and providing steel shuttering resulting in extra expenditure of Rs.1.04 lakhs.

The matter was reported to the Board in September 1982 and to Government in September 1984; replies were awaited (June 1985).

(c) The Construction Manual of the Board stipulates that galvanised insulated wire is to be used for neutral lines in the construction of low tension lines.

During the test check in audit, it was observed that the Rural Electrification Divisions at Almora and Mirzapur used 'Weasel' and 'Gnat' conductors instead of galvanised insulated wire as detailed below :

Name of work	Name of division	Weasel and Gnat conductors used		Galvanised wire required to be used		Extra cost (Rupees in lakhs)
		Quantity (kms)	Amount (Rupees in lakhs)	Quantity (tonnes)	Amount (Rupees in lakhs)	
Construction of 11 KV lines for electrification of villages in Almora District	Electricity Distribution Division, Almora	42.872	1.29	5.573	0.45	0.84
	Electricity Distribution Division II, Mirzapur	32.268	0.89	5.041	0.30	0.59

The Divisional Officers stated (September 1982 and May 1983) that due to non-availability of galvanised insulated wire and urgency of the work, the conductors were used in place of galvanised insulated wire. Execution of work without proper advance action to procure material resulted in an extra expenditure of Rs.1.43 lakhs.

The matter was reported to the Board in June and December 1983 and to Government in August and September 1984 ; replies were awaited (June 1985).

7.10.02 *Infructuous expenditure*

(a) A firm of New Delhi to whom the work of erection- (value : Rs.189.58 lakhs) of 400 KV single circuit line from Anpara (Mirzapur) to Azamgarh (260 kms) was awarded (March 1979) decided route alignment without obtaining consent of a cement factory in whose quarry one of the locations of the line was situated. Accordingly, the work on the locations had to be abandoned (January 1984). The expenditure of Rs.3.89 lakhs incurred (September 1981 to November 1983) on foundations, revetment and sub-setting works in these locations was rendered infructuous.

The matter was reported to the Board/Government in November 1984; replies were awaited (February 1985).

(b) A 10 MVA 33 KV/11KV transformer valuing Rs.6.50 lakhs procured (March 1977) by Kanpur Electricity Supply Administration was installed (March 1979) at 33/66 KV Naubasta sub-station after incurring an expenditure of Rs.0.25 lakh. As the transformer which was not according to the specification and could not be energised since then (March 1979) was lying in a damaged condition due to thefts of parts at the sub-station resulting in the entire expenditure (Rs.6.75 lakhs) remaining unfruitful so far. Another 10 MVA transformer (33/66 KV) purchased in January 1980 (value : Rs.8.31 lakhs) was installed and energised in November 1982 only.

The matter was reported to the Board in July 1984 and to Government in August 1984; replies were awaited (January 1985).

7.10.03. *Excess payment for conductor*

The Superintending Engineer, Electricity Transmission Design Circle, Lucknow placed orders (November 1978 and January 1979) on 2 firms of Madras and Calcutta for supply of 2000 kms (value : Rs.645.82 lakhs) and 500 kms (value : Rs.160.64 lakhs) of ACSR 'Moose' conductor. As per the agreement, the price being variable was to be based on the controlled ruling cost of aluminium prevailing on the first day of the month preceeding the month of supply. The price of aluminium ingots decreased from 18th October 1978 and accordingly in terms of the price variation clause of the orders, the rates per kilometre were reduced (January 1979) by Rs.1264.75 effective from December 1978.

It was noticed during test check (December 1983) in audit that for the supply of 39.949 kms of conductors during February 1979 by the Madras firm and 111.664 kms during February and March 1979 by the Calcutta firm, payments were made by the Executive Engineer, Electricity Transmission Division II, Moradabad at the original rates against documents resulting in excess payment of Rs.2.10 lakhs including excise duty during February and March 1979 (Madras firm : Rs.0.55 lakh and Calcutta firm : Rs.1.55 lakhs).

The ~~Executive Engineer~~ stated (August 1984) that the refund of the excess amount is under pursuance with the firms.

The matter was reported to the Board in July 1984 and to Government in August 1984; replies were awaited (June 1985).

7.10.04. *Avoidable expenditure in purchase of meters*

An order (May 1981) for supply of 5000 three phase four wire meters of 30 and 50 amperes at Rs.250 and Rs.320 per meter by September 1982 was placed by Electricity Stores Procurement Circle I on a New Delhi firm. In December 1981, the firm was requested to supply 2500 meters of 50 ampere by March 1983. The firm supplied 1250 meters by September 1982 while the balance quantity (6250 meters) by September 1983 although no extension for the delayed supply was granted by the Board.

In the meantime, another order for supply of three phase four wire meters of 30 and 50 ampere, against a tender received in May 1982, was placed (August 1982) on Bharat Heavy Electricals Limited (BHEL) at Rs.180 and Rs.235 per meter respectively. In order to avail of the benefit of lower rates, the order with the New Delhi firm for the quantities not supplied by it within the agreed delivery schedule, was not cancelled. Had the order for quantity of meters not supplied within the delivery schedule by the firm of New Delhi been cancelled and supply procured from BHEL at lower rates, the Board would have saved Rs.5.78 lakhs.

The matter was reported to the Board in March 1984 and to Government in August 1984; replies were awaited (June 1985).

7.10.05. *Extra expenditure on procurement of steel*

An order was placed (November 1981) by the Superintending Engineer, Electricity Steel Cell (ESC), Lucknow on a firm of Bombay for handling 10000 tonnes of imported steel billets at Bombay port.

The ESC instructed the firm on 24th December 1981 for despatch of 8969 tonnes of billets received at Bombay port in October 1981 (5740 tonnes) and December 1981 (3229 tonnes) to Panki (Kanpur). Due to late receipt (28th December 1981) of despatch instructions from the ESC the firm instead of making despatches from railway sidings inside the docks, shifted (November 1981 to January 1982) the billets to the storage

points and arranged the despatches from these points during February to May 1982. This resulted in an extra expenditure of Rs.6.55 lakhs (Rs.3.59 lakhs being storage charges and Rs.2.96 lakhs being difference in rates for despatches from railway siding inside dock and from storage points).

The Superintending Engineer, ESC stated (April 1983) that the delay in issue of despatch instructions were attributable to the late receipt of requirements from the user units of the Board. It was, however, noticed in audit (February 1983) that the requirements had already been approved by the Member (Commercial and Distribution) in May 1981.

The matter was reported to the Board in December 1983 and to Government in November 1984; replies were awaited (June 1985).

7.10.06. *Avoidable expenditure on carriage of cement*

The Board approved (April 1980) construction of railway siding consisting of one line from Tanda Railway Station to power house including lines inside the power station boundary to deal with traffic during construction of the power station (estimated cost : Rs.107.77 lakhs) and a siding covering complete marshalling yard (inter-change yard) inside the power house for handling the traffic expected after the power station is commissioned (estimated cost : Rs.223.52 lakhs). The estimates were revised (March 1984) to Rs.131.42 lakhs and Rs.368.47 lakhs respectively. The Tanda Power Station deposited (August 1980 to August 1984) Rs.375.93 lakhs (against the estimated cost of Rs.499.89 lakhs) for construction of the railway siding inside the power house complete with marshalling yard (inter-change yard). The Board also issued (September 1980 to August 1984) material valuing Rs.55.94 lakhs for the railway siding. The siding facility was ready by August 1981, but the action to get this siding enlisted in the list of sidings for holding jumbo rakes was initiated by the project authority in August 1984 only. In absence of approval for the siding for the holding Jumbo rakes by the Railways, the Dalla, Churk and Chunar units of the U. P. State Cement Corporation Limited supplied 20,848 tonnes of cement at Faizabad dump yard which had to be carted to project side during December 1981 to December 1983 involving an avoidable expenditure of Rs.16.22 lakhs (dump

charges : Rs.4.17 lakhs ; octroi charges : Rs.2.08 lakhs and cartage : Rs.9.97 lakhs) .

The matter was reported to the Board in March 1983 and to Government in December 1984 ; replies were awaited (January 1985) .

7.10.07. *Short/non-recovery of cost of works and lines*

(a) According to the Revenue Manual of the Board, a prospective industrial consumer is required to deposit in advance a sum based on the estimate of the cost of work to be done. In preparing the estimates, the cost of the materials issued departmentally is required to be accounted for at the issue rate of the concerned unit of the Board. On completion of the work, the estimates are required to be closed and the excess/saving is required to be realised from or refunded to the consumer as the case may be.

During test check in audit of the estimates for the years 1979-80 to 1983-84 in respect of 41 cases in Kanpur Electricity Supply Administration (25), Lucknow Electric Supply Undertaking (14) and Electricity Distribution Division, Farrukhabad (2), it was noticed that the cost of materials like supports, conductors and cables issued departmentally was estimated at rates much lower than the issue rates which resulted in short-realisation of Rs.13.83 lakhs from the consumers. Although these works were completed, these have not been closed. Action to realise the balance amount being the difference between the prevailing issue rates and the rates applied for in the estimates had not been taken so far (June 1985) .

(b) The rates of standard cost of line (Rs.113 per 10 metres) and 25 KVA sub-station (Rs.7650 per sub-station) chargeable from private tubewell consumers were increased from 1st October 1982 by the Board to Rs.221 and Rs.13857 respectively.

A test check of the records of Electricity Distribution Division, Kanpur revealed (September 1984) that in respect of 17 consumers with whom agreements were executed during October 1982 to February 1983, the revised rates were not charged resulting in short-recovery of Rs.0.56 lakh.

(c) According to the Board's orders (June 1978) in case of private tubewell cluster consumers, the cost of line and sub-station at the rate of Rs. 1200 per BHP was to be borne by the

Board and the amount in excess of this limit was recoverable from the consumers in proportion to the power load applied for by them. The charges for laying the line (Rs.113 per 10 metres) and sub-station (Rs.7650 per sub-station) for calculating the cost of cluster were revised (October 1982) by the Board to Rs.221 and Rs.13875 respectively. During test check (September 1984) of the accounts of Electricity Distribution Division, Kanpur it was noticed that 15 private tubewell consumers of 6 clusters to whom connections were given during October 1982 to February 1983, the revised rates were not made applicable resulting in short-recovery of Rs.0.70 lakh. The Divisional Officer stated (September 1984) that each case would be examined for raising the bills to the consumers.

(d) According to the terms and conditions governing supply of power to tubewell (PTW) consumers, in addition to the cost of line beyond free limit (300 metres) the consumers is required to pay fixed and variable charges towards cable service at rates prescribed by the Board from time to time. The fixed and variable charges for cable service recoverable during December 1981 to October 1982 were Rs.65 and Rs.285 (calculated at the rate of Rs. 19 per metre for 15 metres of cable) respectively. The fixed charges were, however, revised to Rs.70 from November 1982.

During test check of the records of Electricity Distribution Division, Kanpur, it was noticed (September 1984) that against the recoverable charges of Rs.350 and Rs.355 per consumer with effect from 1st December 1981 and 1st November 1982 respectively, the Division recovered at the rate of Rs.136 per consumer (break-up of fixed and variable charges not available) resulting in short-realisation of Rs.0.71 lakh from 255 consumers during December 1981 to October 1982 (Rs.0.55 lakh) and 29 consumers during November 1982 to September 1983 (Rs.0.16 lakh).

The Divisional Officer stated (September 1984) that the amount of under-charge will be realised from the consumers after examination of all the cases.

The above cases were reported to the Board between October 1983 to January 1984 and December 1984 and to Government in August and December 1984; replies were awaited (February 1985).

7.10.08. *Unplanned procurement of tower structure*

A firm of Calcutta against an order (August 1979) for designing, fabrication, galvanising and delivery of 3528.810 tonnes of 132 KV single circuit tower structure (value : Rs.166.56 lakhs) supplied 1309.651 tonnes of tower structure (value : Rs.75.51 lakhs) during March 1980 to May 1981. The material was still (November 1984) lying unutilised. Of the supplies received, 322.822 tonnes (value : Rs.18.63 lakhs) pertained to lines which were scheduled for commissioning in March 1983 and the balance 986.829 tonnes (value : Rs.57.08 lakhs) pertained to lines which were scheduled for commissioning in March 1984. The firm was requested (November 1980) to stop further supplies, since the revision of target dates for commissioning of these lines was under consideration. The target dates were last extended (May 1983) from March 1983 and March 1984 to December 1984 and June 1985 respectively.

The procurement of tower structure three years in advance resulted in blocking of funds during a period when the Board had been facing acute financial constraints and had to resort to borrowings (Rs.77.95 crores) during 1980-81.

The Board stated (March 1985) that due to the deferment of target, the work on the line could not be taken up and the material had become surplus and will be utilised for erection of the line according to target.

The matter was reported to Government in September 1984 ; reply was awaited (January 1985).

7.10.09. *Procurement of defective material*

The General Manager, Kanpur Electricity Supply Administration placed an order (October 1983) on a firm of Ghaziabad for supply of 2000 coils of 2 core 6 mm cable at a rate of Rs.200 per coil. The order stipulated that the Superintending Engineer (Distribution) would depute his representative for inspection and issue despatch instruction on receipt of intimation from the firm that the material was ready for delivery.

In a test check of the records it was noticed (September 1984) that the Executive Engineer (Stores Purchase) inspected the material and issued despatch instruction (December 1983) to the firm without obtaining approval of SE (D). 800 coils of cable valuing Rs.1.65 lakhs supplied by the firm (January

1984) were not found (April 1984) conforming to the ISI specification by the Superintending Engineer (Distribution) and accordingly the firm was directed (May 1984) to replace the cable. As the replacement was not made, further supplies were stopped (April 1984) and bank guarantee of Rs.0.40 lakh was invoked (September 1984). The defective cable was lying in the store. Action to investigate and to fix responsibility for loss on the delinquent official had not been taken so far (June 1985).

The Board stated (April 1985) that the firm had agreed to refund the amount, lift the defective material and that the matter was being pursued for refund at an early date.

The matter was reported to Government in December 1984; reply was awaited (June 1985).

7.10.10. *Defective cable laying*

Lucknow Electric Supply Undertaking placed an order (December 1979) on a firm of Lucknow for laying 11 KV cable from Aishbagh Power House to Raj Bhawan (6 kms) for providing alternative arrangement of power supply to certain areas. The work was completed in August 1980 at a total cost of Rs.16.81 lakhs. In January 1981, the cable were energised and soon after commissioning, there was break-down. The break-down was attributed (March 1983) by the Superintending Engineer (Distribution) to laying of cables at a depth of 1.5 feet below ground level instead of one metre and non-testing of cables before laying. The cable could not be energised even after incurring an expenditure of Rs.0.50 lakh in February/March 1981. In March 1983 it was assessed that a sum of Rs.11 lakhs would be further required to replace 2.5 km of 11 KV underground cables and relaying 3.5 km cables.

An Executive Engineer was appointed (May 1983) Enquiry Officer by the Superintending Engineer. Enquiry report was still awaited (January 1986).

The matter was reported to the Board in August 1984 and to Government in September 1984; replies were awaited (January 1986).

7.10.11. *Abandoned work*

The work of construction of 132 KV single circuit link line (8 kms) between 132 KV Tanda sub-station and Tanda

Thermal Power Station (estimated cost : Rs.10.25 lakhs) was awarded (March 1980) to a local contractor by the Superintending Engineer, Electricity Transmission Design Circle, Lucknow. The work was stopped (December 1980) due to a later decision (September 1980) of the Board to meet the construction power through existing 33 KV supply. It was observed that 132 KV line was being constructed while there was no 132 KV transformation system in Tanda and the line would become redundant after commissioning of the project. Expenditure of Rs.2.05 lakhs incurred on the work up to November 1980 was rendered infructuous.

The matter was reported to the Board in May 1984 and to Government in August 1984; replies were awaited (June 1985).

7.10.12. *Excess consumption of material*

Against 10 work orders valuing Rs.0.76 lakh issued (March to December 1982) by Electricity Distribution Division, Almora for fabrication of double pole, top channel, bracing sets and D-clamps, 22145.56 kgs of mild steel channel and 18,487.65 kgs of mild steel angle were issued (March to December 1982) against a requirement of 19112.34 kgs of mild steel channel and 14639.17 kgs of mild steel angle as per existing drawings of Rural Electrification Secondary System Planning Organisation (RESPO) of the Board. This resulted in excess issue of 3033.22 kgs of mild still channel and 3848.48 kgs of mild steel angle valuing Rs.0.38 lakh.

The Division stated (February 1985) that the steel was issued in accordance with the approved drawings of the Division. The drawings were, however, finalised by the Division in September 1984 and no justification and approval of RESPO for execution of work in accordance with other than RESPO's drawings were made available.

The matter was reported to the Board in December 1983 and to Government in August 1984; replies were awaited (February 1985).

7.10.13. *Mis-appropriation/shortage of stores*

(a) A junior engineer of Electricity Distribution Division I, Jaunpur under authorisation of the Executive Engineer procured (April/May 1983) 56.085 kms of 'Racoon' conductor (value : Rs 2.24 lakhs) from Electricity Distribution Division I, Basti and accounted for the same in the sub-divisional stock

account for October 1983. On being directed by the Sub-divisional Officer (20 December 1983) to handover 43.472 kms of conductor to another junior engineer for erection of 33 KV Bajrang Nagar Line, the Junior Engineer proceeded on leave with effect from 23rd December 1983. Meanwhile, the Police informed (12th April 1984) the Executive Engineer about FIR lodged by the Junior Engineer on 30th March 1984 regarding theft of various materials under his charge. Thereupon report was lodged with the Police by the Divisional Officer (15th April 1984), regarding misappropriation of stores material (value : Rs.5.62 lakhs) by the Junior Engineer. The Junior Engineer was placed under suspension on 11th May 1984.

The matter was reported to the Board/Government in September 1984 ; replies were awaited (January 1985).

(b) A Sub-divisional Officer of Electricity Distribution Division, Haldwani reported (April 1981) to the Superintending Engineer, Electricity Distribuion Circle, Ranikhet that material amounting to Rs.1.96 lakhs booked up to March 1981 as having been utilised in energisation of villages and construction of 11 KV lines was not available on the line.

It was stated in reply by the Division (November 1984) that disciplinary proceedings against the two junior engineers responsible for the irregularities were being contemplated.

The matter was reported to the Board in December 1983 and to Government in September 1984 : replies were awaited (January 1985).

(c) An Assistant Store Keeper of Electricity Distribution Division I, Moradabad was placed under suspension (30th April 1975) by the Executive Engineer on account of his involvement in the theft of 100 kg of copper scrap on 24th April 1975. A committee consisting of three assistant engineers constituted (July 1975) by the Executive Engineer pointed out (December 1976) shortage of stores valuing Rs.1.53 lakhs. A first information report which was required to be lodged immediately on noticing the embezzlement as per the orders of the Board (December 1971) was not lodged by the Division.

The Assistant Store Keeper was held responsible (June 1983) of misappropriation of stores (after a lapse of six years) by the Executive Engineer who ordered recovery of cost at the

rate of Rs.200 per month. Divisional Officer, Electricity Distribution I, Moradabad stated (January 1985) that Electricity Stores Division, Bareilly where the Assistant Store Keeper is working at present has not effected the punishment order. The recovery at this rate would involve 64 years to make good the loss.

The matter was reported to the Board/Government in October 1984; replies were awaited (January 1985).

(d) A junior engineer of Electricity Distribution Division II, Allahabad relieved (31st July 1982) on transfer to Electricity Distribution Circle, Jhansi handed over charge of material valuing Rs.0.64 lakh against the book balance of material valuing Rs.2.05 lakhs as on the date of relief resulting in short-handing over of material valuing Rs.1.41 lakhs. The shortage was neither reported to the Board as required in Board's order of May 1968 and August 1969 nor any action against the Junior Engineer was taken by the Divisional Officer (July 1984). On the omission being pointed out by Audit the Divisional Officer stated (August 1984) that a charge-sheet was being framed against the Junior Engineer.

The matter was reported to the Board in August 1984 and to Government in September 1984; replies were awaited (January 1985).

(e) The Assistant Engineer, Electricity Test Laboratory, Mathura reported (December 1980) to the Executive Engineer, Electricity Test Division, Agra that a junior engineer transferred to Electricity Distribution Division II, Mathura in May 1977 had not given account of energy meters of various capacities valuing Rs.1.19 lakhs. These meters were found short on a comparison of the balances of his stores records ending March 1974 with the stores account compiled by the sub-division on the basis of monthly accounts submitted by the Junior Engineer.

Besides delay in closing the sub-divisional stock account, (accounts of September 1974 were closed in December 1980) the Division, as per standing orders of the Board (December 1971), did not initiate criminal proceedings immediately on noticing the misappropriation of the Board's property.

The Executive Engineer, Electricity Distribution Division II, Mathura was requested by the Superintending Engineer,

Electricity Distribution Circle, Agra (September 1983) to effect recovery at Rs.300 per month from the incumbent (which will take 33 years to make good the loss). The recovery had started in August 1985 and Rs. 2106 had been recovered till January 1986.

The matter was reported to the Board/Government in November 1984; replies were awaited (January 1986)

(f) Physical verification of stores of sub-division III of Electricity Distribution Division, Pithoragarh conducted (March 1982) by the Sub-divisional Officer revealed, a shortage of Rs.1.07 lakhs which was booked (September 1982) as "Accounts Receivable" against the Junior Engineer. The first information report required to be lodged with the police immediately on noticing the shortage as per orders of the Board, was not lodged by the Divisional Officer. The Divisional Officer stated (September 1984) that orders for recovery at the rate of Rs..300 per month have been issued (May 1983) by the Superintending Engineer, Electricity Distribution Circle, Ranikhet and a sum of Rs.0.04 lakh has since been recovered. Recovery of shortage at this rate will take thirty years to recover the entire amount.

The matter was reported to the Board in November 1983 and to Government in August 1984 replies were awaited (January 1985).

7.10.14. *Misappropriation of cash*

During September 1981 to April 1983, a noter and drafter of Electricity Distribution Division, Akbarpur (Faizabad) misappropriated by short-deposit/non-deposit of revenue realisations from consumers (Rs. 1.43 lakhs) into the bank and submitting forged pya-in-slips of bank (Rs.1.73 lakhs). An FIR was lodged with the Police in May 1983. The misappropriation of Rs.3.16 lakh over a long period was rendered possible on account of (i) non-reconciliation/delay in reconciliation of deposits with the bank scroll (ii) issue of more than one receipt book at a time and (iii) not keeping a watch on timely return of used receipt books to the Division.

The Divisional Officer stated (August 1983) that the matter was under investigation and final position would be intimated.

The matter was reported to the Board in July 1984 and to Government in August 1984; replies were awaited (January 1985).

7.10.15. *Time-barred claims*

Against seven orders of the Obra Thermal Power Project (September 1978 to September 1980) placed on a firm of New Delhi, two wagons loaded (March 1981) consisting of spares and equipments and boiler components arrived at Billi Railway station on 1st June 1981. On taking open delivery of the material on 29th June 1981 it was found that material valuing Rs.1.96 lakhs was short. Claims lodged (14th August 1981) with the Railways were rejected (November 1982) on the ground that they were not submitted within the prescribed period of six months from the date of railway receipt *viz.* 14th and 28th March 1981. The claims lodged with insurance company on 14th August 1981 was also rejected (October 1982 and February 1983) on the ground that delivery of material was not taken within seven days from the date of arrival of the wagons as stipulated in the standard terms and conditions of the insurance company. The Division has filed a civil suit (August 1984) against the Railways.

The matter was reported to the Board in August 1984 and to Government in November 1984 ; replies were awaited (June 1985).

7.10.16. *Non-supply of material*

Kanpur Electricity Supply Administration (KESA) placed an order (July 1983) on a firm of Kanpur for supply of 10 tonnes of mild steel angle at Rs.4448 per tonne and 20 tonnes of mild steel rounds at Rs.4430 per tonne. The order stipulated that cost of material would be paid against delivery based on *pro forma* bill. Payment of Rs.0.90 lakh was made in August 1983 without taking delivery of material. Out of Rs.0.90 lakh paid to the firm, material valuing Rs.0.21 lakh was received (February 1984), security deposit of Rs.0.02 lakh and Rs.0.01 lakh representing other dues of the firm were available with the Board. It was stated by KESA (February 1985) that disciplinary proceedings have been initiated against the Assistant Store Keeper concerned and a suit for recovery of the amount due has been filed (January 1985) against the firm.

The matter was reported to the Board/Government in December 1984 ; replies were awaited (June 1985).

7.10.17. *Non-recovery of cost of material*

(a) The Executive Engineer, Construction Division,

Kanpur Electricity Supply Administration executed an agreement (September 1982) with a firm of Kanpur for construction of 33 KV double circuit Naubasta-Yashodanagar line without obtaining administrative approval and preparation of estimates in spite of the fact that the work was not required to be carried out as connecting 132 KV sub-station was not yet ready. Material (rails, bolts and nuts, angle iron channels, cement, etc.) worth Rs.0.58 lakh was also issued (December 1982) to the firm although it had not been authorised to commence the work as the administrative approval to the estimate for the work was awaited (September 1984). The firm returned (November 1983) material valuing Rs.0.28 lakh. The agreement was terminated (June 1984) and the security deposit amounting to Rs.0.01 lakh forfeited. No action was taken to recover the balance material valued Rs.0.30 lakh from the contractor.

The matter was reported to the Board/Government in August 1984; replies were awaited (January 1985).

(b) Lucknow Electric Supply Undertaking issued (January 1974) 181.05 tonnes of coal (value : Rs.0.81 lakh) to two firms A and B (31.05 tonnes valued Rs.0.05 lakh to firm A and 150.00 tonnes valued Rs.0.26 lakh to firm B) on loan basis under orders of the Board (May 1974) without finalising any terms and conditions. The firms neither returned the coal nor paid the cost of it till their dissolution in January 1976 and February 1978 respectively.

The matter was reported to the Board/Government in December 1984; replies were awaited (February 1985).

7.10.18. *Short/Non-realisation of security deposit from consumers*

(a) The rates of security deposit payable by the consumers of large and heavy power, small and medium power, street light and private tube-wells were enhanced (March 1983) and the additional security was to be realised in three to twelve instalments along with the monthly bills of the consumers.

It was, however, noticed that in 56540 cases of 21 divisions, additional security deposit to the extent of Rs.170.14 lakhs was not levied (March 1984).

The Divisional Officers stated that action for recovery of the additional security deposit was in progress.

The matter was reported to the Board in July 1984 and to Government in August 1984; replies were awaited (January 1985).

(b) The rates of security deposit chargeable from light and fan consumers including domestic power were revised from Rs.30/Rs.60 to Rs.100 on 22nd May 1979. During test check of records of 3 divisions (August/September 1982 and September 1983) it was noticed that these orders were implemented since September 1980 resulting in short-realisation of security deposit amounting to Rs.1.39 lakhs from 2712 consumers during May 1979 to September 1980 as detailed below :

Name of division	Short-realisation	
	Number of consumers	Amount (Rupees in lakhs)
Electricity Distribution Division, Roorkee	724	0.32
Electricity Distribution Division III, Gorakhpur	442	0.27
Electricity Distribution Division I, Ghaziabad	1546	0.80
	<hr/> 2712	<hr/> 1.39

It was stated in reply by Electricity Distribution III, Gorakhpur (September 1983) and Electricity Distribution Division I, Ghaziabad (August 1982) that short-realisation of security deposit was due to late receipt of orders of the Board and action to realise balance amount of the deposit was in progress. Replies from other divisions were awaited (January 1985).

The matter was reported to the Board in February 1984 and to Government in August 1984; replies were awaited (January 1985).

7.10.19. *Idle staff*

33 KV construction sub-division under Electricity Distribution Division II, Allahabad was having no work since March 1983 consequent on transfer of 33 KV works to Transmission Construction Division, Allahabad. The establishment

expenditure of the sub-division and account of pay and allowances of the idle staff during March 1983 to July 1984 worked out to Rs.2.72 lakhs. The sub-division was abolished in August 1984.

The matter was reported to the Board in August 1984 and to Government in September 1984 ; replies were awaited (June 1985) .

SECTION VIII

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

8.01. *Introduction*

The Uttar Pradesh State Road Transport Corporation was established on 1st June 1972 under the Road Transport Corporations Act, 1950.

8.02. *Capital*

Under Section 23 (1) of the Act, the capital contributions by the Central and State Governments as on 31st March 1984 were as under :

	As on 31st March		Percentage increase
	1983	1984	
	(Rupees in lakhs)		
Central Government	1613.91	1716.50	6.4
State Government	4911.00	5411.00	10.2
Total	6524.91	7127.50	9.2

8.03. *Guarantees*

The table below indicates the details of guarantees given by Government for the repayment of loans raised by the Corporation and payment of interest thereon :

Particulars	Year in which guaranteed	Amount guaranteed*	Amount outstanding as on 31st March 1984		
			Principal	Interest	Total
			(Rupees in lakhs)		
Banks	1975-76	450.00	294.67	11.99	306.66

*The figure as per Finance Account was Rs.2325 lakhs. Difference was under conciliation.

8.04. Operational performance

The table below indicates the operational performance of the Corporation for the three years up to 1983-84 :

	1981-82	1982-83 (Provisional)	1983-84
Route kilometres	284862	273442	268914
Number of operating depots	93	93	93
Average number of vehicles held*	5996	5889	5892
Average number of vehicles on road	4650	4353	4214
Percentage of utilisation	78	74	72
Kilometres covered (in lakhs)			
—Gross	4045	3855	4135
—Effective	3942	3753	4049
—Dead (including departmental)	103	102	86
Percentage of dead kms to gross kms	2.6	2.7	2.1
Average kms per vehicle per day	210	214	217
Passenger kms scheduled (in lakhs)	Not available		
Passengers kms operated (in lakhs)	3929.79	Not available	
Occupancy ratio	75	74	70
Average number of break-downs per lakh kms	0.11	0.11	0.10
Average number of accidents per lakh kms	0.18	0.16	0.15
Average revenue per effective km (paise)	282	295	317
Average expenditure per effective km (paise)	289	326	337
Loss per km (paise)	7	31	20

*Vehicles includes buses, taxis and trucks.

8.05. Agra Region

8.05.01. Introduction

The Uttar Pradesh State Road Transport Corporation had 18 regions with 93 depots as on 31 March 1984.

The Agra Region of the Corporation was established in May 1947. There were five depots under this Region out of which four were located at Agra and one at Mathura. The day-to-day operations of the Region are managed by a Regional Manager who is assisted by four Assistant Regional Managers, a Service Manager and a Regional Account Officer.

8.05.02. Working results

(a) The working results of the Region for the three years up to 1983-84 based on provisional accounts are indicated below :

	1981-82		1982-83		1983-84	
	Owned buses	Hired buses	Owned buses	Hired buses	Owned buses	Hired buses
(Rupees in lakhs)						
Operating :						
Income	735.47	190.26	778.64	258.19	812.63	334.34
Expenditure	781.14	125.92	819.69	191.78	839.95	227.72
Surplus (+)/ deficit (—)	(—)45.67	(+)64.34	(—)41.05	(+)66.41	(—)27.32	(+)105.62
Non-operating						
Income	42.50	..	37.37	..	21.66	..
Expenditure	50.40	..	76.18	..	60.99	..
Deficit	.. 7.90	..	38.81	..	39.33	..
Total Income	777.97	190.26	816.01	258.19	834.29	334.34

Expenditure	831.54	125.92	895.87	191.78	900.94	227.72
Surplus	(-)53.57	(+)64.34	(-)79.86	(+)66.41	(-)66.65	(+)106.62

(+)/

deficit (-)

Total revenue	263.54	64.04	259.11	83.82	243.99	99.77
kms (in lakhs)						

(Rupees)

Operating revenue per revenue km	2.79	2.97	3.00	3.08	3.33	3.35
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Operating expenditure per revenue km	2.96	1.97	3.16	2.29	3.44	2.28
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Operating profit(+)/ Loss (-) per revenue Km	(-)0.17	(+)1.00	(-)0.16	(+)0.79	(-)0.11	(+)1.07
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The revenue kms of hired buses as well as the revenue earned from the operation of hired buses increased from year to year whereas the revenue kms of owned buses declined year after year and the Region had been continuously incurring losses on the operation of owned buses. The total revenue earned from the operation of hired buses during the three years up to 1983-84 was Rs.237.37 lakhs while the total loss incurred on the operation of owned buses was Rs.200.08 lakhs during the same period.

The Regional Manager stated (July 1984) that the increase in expenditure on owned buses from year to year without corresponding increase in fares was the main reason for losses on the operation of owned buses.

(b) Depot-wise working results (both owned and hired buses) of the Region for the three years up to 1983-84 were as under :

Name of depot	1981-82			1982-83			1983-84		
	Income	Expenditure	Net Profit (+)/ Loss (-)	Income	Expenditure	Net Profit (+)/ Loss (-)	Income	Expenditure	Net Profit (+)/ Loss (-)
(Rupees in lakhs)									
Fort	327.15	279.65	(+)47.50	362.54	531.59	(+)30.95	396.66	345.45	(+)51.21
Idgah	231.76	225.01	(+)6.75	257.28	259.67	(-)2.39	290.83	272.50	(+)18.33
Mathura	267.17	250.18	(+)16.99	297.60	288.52	(+)9.08	324.55	292.76	(+)31.79
Foundry Nagar	42.96	69.93	(-)26.97	47.48	71.95	(-)24.47	43.68	73.80	(+)30.12
City Bus Service	99.19	132.69	(-)33.50	109.30	135.92	(-)26.62	112.92	144.16	(-)31.24
Total	968.23	957.46	(+)10.77	1074.20	1087.65	(-)13.45	1168.64	1128.67	(+)39.97

The Foundry Nagar and City Bus service depots incurred losses for all the three years up to 1983-84. The Regional Manager attributed (July 1984) (i) comparatively low fares as compared to rural services (ii) old fleet and (iii) excessive wear and tear as reasons for continuous losses in these two depots.

8.05.03. Fleet position

As on 31st March 1984, the Region had a fleet of 503 buses, (Tata : 149 and Leyland : 354). Out of 503 buses, 144 buses were more than 10 years old, 168 buses were of more than 5 years but less than 10 years and 191 buses were of less than 5 years.

As per norms fixed by the Corporation in December 1982, a bus should be replaced after it had covered 5.5 lakh

kms. The break-up of buses in terms of kms operated as on 31st March 1984 was as follows :

Name of depot	Kms covered		
	More than 5.5 lakh kms	More than 3 lakh kms but less than 5.5 lakh kms	Less than 3 lakh kms
	(Number of buses)		
Fort	24	53	39
Idgah	20	49	41
Mathura	21	63	45
Foundry Nagar	9	32	10
City Bus Service	17	57	23
Total	91	254	158

As on 31st March 1984, the Region had 91 buses (18 per cent) which had completed the prescribed life and were awaiting replacement. Out of the fleet of 503 buses as on 31st March 1984, 27 buses were set aside during November 1982 to March 1984 by the depots for auction. Out of these 27 buses, 17 buses were auctioned during October 1984 and in respect of remaining 10 buses approval of the Corporation was awaited (November 1984). These 27 buses included 4 buses which had not completed the prescribed life of 5.5 lakh kms as one bus had met with an accident and its chassis was badly damaged while in the case of three buses the body and mechanical conditions were very poor.

As per norms, a bus is required to be renovated after it had run 3 lakh kms. There were 96 buses in the Region, as on 30th June 1984, which had covered more than 3 lakh kms but had not been renovated. The backlog in renovation of buses was stated (July 1984) to be due to short supply of buses by Central Workshop, Kanpur.

8.05.04. *Fleet utilisation*

The following table indicates the details of fleet utilisation during the three years up to 1983-84 :

	1981-82	1982-83	1983-84
Average number of buses held during the year	497	470	483
Average number of buses on road per day	312	301	288
Number of buses off road	185	169	195
Percentage of off road buses to buses held	37.2	35.9	40.4
Total gross kms (in lakhs)	271.13	266.53	249.66
Average distance operated per bus on road per day (in kms)	238	243	238

The gross kilometres gradually declined from year to year on account of the buses remaining off-road. The high percentage of off-road buses was attributed (July 1984) by the Management to non-replacement of buses which had already covered 5.5 lakh kms awaiting replacement, delay in renovation of buses, non-availability of spare parts and assemblies, labour problems and non-acquisition of required number of new buses.

8.05.05. *Dead kilometres*

The following table gives the details of dead kms in the Region during the three years up to 1983-84 :

	1981-82	1982-83	1983-84
	(In lakhs)		
Gross kms	271.13	266.53	249.66
Effective kms operated	262.89	258.46	243.21
Dead kms	8.24	8.07	6.45
Percentage of dead kms to gross kms	3.0	3.0	2.6

The total operating cost in respect of the dead kms during the three years up to 1983-84 worked out to Rs.72.08 lakhs.

The incidence of dead kms attributable to avoidable and unavoidable factors was not analysed by the Management (November 1984)'.
 8.05.06. *Curtailment of trips*

Depot-wise position of the scheduled kilometres, kilometres curtailed due to different reasons and the percentage of kilometres curtailed to the scheduled kilometres for the three years up to 1983-84 is indicated below :

Depot	Year	Scheduled	Missed due to			Total	Percentage of kms curtailed to scheduled kms	Percentage of curtailment due to workshop and mechanical defects to total curtailments
			Workshop and mechanical defects	Dull traffic and non-availability of crew	Other reasons			
(Kms in lakhs)								
Fort	1981-82	80.90	11.79	0.59	0.57	12.95	16.0	91.0
	1982-83	86.23	15.34	1.06	2.02	18.42	21.4	83.3
	1983-84	82.91	15.94	0.89	2.42	19.25	23.2	82.8
Idgah	1981-82	87.40	9.96	0.40	0.92	11.28	12.9	88.3
	1982-83	96.91	13.51	0.50	1.60	15.61	16.1	86.5
	1983-84	100.76	14.49	0.55	2.31	17.35	17.2	83.5
Mathura	1981-82	100.76	14.92	0.81	2.46	18.19	16.7	82.0
	1982-83	114.02	13.00	1.07	1.89	15.97	14.0	81.5
	1983-84	112.82	11.40	0.81	1.79	14.00	12.4	81.4
Foundry Nagar	1981-82	29.49	11.13	0.12	0.36	11.61	39.4	95.9
	1982-83	28.15	11.83	0.07	0.21	12.11	43.0	97.7
	1983-84	28.25	12.57	0.08	0.35	13.00	46.0	96.7
City Bus Service	1981-82	54.18	16.24	0.24	1.27	17.75	32.8	91.5
	1982-83	52.52	16.18	0.30	0.73	17.21	32.8	94.0
	1983-84	51.30	15.07	0.44	1.10	16.61	32.4	90.7
Total	1981-82	360.73	64.04	2.16	5.58	71.78	19.9	89.2
	1982-83	377.83	69.87	3.00	6.45	79.32	21.0	88.1
	1983-84	376.04	69.47	2.77	7.89	80.13	21.3	86.7

Percentage of kms curtailed to scheduled kms ranged from 13 to 46 *per cent*. There was increase in percentage of kms missed to scheduled kms from year to year in Fort, Idgah and Foundry Nagar depots which was attributed (December 1984) to increase in number of off-road buses, shortage of assemblies and spares and ban on recruitment. Curtailments due to workshop and mechanical defects ranged between 86.7 and 89.2 *per cent* of the total curtailment during 1981-82 to 1983-84, which reflects poor working of the workshops in the Region.

8.05.07. *Oils and lubricant*

(a) *Excess consumption of high speed diesel (HSD) oil*

The Corporation had fixed (February 1982) a norm of consumption of HSD at 4.5 kms per litre for buses, as against the then existing norm of 5.5 kms per litre (fixed in September 1980).

The kms run per litre of HSD oil in different depots of the Region during the three years up to 1983-84 are indicated below :

Name of depot	Average kms per litre of HSD oil		
	1981-82	1982-83	1983-84
Fort	4.2	4.3	4.0
Idgah	4.1	4.2	4.1
Mathura	4.1	4.1	4.2
Foundry Nagar	3.9	3.9	3.6
City Bus Service	3.6	3.6	3.7

Based on the norm of 4.5 kms per litre of HSD, the excess consumption of HSD oil works out to 20.62 kilolitres (value : Rs.65.36 lakhs) during the three years up to 1983-84.

The excess consumption of HSD oil as compared to norm as stated (July 1984) by the Management was due to :

- (i) old fleet,
- (ii) poor condition of roads,
- (iii) overloading,
- (iv) frequent change of drivers,
- (v) poor re-conditioning of fuel injection pumps,
- (vi) use of defective injections due to non-availability of nozzles for injections, and
- (vii) operation of buses on city roads where the average consumption of diesel was low due to various factors.

(b) Excess consumption of engine oil

The Corporation had fixed (February 1982) a norm of consumption of engine oil at 400 kms per litre which is required for topping up oil levels in the engines.

The kms obtained per litre of engine oil in different depots of the Region during the three years up to 1983-84 are indicated below :

Name of depot	Average kms per litre of engine oil		
	1981-82	1982-83 (Kms)	1983-84
Fort	348	425	463
Idgah	267	275	292
Mathura	277	315	376
Foundry Nagar	222	248	204
City Bus Service	181	231	280

Based on the norm of 400 kms per litre of engine oil, the excess consumption of engine oil worked out to 0.73 lakh litres (value : Rs.8.01 lakhs) during the three years up to 1983-84.

The Management stated (July 1984) that excess consumption of engine oil was due to :

- (i) defective engines requiring re-ringing,
- (ii) over speeding,
- (iii) over loading, and
- (iv) inherent defect of back compression in Leyland (370) and Viking models.

(c) *Short-recovery of burnt engine oil*

The Transport Commissioner of the State had laid down (June 1970) that 80 *per cent* of the engine oil issued to the vehicles should be recovered in the shape of burnt oil at the time of replacement of engine oil.

The percentage of burnt oil recovered in different depots of the Region during the three years up to 1983-84 is indicated below :

Name of depot	Total burnt oil recovered (litres)	Percentage of burnt oil recovered to oil issued
Fort	18718	72
Idgah	17000	75
Mathura	22154	72
Foundry Nagar	3527	38
City Bus Service	15820	69

Based on the norm, the short recovery of burnt engine oil worked out to 0.22 lakh litres (value : Rs.0.66 lakh) during the three years up to 1983-84.

The Management stated (July 1984) that short-recovery of burnt engine oil was due to spillage and burning of used oil during winter months by the workers.

(d) *Leakage of petrol*

There was continuous leakage of petrol (since April 1980) at petrol pump of Idgah depot. Though Indian Oil Corporation Limited (IOC) was requested (October 1980)

to rectify the defective pump, the pump was replaced only in February 1983 and by that time, total shortage of petrol worked out to 7593 litres (value : Rs.0.46 lakh).

At the instance of Audit (June 1984) Regional Manager took up (November 1984) the matter for recovery of the shortage with IOC.

8.05.08. *Performance of engines and batteries*

(a) *Engines*

The Corporation prescribed (February 1982) normal life of new and reconditioned engines as 2 lakh kms and 0.80 lakh kms respectively. In a test check in audit (June 1984) it was noticed that 8 new and 152 re-conditioned engines failed before rendering the prescribed life during the three years up to 1983-84 :

Year	Type	Number of engines removed after covering			
		Below 0.5 lakh kms	0.5 lakh to 1.0 lakh kms	1.0 lakh to 1.5 lakh kms	1.5 lakh to 2.0 lakh kms
1981-82	New	..	..	1	1
	Re-conditioned	5	37	..	..
1982-83	New	..	..	..	1
	Re-conditioned	19	31	..	..
1983-84	New	..	..	2	3
	Re-conditioned	35	25	..	..

It was stated (July 1984) by the Management that most of the engines failed due to wear and tear of certain parts and in 13 cases where engines failed prematurely due to negligence of drivers, reports were sent to concerned assistant regional managers for taking necessary action. Action taken on these reports called for (June 1984) had not been indicated (June 1985).

In regard to premature failure of eight new engines, no replacement could be obtained as they failed after expiry of warranty.

(b) *Batteries*

The Corporation as well as manufacturers of batteries had fixed (February 1982) 12 months as the minimum life of a battery. The table below indicates the number of batteries which were removed before rendering the prescribed life during the three years up to 1983-84 :

Year	Number of batteries removed after rendering service of :			
	Below 3 months	Above 4 months but below 6 months	Above 6 months but below 9 months	Above 9 months but 12 months
1981-82	4	2	..	41
1982-83	..	4	..	..
1983-84	..	..	12	25

No replacement was obtained from manufacturers as the low life, according to the Management (July 1984) was due to operating conditions.

8.05.09. *Operation of private buses*

The Corporation prescribed (September 1980) that the percentage of buses remaining off-road should not exceed 15 per cent of the fleet. The table below would indicate that private buses were engaged by the Region as a large number if its own buses were off-road in excess of the prescribed norm:

Year	Average number of buses held	Maximum off road buses at 15 per cent	Actual off road buses	Excess off road buses	Average number of private buses deployed
1981-82	497	75	185	110	54
1982-83	470	71	169	98	73
1983-84	483	73	195	122	93

It would be evident from the table that if the number of off-road buses was maintained at the level of the prescribed norm, hiring of private buses could have been substantially avoided or reduced.

The payments made to private bus owners during the three years up to 1983-84 amounted to Rs.116.77 lakhs, Rs.154.06 lakhs and Rs.182.83 lakhs respectively. If the number of private buses engaged was reduced by strictly controlling to extent of off-road buses, the Corporation would have gained to the extent of the payments made to the private bus owners reduced by the operating expenses that would have to be incurred for operation of its own buses.

8.05.10. *Regional workshop*

The Regional workshop at Agra undertakes preventive maintenance of vehicles after completing one lakh kms and carries out heavy repairs of vehicles and reconditioning of some unit assemblies.

As against the norm of 15 days prescribed by the Corporation in May 1980 for maintenance and repairs of buses after covering one lakh kms, the average time taken in the Regional workshop was as under :

Year	up to 15 days	16 to 30 days	31 to 45 days	Above 45 days
(Number of buses)				
1981-82	8	2	6	79
1982-83	5	12	3	58
1983-84	12	6	4	61

In 35 cases (1981-82 : 8, 1982-83 : 14 and 1983-84 : 13) the time taken ranged between 150 and 294 days.

Revenue loss suffered by the Corporation for vehicle days lost worked out to Rs.21.69 lakhs, Rs.17.85 lakhs and Rs.20.96 lakhs during the three years ending 1983-84.

8.05.11. *Depot workshops*

A workshop is attached to each depot for day-to-day maintenance and repairs and these workshops undertake preventive maintenance of vehicles after completing 2000, 4000, 8000, 16000 and 32000 kms.

A test check (June and July 1984) of the records of depot workshops disclosed the following :

- (i) The programme of repairs to be undertaken at a

depot workshop and the time required to complete a job were not prescribed.

(ii) Though the servicing schedule based on distance covered was prescribed for maintenance of buses, there was no record to show the dates when the buses became due for maintenance, the date when they were taken up, the date of completion and the actual work done during maintenance. In the absence of these records it could not be ensured that the buses were serviced regularly.

(iii) Job cards meant to show date of receipt of vehicle, work to be done, description of actual work done, were used only to indicate details of materials issued.

(iv) The details of labour engaged for repairs of buses were not indicated in the job cards.

(v) Buses were kept off-road in the depot workshops for want of assemblies for prolonged periods. As on 31st March 1984, sixteen buses remained off-road for more than ninety days due to non-availability of assemblies.

(vi) Each depot has a stores section which draws monthly requirements of spare parts from regional stores. No maximum, minimum or re-ordering levels were fixed.

(vii) New spare parts are required to be issued only against return of old/defective spare parts. The receipt of old/defective spare parts was, however, not accounted for in the stores.

In respect of costly assemblies where the damaged assemblies are required to be returned to regional stores, variations noticed between the number of re-conditioned assemblies issued and defective assemblies received back were not reconciled.

8.05.12. *Man-power analysis**Staff position*

The following table shows the staff position of the Region at the end of each of the three years up to 1983-84 :

	1981-82	1982-83	1983-84
	(Number of employees)		
Traffic staff	765	819	814
Drivers	881	870	842
Conductors*	871	865	875
Maintenance staff	821	826	856
Administrative staff	181	176	179
Others	2	2	2
Total	3521	3558	3568

8.05.13. (a) *Inventory control*

The table given below indicates the position of inventory of the Region at the end of the three years up to 1983-84 :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Opening balance	29.46	40.78	29.61
Receipt including local purchase	154.54	137.59	131.77
Stores consumed	143.22	148.76	136.32
Closing balance	40.78	29.61	25.06
Closing balance in terms of months' consumption	3.4	2.4	2.2

Closing stock at the end of 1983-84 includes spare parts of models not in use (2349 items) worth Rs.5.22 lakhs and which were lying in store since 1977 and spare parts of models in use (314 items) worth Rs.2.49 lakhs were surplus to the requirement and there was no issue of these items since December 1982.

*Excludes 81, 110 and 140 conductors engaged in respect of hired vehicles during the three years up to 1983-84 respectively, worked out at 1.5 conductors per private bus as the actual number deployed was not available.

Due to delay in disposal, the condition of spare parts was deteriorating and their value was diminishing as is evident from the fact that spare parts worth Rs.2.02 lakhs which were put up to auction during January 1980, could only fetch an amount of Rs.0.74 lakh.

In addition, disposal of obsolete and surplus spare parts worth Rs.7.71 lakhs was awaited (July 1984) for want of orders from the Corporation.

Disposal of 412 items of unusable tools worth Rs.0.53 lakh was also awaited (July 1984).

It was stated (July 1984) by the Regional Manager that a list of surplus and obsolete items was sent (February 1977) to Deputy General Manager (MMT) from whom further instructions were awaited (January 1986).

(b) *Physical verification*

Result of physical verification of stores at the end of 1983-84 was not intimated as the physical verification reports which were required to be submitted by officers entrusted with the work by 15th May 1984 were still awaited from them (January 1986).

8.05.14. *Sundry debtors*

(a) The sundry debtors at the end of the three years up to 1983-84 were as under :

	<i>As on 31st March</i>		
	1982	1983	1984
	(Rupees in lakhs)		
State Government departments	3.84	3.49	4.14
Central Government departments	1.50	0.82	0.32
Other State Road	5.30	3.38	3.21
Transport Corporations			
Staff members and others	0.64	0.75	0.87
Total	11.28	8.44	8.54

Sundry debtors as on 31st March 1984 included, *inter alia*, the following :

(i) Rs.1.20 lakhs on account of hire charges of buses given for a rally held at Delhi (February 1981) had been incorrectly shown as outstanding against State Government departments, instead of against a political party.

(ii) A sum of Rs.0.71 lakh was outstanding against six employees of the Corporation on account of rent of residential quarters for the period from September 1975 to February 1984. Five employees, against whom Rs.0.51 lakh were outstanding, were transferred to other regions.

(iii) Rs.0.51 lakh deposited by the Region in Agra Treasury during September 1972 to March 1974.

(b) Year-wise break-up of sundry debtors had not been maintained.

(c) No confirmation from any of the parties of the balances due from them had been obtained.

8.05.15. *Internal audit*

Internal audit system was introduced in January 1982 with one audit officer and one auditor. Another auditor was posted in April 1982. The post of audit officer was lying vacant since August 1982. Periodicity and quantum of checks to be exercised in internal audit had not been prescribed (July 1984). No record showing the unit-wise dates of inspection and period covered by internal audit in respect of each unit was maintained.

8.05.16. *Other topics of interest*

(a) *Printing of counter sale books*

During December 1979 to July 1980 the Agra region printed 52,000 counter sale books at a cost of Rs.7.51 lakhs (Rs.14.45 per book) against printing order of Head Office without ascertaining the demand of different regions. 48394 books were issued (December 1979 to October 1982) to other regions for use at booking counters.

It was, however, seen that 3599 books retained by the Region were used in place of blank ticket books (costing

Rupee one per blank ticket book). Nainital and Lucknow regions which were supplied 10400 and 13000 books by the Region also used 9437 and 5766 books respectively in place of blank ticket books. Information about use of books supplied to other regions was awaited (May 1985).

Use of counter-sale books, in place of blank ticket books resulted in a loss of Rs.2.53 lakhs, being the difference in the cost of printing of counter sale books compared to that of blank ticket books.

(b) Loss due to subsidy not availed

To overcome the difficulties faced by the industrial units due to irregular power supply, Government decided (May 1980) to give a subsidy of 50 *per cent* of the cost of diesel generating sets purchased by the industrial units. The scheme was to be implemented by the Uttar Pradesh Financial Corporation (UPFC) as an agent of Government. The Corporation directed (June 1981) all the regional managers to prefer the claims with UPFC by 30th June 1983.

Three diesel generating sets (30 KVA, 60 KVA and 63 KVA valuing Rs.2.96 lakhs) were purchased by the Region during July 1980 (two) and January 1981 (one). Though the Region applied (April 1981) to UPFC for subsidy only in respect of 60 KVA and 63 KVA diesel generating sets, it could not avail of the same (Rs.1.12 lakhs) as the prescribed documents were not submitted to the UPFC within the specified time limit. No claim was preferred in respect of 30 KVA set (Rs.0.36 lakh) the reasons for which were not on record. The loss on this account worked out to Rs.1.48 lakhs.

(c) Payment of penalty

Under section 10 of Uttar Pradesh Motor Gari (Yatri Kar) Adhiniyam, 1962, passenger-tax for a month should be deposited with the Regional Transport Officer (RTO) by 15th of the following month failing which penalty up to 25 *per cent* of the amount of passenger-tax would be levied on the defaulting unit. The Region failed to deposit the passenger-tax for the period from April to July 1975 (Rs.28.10 lakhs) and September 1975 to February 1976 (Rs.43.31 lakhs) within the prescribed time limit. The RTO imposed (May 1976) penalty (one *per cent*) amounting to Rs.0.71

lakh which was deposited by the Region during March 1984 (Rs.0.18 lakh) and July 1984 (Rs.0.53 lakh). The appeal filed for refund of the penalty paid with the Deputy Transport Commissioner (Enforcement) was stated (July 1984) to be pending (June 1985).

(d) Loss of tickets

As per instructions issued by the Corporation in April 1981, in the case of loss of tickets, the face value of the printed tickets or the maximum fare of the route in the case of blank tickets should be recovered from the official responsible except in cases where after thorough enquiry it is established that the loss was accidental and tickets had not been misused. There were 153 cases of loss of tickets involving an amount of Rs.1.96 lakhs during the three years up to 1983-84 (1981-82 Rs.0.59 lakh, 1982-83 Rs.0.87 lakh and 1983-84 Rs.0.50 lakh).

Neither any recovery was effected nor any write off sanction was obtained (July 1984). It was stated (July 1984) by the Management that most of the cases were pending in court of law and with Police, the records of which were, however, not made available to Audit.

(e) Damage cases

As per records maintained in Service Manager's office, in 582 cases during the three years up to 1983-84 the vehicles got damaged due to the negligence of drivers. Accordingly, cases were referred to assistant regional managers for effecting recovery. In respect of 17 cases where extent of damage has been ascertained an amount of Rs.1.71 lakhs was to be recovered from drivers. The amount has not been recovered so far (July 1985).

(f) Refund of road tax

According to Uttar Pradesh Motor Vehicle Taxation Act, 1935, if a vehicle remains off-road for a continuous period of not less than 30 days from the date the road tax or instalment thereof was last paid, a refund of tax equivalent to 1/12th of the annual rate of tax payable in respect of such vehicle is admissible on surrender of registration documents for each complete month during which the vehicle had remained off-road. The Act further prescribed that no claim for refund

shall be entertained unless it is presented within 3 months from the date on which it becomes due.

There was no system to ensure at regional level whether refund of road tax was being claimed in all admissible cases and within the prescribed time limit.

In 26 cases test checked (June/July 1984) in audit it was found that claims for refund of road tax pertaining to the period from October 1980 to November 1983 were not lodged within the prescribed time limit and became time-barred due to which the Region was put to a loss of Rs.0.36 lakh responsibility for which was not fixed (January 1986).

(g) *Idle machine*

One new hydraulic tyre mounting machine (value : Rs.0.24 lakh approximately) supplied by a firm of New Delhi was received in the Region (September 1981) which could not be installed/utilised and was lying at Idgah depot (July 1984) resulting in blocking-up of Corporation's funds.

It was stated (July 1984) that the idle machine could not be installed as the supplier did not depute his engineer for its installation.

The matter was reported to the Corporation/Government in September 1984 ; replies were awaited (January 1985).

8.05.17. *Summing-up*

(i) During 1981-82 to 1983-84, the Region earned an overall profit of Rs.37.29 lakhs, which was mainly on operation of private buses on hire basis.

(ii) The actual number of buses kept off-road in the Region ranged between 35.9 and 40.4 per cent during 1981-82 to 1983-84.

(iv) Excess consumption of high speed diesel oil and engine oil during the three years up to 1983-84 worked out to Rs.73.37 lakhs.

(v) Counter sale books got printed by the Agra Region and were used as blank ticket books resulting in a loss of Rs.2.53 lakhs in respect of Agra, Nainital and Lucknow regions alone.

(vi) Subsidy amounting to Rs.1.48 lakhs on 3 diesel generating sets purchased during July 1980 and January 1981 could not be availed of as the prescribed documents were not submitted within the specified time limit.

(vii) Recovery/write off sanction was awaited in respect of tickets (valuing Rs.1.96 lakhs) lost during the three years up to 1983-84.

8.06. *Loss of diesel oil*

There was continuous leakage from the pipe of the diesel oil tank installed at Farrukhabad depot of Etawah region since 1980. Complaint for rectification of the defect was lodged (January 1980) with Indian Oil Corporation Limited (IOC). The defects were inspected by IOC during February 1980 but the tank was rectified as late as in September 1982. The delay in rectification of leakage resulted in seepage of 49084 litres of diesel oil valuing Rs.1.32 lakhs, for which claim was lodged (October 1984) after being pointed out in audit.

The matter was reported to the Corporation in May 1984 and to Government in August 1984 ; replies were awaited (January 1985) .

8.07. *Cash found missing*

A cash balance of Rs.157317.40 of Aligarh depot as at the close of 11th December 1983 was reported to be missing from the cash chest when the assistant cashier opened the chest on 12th December 1983. An FIR was lodged with the police on the same day. The report of the Police was awaited (February 1985). Eleven employees of the depot were placed under suspension in December 1983 out of whom two officials in-charge of the Station were provisionally reinstated in July 1984.

Investigation conducted (December 1983) by the internal audit wing of the Region revealed the following omissions/lapses on the part of the officials :

(i) The safe from which the cash was missing had only one key, the duplicate key having been lost several years earlier ;

(ii) double lock arrangement was not made even for the main cash chest ;

(iii) important registers like cash book and cash collection register were not checked by any superior official from 9th to 11th December 1983 ; and

(iv) head cashier was allowed to proceed on leave without making any alternative arrangement to look after his work in his absence.

The matter was reported to the Corporation/Government in October 1984 ; replies were awaited (March 1985).

8.08. *Embezzlement*

A check (January-February 1984) by internal audit cell of Aligarh region revealed that a booking clerk at the Inter-State Bus Terminus, Delhi embezzled Rs.0.32 lakh by sale of 873 unauthorised tickets and Rs.0.02 lakh by rendering incorrect account of sale of tickets for other destinations during September to December 1983.

The booking clerk was placed (February 1984) under suspension and the matter was under departmental investigation (November 1984). No thorough investigation of all the transactions during his tenure was, however, ordered to find out any further embezzlements if committed.

The matter was reported to the Corporation/Government in September 1984 ; replies were awaited (January 1985).

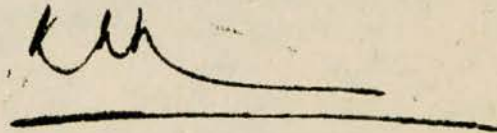
8.09. *Loss of interest due to non-reconciliation of bank account*

A sum of Rs.5 lakhs was telegraphically transferred by the Corporation from Lucknow (out of cash credit) on 21st September 1981 to bank account of its Region at Varanasi. The same was credited by the bank on 23rd May 1982. The loss of interest for the period during which the amount remained out of account worked out to Rs.0.65 lakh at 19.5 per cent. charged by bank in the case of cash credit availed of.

The delay in getting the amount credited in bank account of the Region was due to non-maintenance of main cash book and non-reconciliation of amount credited in bank account of the Region by the Head office of the Corporation.

The bank also had not reimbursed the interest lost (June 1985).

The matter was reported to the Corporation in July 1984 and to Government in August 1984; replies were awaited (February 1985).



(K. KRISHNAN)
Accountant General (Audit)-II, Uttar Pradesh.

LUCKNOW :
THE

Countersigned

T. N. Chaturvedi

(T. N. CHATURVEDI)
Comptroller and Auditor General of India.

NEW DELHI :
THE

APPENDICES

APPENDIX A

(Referred to in paragraph 3 of the preface)

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

Serial number	Name of company	Total investment up to 1983-84
1	2	3
		(Rupees in lakhs)
(1)	Modi Carpets Limited	10.17
(2)	A.R.C. Cement Limited	15.00
(3)	U.P. Twiga Fibreglass Limited	157.02
(4)	Mayur Syntex Limited	20.00
(5)	Upar Chem Limited	26.85
(6)	Uttar Pradesh Straw and Agro products Limited	11.61
(7)	Jaiwanti Solvents and Chemicals Limited	10.95
(8)	Shri Bhawani Paper Mills Limited	14.00
(9)	Deki Electronics Limited	10.18
(10)	Triveni Sheet Glass Works Limited	17.00
(11)	Sulfur (India) Limited	19.71
(12)	Vam Organic Chemicals Limited	19.25
(13)	Indian Engineering and Construction Company Limited	25.00

APPENDIX

(Reference : Paragraph

Statement showing summarised financial results of the working of

(Figures in columns 6 to 10, 12

Serial number	Name of company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
(1)	The Indian Turpentine and Rosin Company Limited	Industries	February 1924	22 1983-84	158.71
(2)	Uttar Pradesh State Textile Corporation Limited	Industries	22nd December 1969	1983-84	9402.62
(3)	Uttar Pradesh State Spinning Mills Company (No.1) Limited*	Industries	20th August 1974	1983-84	5250.75
(4)	Uttar Pradesh State Spinning Mills Company (No. II) Limited*	Industries	20th August 1974	1983-84	1852.14
(5)	Bhadohi Woollens Industries Limited*	Industries	14th June 1976	1983-84	202.51
(6)	Pradeshia Industrial and Investment Corporation of U.P. Limited*	Industries	29th March 1972	1983-84	8535.71.
(7)	Auto Tractors Limited	Industries	28th December 1972	1983-84	2466.71
(8)	Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Limited	Animal Husbandry	7th December 1974	1983-84	50.00
(9)	Harijan Evam Nirbal Varg Avas Nigam Limited	Harijan and Social Welfare	25th June 1976	1983-84	68.10
(10)	Uttar Pradesh Matsya Vikas Nigam Limited	Animal Husbandry	27th October 1979	1983-84	142.73
(11)	Uttar Pradesh Small Industries Corporation Limited*	Industries	13th June 1958	1982-83	1370.71
(12)	Uttar Pradesh Abiscott (Private) Limited	Industries	28th June 1972	1975-76	15.26
(13)	Faizabad Roofings Limited	Industries	16th February 1974	1975-76	8.95

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1.02 page 1

Government Companies.

and 13 are in lakhs of Rupees.)

Profit(+)/ loss(—)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percen- tage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percen- tage of total return on Capital employed
7	8	9	10	11	12	13	14
(+)66.19	11.08	11.08	77.27	48.7	155.74	77.27	49.6
(—)692.93	21.11	21.11	(—)671.82	..	4832.56	(—)671.82	..
(—)651.12	230.10	183.69	(—)467.43	..	2673.00	(—)421.02	..
(—)97.55	8.14	8.14	(—)89.41	..	662.28	(—)89.41	..
(—)41.78	24.59	24.59	(—)17.19	..	10.98	(—)17.19	..
(+)92.26	311.14	311.14	403.40	4.7	7630.51	403.460	5.3
(—)427.26	178.56	177.87	(—)249.39	..	1563.29	(—)248.70	..
(—)1.76	..	..	(—)1.76	..	42.18	(—)1.76	..
(+)19.30	..	..	19.30	68.3	68.07	19.30	28.3
(+)10.16	..	..	10.16	7.1	142.74	10.16	7.1
(+)32.02	70.61	70.61	102.63	7.5	1236.46	102.63	8.3
(—)1.55	1.14	1.14	(—)0.41	..	12.39	(—)0.41	..
(—)1.74	0.23	0.23	(—)1.51	..	7.72	(—)1.51	..

Serial number	Name of company	Name of the administrative departments	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
14	*Uttar Pradesh Plant Protection Appliances (Private) Limited	Industries	28th June, 1972	1974-75	5.50
15	Uttar Pradesh State Industries Development Corporation Limited	Industries	29th March, 1961	1982-83	2450.31
16	*Uttar Pradesh Digitals Limited	Industries	8th March, 1978	1983-84	68.23
17	Uttar Pradesh Export Corporation Limited	Industries	20th January, 1966	1982-83	214.02
18	Uttar Pradesh State Sugar Corporation Limited	Sugar Industries	26th March, 1971	1982-83	6408.67
19	*Kichha Sugar Company Limited	Sugar Industries	17th February, 1972	1982-83	1119.56
20	*Chandpur Sugar Company Limited	Sugar Industries	18th April, 1975	1982-83	554.26
21	*Chhata Sugar Company Limited	Sugar Industries	18th April, 1975	1982-83	607.28
22	*Nandganj Sihori Sugar Company Limited	Sugar Industries	18th April, 1975	1982-83	1713.55
23	Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	Panchayati Raj	24 April, 1973	1982-83	101.68
24	Uttar Pradesh Electronics Corporation limited	Industries	30th March, 1974	1982-83	815.78
25	*Uptron Powertronics Limited	Industries	30th April, 1977	1983	75.49
26	*Uptron Capacitors Limited	Industries	13th March, 1978	1982-83	214.91
27	*Uptron Digital Systems Limited	Industries	18th May, 1979	1982-83	139.44
28	*Uptron India Limited	Industries	18th October, 1979	1982-83	385.00
29	*Uptron Communications and Instruments Limited	Industries	15th November, 1979	1982-83	112.86

Profit (+)/ (Loss (-))	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percen- tage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percen- tage of total return on Capital employed
7	8	9	10	11	12	13	14
(-)0.81	0.28	0.28	(-)0.53	..	4.63	(-)0.53	..
(+)161.45	31.15	19.62	181.07	7.4	2339.71	192.60	8.2
(-)4.76	1.02	1.02	(-)3.74	..	45.00	(-)3.74	..
(-)7.31	6.94	5.32	(-)1.99	..	202.19	(-)0.37	..
(-)1319.39	848.82	356.71	(-)962.68	..	3455.44	(-)470.57	..
(-)278.81	148.40	35.69	(-)243.12	..	485.08	(-)130.41	..
(+)31.26	64.54	22.78	54.04	9.7	776.31	95.80	12.3
(-)42.95	92.28	35.18	(-)7.77	..	568.09	49.33	8.7
(-)403.76	248.48	176.48	(-)227.28	..	720.36	(-)155.28	..
(+)4.12	0.84	0.84	4.96	4.9	102.45	4.96	4.6
(+)7.71	42.78	42.78	50.49	6.2	459.94	50.49	11.0
(+)19.64	..	..	19.64	26.0	191.07	19.64	10.3
(+)14.93	42.82	42.82	57.75	26.9	354.11	57.75	16.3
(+)36.70	59.88	59.88	96.58	69.3	312.08	96.58	30.9
(+)85.01	92.64	92.64	177.65	46.1	788.32	177.65	22.5
(+)1.34	4.81	4.81	6.15	5.4	165.65	6.15	3.7

Serial number	Name of company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
30	*Uptron Sempack Limited	Industries	23rd May, 1977	1979-80	2.55
31	Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August, 1975	1982-83	17.83
32	Agra Mandal Vikas Nigam Limited	Area Development	31st March, 1976	1982-83	100.00
33	Varanasi Mandal Vikas Nigam Limited	Area Development	31st March, 1976	1982-83	85.23
34	Uttar Pradesh Bhoomi Sudhar Nigam Limited	Agriculture	30th March, 1978	1982-83	131.24
35	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	Power	25th August, 1980	1982-83	3195.00
36	Kumaon Mandal Vikas Nigam Limited	Hill Development	30th March, 1971	1981-82	350.38
37	*Teletronix Limited	Hill Development	24th November, 1973	1981-82	39.76
38	*Transcables Limited	Hill Development	29th November, 1973	1980-81	82.60
39	*Northern Electrical Equipment Industries Limited	Hill Development	29th January, 1974	1979-80	0.07
40	Uttar Pradesh State Bridge Corporation Limited	Public Works	18th October, 1972	1981-82	938.61
41	Uttar Pradesh State Brassware Corporation Limited	Industries	12th February 1974	1981-82	240.50
42	Uttar Pradesh State Mineral Development Corporation Limited	Industries	23rd March 1974	1981-82	909.36
43	*Uttar Pradesh Carbide and Chemicals Limited	Industries	23rd April, 1979	1983-84	831.24
44	Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	Harijan and Social Welfare	23rd March, 1975	1981-82	690.37
45	Uttar Pradesh Nalkoop Nigam Limited	Irrigation	25th May, 1976	1981-82	996.61

Profit(+)/ loss(-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percen- tage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percen- tage of total return on Capital employed
7	8	9	10	11	12	13	14
(-)0.78	0.42	..	(-)0.78	..	1.99	(-)0.36	..
(-)1.64	42.66	..	(-)1.64	..	331.42	41.02	12.4
(-)16.55	4.74	3.26	(-)13.29	..	106.60	(-)11.81	..
(-)3.64	3.48	3.48	(-)0.16	..	72.88	(-)0.16	..
(-)3.90	..	..	(-)3.90	..	106.95	(-)3.90	..
Under construction		..	..	..	..	..	..
(+)1.70	1.02	1.02	2.72	0.8	273.30	2.72	1.0
(-)2.31	1.23	1.23	(-)1.08	..	27.23	(-)1.08	..
(-)2.01	5.31	1.12	(-)0.89	..	73.49	3.30	4.5
Under construction		..	..	..	..	..	..
(+)362.79	1.59	..	362.79	38.7	1041.07	364.38	35.00
(-)10.65	8.61	8.61	(-)2.04	..	170.51	(-)2.04	..
(+)0.68	0.09	..	0.68	0.1	432.56	0.77	0.2
Under Construction		..	..	..	..	..	..
(+)5.29	0.10	0.10	5.39	0.8	590.64	5.39	0.9
(+)2.39	16.03	16.03	18.42	1.8	436.26	18.42	4.2

Serial number	Name of company	Name of the administrative departments	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
46	Moradabad Mandal Vikas Nigam Limited	Area Development	30th March, 1977	1981-82	22.36
47	Uttar Pradesh State Food and Essential Commodities Corporation Limited	Food and Civil Supplies	22nd October, 1974	1980-81	91.82
48	Uttar Pradesh Rajkiya Nirman Nigam Limited	Public Works	1st May 1975	1980-81	134.18
49	Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August, 1975	1980-81	201.55
50	Allahabad Mandal Vikas Nigam Limited	Area Development	31st March, 1976	1980-81	56.11
51	Uttar Pradesh State Agro-Industrial Corporation Limited	Agriculture	29th March, 1967	1979-80	1312.71
52	Gorakhpur Mandal Vikas Nigam Limited	Area Development	31st March, 1976	1979-80	87.79
53	Handloom Intensive Development Corporation (Gorakhpur and Basti) Limited	Industries	26th May, 1976	1978-79	100.45
54	Uttar Pradesh Paschimi Kshetriya Vikas Nigam Limited	Area Development	3rd January 1976	1977-78	105.09
55	Uttar Pradesh Pashudhan Udyog Nigam Limited	Animal Husbandry	5th March, 1975	1976-77	101.96

NOTES :

- (i) Capital invested represents paid up capital *plus* long-term loans *plus* free reserves.
- (ii) Capital employed (except in cases of companies at serial numbers 6, 15, 23 and 44) represents net fixed assets (excluding capital work in progress) *plus* working capital.

*represents subsidiary company.

Profit (+)/ Loss (-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percen- tage of total return on capital invested	Capital employed	Total return on capital employed	Percen- tage of total return on Capital employed
7	8	9	10	11	12	13	14
(-)0.46	—	—	(-)0.46	..	21.30	(-)0.46	..
(+)38.75	3.29	3.29	42.04	45.8	93.60	42.04	44.9
(+)25.06	4.65	..	25.06	18.7	111.65	29.71	26.6
(+)0.60	16.31	16.31	16.91	8.4	201.49	16.91	8.4
(+)1.72	2.36	..	1.72	3.1	80.81	4.08	5.1
(-)119.94	96.82	12.03	(-)107.91	..	831.48	(-)23.12	..
(-)11.30	0.49	0.49	(-)8.81	..	44.38	(-)8.81	..
(+)9.17	7.19	7.19	16.36	16.3	148.92	16.36	11.0
(-)1.69	—	—	1.69	1.6	104.82	1.69	1.6
(-)20.33	3.13	3.13	(-)17.20	—	81.01	(-)17.20	..

(iii) In case of companies at serial numbers 6,15,23, and 44 capital employed represents mean of the aggregate of opening and closing balances of (i) paid-up capital (ii) bonds and debenture (iii) reserves (iv) borrowings including refinance and (v) deposits.

(iv) Companies at serial numbers 35, 39 and 43 have not gone into production.

APPENDIX

(Reference Paragraph

Statement showing summarised financial results of working of

(Figures in columns 6 to 10, 12

Serial number	Name of Corporation	Name of administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
1	*Uttar Pradesh State Electricity Board	Power	1st April, 1959	1983-84	379186.79
2	Uttar Pradesh Financial Corporation	Industries	1st November, 1954	1983-84	18515.09
3	*Uttar Pradesh Warehousing Corporation	Co-operative	19th March, 1958	1983-84	2369.30

NOTES :

- (i) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves
- (ii) Capital employed (other than Uttar Pradesh Financial Corporation) represents net fixed asset plus working capital.
- (iii) In the case of Uttar Pradesh Financial Corporation, capital employed represents mean of the aggregate of opening and closing balances of (i) paid-up capital (ii) bonds and debentures (iii) reserves, (iv) borrowings including refinance (v) deposits and (vi) funds for special schemes advanced by the State Government.

*Figures are provisional

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Statutory Corporations

and 13 are in lakhs of Rupees)

Profit (+)/ Loss (—)	Total interest charged to profit & loss account	Interest on long term loans	Total return on capital invested (7+9)	Percen- tage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percen- tage of total return on Capital employed
7	8	9	10	11	12	13	14
(—)58589.76	55731.33	55731.33	(—)2858.42	..	183118.79	(—)2858.43	..
(+)154.98	958.74	958.74	1113.72	6.0	16908.39	1113.72	6.6
(+)81.90	110.00	110.00	191.90	8.1	2374.78	191.90	8.1



