REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA PT. 4 1975

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REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

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Page No.	Reference	*For*	*Read*
8	Line 5	suitable press of making dished ends.	suitable press for making dished ends.
65	Item viii	Antibiotics Plants	Antibiotics Plant
79	Item BO	National Research and Development Corporation of India	National Research Development Corporation of India

OTHER TOPICS OF INTEREST

TABLE OF CONTENTS

PREFATORY REMARKS

A reference is invited to the prefatory remarks in Part I of the Report of the Comptroller and Auditor General of India, Union Government (Commercial), 1975 regarding selection of certain undertakings for appraisal by the Audit Board under the supervision and control of the Comptroller and Auditor General of India and the decision to present the Report in a number of parts.

2. This part contains (i) individual points of interest noticed in the undertakings not taken up for comprehensive appraisal by the Audit Board, (ii) a resume of the reports of the company auditors submitted by them under the directives issued by the Comptroller and Auditor General of India, and (iii) observations made during review of annual accounts under Section 619(4) of the Companies Act, 1956.

I. INDIVIDUAL POINTS OF INTEREST

SHIPPING CORPORATION OF INDIA LIMITED

1. Purchase of Bulk Carriers

The Shipping Corporation of India Limited submitted a proposal to the Ministry of Shipping and Transport in February 1973 for acquisition of three very large crude carriers (VLCC) from a Shipyard in Yugoslavia at a price of US $ 41 million each, based on an offer received by it. As a part of the purchase deal, it was agreed between the Shipyard and the Company that in the event of the contract for VLCCs becoming effective, the Company would waive its claims aggregating $ 1.932 million against the Shipyard in respect of delay in delivery and shortfall in dead weight of three ore-oil-grain carriers delivered to the Company by the Shipyard earlier. The notional price of each VLCC was, therefore, reckoned to be $ 41.644 million ($ 41 million plus 1/3 of $ 1.932 million). The foreign exchange required for the acquisition of the tankers was proposed to be met from the free foreign exchange resources of the country to the extent of 20 per cent of the cost of the VLCCs (initial payment due on signing of the contract) and by raising foreign exchange loans in the London Euro Dollar market for the balance 80 per cent.

The Company proposed to use VLCCs for cross-trade after their acquisition one each in September 1975, March 1976 and December 1976. According to the profitability analysis made by the Company, each VLCC was estimated to earn a net profit of about Rs. 25.54 crores over its life time of 20 years giving an average return of about Rs. 1.28 crores per tanker per annum. On 8th March, 1973 the Company informed the

Ministry that as a result of finalisation of new financing arrangement with the State Bank of India, the Company would raise loans to cover the full price of the tankers in London Euro Dollar market, and no foreign exchange release was required.

The Ministry of Shipping and Transport recommended the Company's proposal to the Ministry of Finance for approval. The Ministry of Finance pointed out (March 1973) that "decisions on additional shipping tonnage have always been based on our own needs for the vessels". During discussions, the Ministry had the following apprehensions about the national interest that would be served by the purchase of VLCCs :

(*i*) Being very large in size, the VLCCs could not be received in Indian ports and might not hence serve Indian trade in the near future but would have to be engaged in cross-trade ;

(*ii*) The borrowing of funds abroad had to be done judiciously and had to be equitably distributed between different industries keeping in view the national priorities; and

(*iii*) Large investments in foreign exchange were involved before the country started getting net return benefits out of these investments.

The Company, however, felt that the development of Indian Shipping had already reached more or less a saturation point and further expansion of the Company's fleet had to be largely in the area of carriers and tankers to be in line with the international trends, and unless the future growth was based on participation in the mainstream of the shipping world by acquisition of tankers and carriers for use in cross-trade, the country would shut herself out from the fast growing and profitable sector of shipping industry and would also be relegated for ever to the status of a second or third rate maritime country.

The proposal was thereafter examined by the Planning Commission. In the meeting convened by the Planning Commission on 23rd and 24th March, 1973, when representatives from the Company and the Ministries of Finance, Shipping and Transport and Petroleum and Chemicals, were present, it was agreed that in view of the severe constraints on financial resources, particularly foreign exchange, the proposal for acquisition of VLCCs should be considered only for meeting country's own requirements of import of crude and not for using them in cross-trade. The likely requirements of crude for expansion of Koyali Refinery and the new Mathura Refinery which were to come up later was estimated by the Project Appraisal Division of the Planning Commission at 3 to 4 million tonnes per annum between 1975-76 and 1977-78, 10 million tonnes per annum between 1978-79 and 1980-81 and 14 million tonnes in 1981-82. As two VLCCs of the capacity of 2,69,000 DWT each would have handled about 15 million tonnes of crude per annum, the Appraisal Division proposed the purchase of 2 VLCCs as against 3 proposed by the Company. It was, however, observed by the Appraisal Division that the proposal to buy the third VLCC purely on the basis of its being used in cross-trade also deserved favourable consideration. The Planning Commission recommended to the Finance Ministry the purchase of two VLCCs on 31st March, 1973. The decision of the Government to place orders for two VLCCs was communicated to the Company on 4th April, 1973 and accordingly the Company placed an order for two VLCCs at a price of $ 41 million each on the Yugoslav Yard.

On the advice of the Ministry of Shipping and Transport, the Company was, however, continuing its efforts to prevail upon the Shipyard to keep their offer open for the third VLCC also. The Shipyard, however, increased the price to $ 46 million and informed the Company on 6th April, 1973, that the offer would be valid upto 5th May, 1973 only. On 30th April, 1973, the Company approached the Ministry of Shipping and Transport with a proposal to purchase the third VLCC at a price of

$ 46 million. The Company also informed the Ministry on 8th May, 1973 that the Shipyard had agreed to reduce the price to $ 45 million and had extended the offer upto 19th May, 1973. The Company's proposal was discussed in an inter-ministerial meeting held in the Ministry of Finance on 18th May, 1973 and it was decided to sanction the purchase of the third VLCC considering that the Company had already negotiated the deal with the Shipyard. The Ministry of Shipping and Transport accordingly sanctioned the purchase of the VLCC on 19th May, 1973 and the Company placed an order for the third VLCC at a price of $ 45 million.

A sum of 9 million dollars was paid to the Shipyard on 12th June, 1973 as the first instalment of the contract price for the third VLCC. This was financed out of a loan obtained from a foreign banking institution.

In July 1975, after taking into account the changes in the shipping scene, particularly the scope for employing such large size tankers in an economic manner, Government decided that the order for the third VLCC should be cancelled and an order for 3 bulk carriers of 42,000 DWT placed on the Shipyard. The Company accordingly cancelled the order and simultaneously placed an order for three dry cargo bulk carriers of 42,000 DWT each at a price of 19.25 million dollars each. Under the arrangements reached with the Shipyard, the contracts for the first two VLCCs, which were cash contracts, were converted into deferred credit contracts by securing a credit of $ 20.5 million payable after delivery of the respective ships in 16 half yearly instalments with interest at the rate of 8 per cent per annum. The instalment of 9 million dollars paid in 1973-74 for the third VLCC was adjusted against the instalment of 11.55 million dollars due for the three bulk carriers. Valuation obtained by the Company from three reputed firms of ship valuers in London for the ordering of three bulk carriers with the proposed specifications ranged from 16.75 million dollars to 18 million dollars with an average of 17.33 million dollars per ship. But the price agreed upon was 19.25 million dollars each with deferred credit facilities for 50 per cent thereof from the yard. Even allowing for this, the Company worked out the valuation at 18.18 million dollars each. The extra price for the three bulk carriers amounted to 3.21 million dollars on this basis and 5.76 million dollars on the basis of a valuation of 17.33 million dollars.

The decision in April 1973 to restrict the purchase to two VLCCs and the subsequent decision in May 1973 resulted in the order for the third VLCC being placed at enhanced price. The subsequent order for three bulk carriers of 42,000 DWT each in lieu of the third VLCC has resulted in net extra expenditure of Rs. 2.90 crores to the Company. The cancellation of the order for third VLCC also resulted in Company's forgoing its claim of Rs. 1.61 crores (US $ 0.644 million being ⅓rd of $ 1.932 million) against the Shipyard in respect of earlier deliveries of vessels without any corresponding benefit.

Even the first two VLCCs which are intended for transportation of crude for meeting the country's requirements would not be fully utilised for that purpose upto 1981-82. The Indian Oil Corporation Limited, the user of the VLCCs, was of the view (May 1973) that even after the expansion and commissioning of the refineries at Koyali and Mathura respectively, its requirements of crude would be 9 million tonnes a year while the two VLCCs would themselves be able to carry 15 to 18 million tonnes of crude per year, and hence other ports (besides the proposed oil terminal at Salaya off Gujarat coast) would have to be developed for the economic utilisation of the two VLCCs. Government stated (July 1975) that in view of the discovery of oil in Bombay High and the fuel crisis, increase in the crude prices and consequent reassessment of crude to be imported, the entire question of suitability of Salaya as a location for an off-shore terminal to meet the expanded needs of Koyali Refinery and the needs of the new Mathura Refinery was under re-examination and that there was no programme to develop any other port in the country to receive such giant tankers.

The first VLCC which was received by the Company on 3rd September, 1975 has been chartered to M/s. Standard Tankers (Bahamas) Co. Ltd., U.S.A. for a period of 12 months (30 days more or less) at a charter hire of 38 cents per DWT per month with effect from 2nd October, 1975. The actual figures of earnings/expenditure of the VLCC are not yet (March 1976) available with the Company. But the provisional working results indicated that the fixture would result in a loss of Rs. 2.21 crores upto 31st March, 1976. The Management have also estimated (July 1975) that the annual loss on the fixture was likely to be Rs. 4.15 crores.

OIL AND NATURAL GAS COMMISSION

2. Extra expenditure in drilling operations

The following cases of extra expenditure caused by omission to adhere to the standard norms and procedures laid down in regard to the drilling operations by Oil and Natural Gas Commission were noticed during test audit :—

(*a*) Bad cementation of a well in May 1972 on account of undertaking the work without preparing casing and cementation plan in consultation with the Geology and Chemistry Sections and absence of appropriate supervisory officer to conduct the cementation job resulted in extra expenditure of Rs. 1.18 lakhs in carrying out a second stage cementation job.

(*b*) Unsuccessful attempts at placing a cement plug in a well in October 1973 without preparing a formal plan of a plug job, not taking due care while carrying out the actual operation and carrying out the entire operation during night time against the normal procedure, resulted in extra expenditure of Rs. 12.04 lakhs in clearing the stuck-tubing and drilling a deviated hole.

(*c*) Short landing of production casing in a well in December 1973 due to the use of a broken measurement tape necessitated re-drilling at an extra cost of Rs. 3.17 lakhs.

In all these cases, the enquiries conducted by the Management revealed negligence on the part of the field officers in the discharge of their duties. The Commission reported (July 1975 and February 1976) that disciplinary proceedings against the concerned officials in respect of cases mentioned at (*a*) and (*c*) above have been initiated. The Ministry also informed Audit (March 1976) that the Commission had been requested to instruct the field officers to adhere to the standard norms and procedures to avoid recurrence of such lapses.

FERTILISERS AND CHEMICALS, TRAVANCORE LIMITED

3. Purchase of a Hydraulic Press

The FACT Engineering Works (FEW), a division of Fertilisers and Chemicals, Travancore Limited, has a capacity of about 2,000 tonnes per annum for manufacture of pressure vessels, reactors, stills, autoclaves, etc., generally used for chemical and fertilizer industries.

At the instance of the Works Manager, the FEW asked the Purchase Section on 25th September, 1970 to invite quotations from five private firms for purchase of one hydraulic press of 400 tonnes capacity for dishing bottom plates of pressure vessels. Only one firm quoted Rs. 17.70 lakhs on 8th October, 1970 for a press to be imported from an East European country. As a result of negotiations, the firm reduced the price to Rs. 15.50 lakhs f.o.r. Bombay and the order was placed on 25th November, 1970. Sanction of the Managing Director was not obtained for placing the purchase order; relaxation of the prescribed purchase procedure, which required invitation of open tenders, was also not obtained. On 1st August, 1972, technical clearance from the Director General of Technical Development for import of the machine was sought by stating that "our present pressing capacity is very much limited and the bottleneck in the output and the fulfilment of orders is due to lack of suitable press of making dished ends...................... the capacity of our turnover at present is in the order of 60 lakhs of rupees every year which can easily be stepped up to 100 lakhs if only we can have a suitable press. We have got the orders and the market is developing very rapidly". On 19th September, 1972, the Ministry of Petroleum and Chemicals was approached for issue of an essentiality certificate to the DGTD to enable the latter to clear import of the machine. It was stated that Hindustan Machine Tools Limited was the only party in India which could possibly supply such a machine, but their delivery was not suitable for executing the order in hand. The basis on which this statement was made is, however, not clear, as the position was not ascertained from Hindustan Machine Tools Limited.

The hydraulic press, which was received in June 1973 could not be erected on account of difficulty in locating suitable space for it. The last instalment of 10 per cent of the price was paid in September 1974 on execution of a performance guarantee backed by a bank guarantee by the firm valid up to 28th February, 1975, subsequently extended up to 31st May, 1975, for satisfactory performance of the machine. Since the press could not be erected and the performance tested before expiry of the guarantee period, extension of bank guarantee up to 27th August, 1975 was requested by the Company but was not agreed to by the supplier.

A committee of officers constituted by the Company in June 1974 to look into the working and development of FEW also examined the economics of utilising this press and came to the following conclusion (14th August, 1974) :—

"........................We cannot find any justification for the decision to purchase the heavy hydraulic

> press.............................it is doubtful if the new hydraulic press of 400 tonnes capacity can even be utilised. This press can only be used for dished ends. The dishing capacity of the country is far in excess of the requirements, with the result, all the units that have installed dishing equipment are now canvassing vigorously for orders to do dished ends. The added disadvantage in the case of FEW will be that the press is of 'C' Bracket type limiting the size of the plate that can be inserted into the press and this makes it even more difficult to be utilised on a continuous basis. No study appears to have been made on the utilisation of this press and, in our opinion, a furnace is necessary to heat the plates before they can be shaped..............................
> There is no space for the installation of the furnace in the present area and even assuming that such an area is found, the installation of furnace will only add to the capital expenditure that will have to be incurred, making it more uneconomic in the long run. It may be seriously considered whether this machine can be declared as surplus and offered for sale".

The matter was considered by the Board of Directors in its meeting held on 28th and 29th October, 1974 and it was decided that the hydraulic press need not be installed, but should be disposed of and that "the responsibility for the purchase of the press without adequate examination of the requirement be fixed". No responsibility has been fixed, nor has it been possible to sell the press so far (March 1976).

The Ministry stated (March 1976) as follows :—

> "In September 1966 a feasibility study for setting up a heavy engineering workshop in Cochin area for the manufacture of vessels and equipment to meet the needs of fertilizers and chemical industries was

prepared............................... in this proposal a 500 tonnes dishing and flanging press was also included.................... The purchase of these items was included in the capital budget for 1970-71 which was approved by the Board of Directors of FACT in the meeting held on 22nd March, 1971 ....".

JESSOP AND COMPANY LIMITED

4. Extra payment of electricity charges

On 5th October, 1967, Jessop and Company Limited entered into an agreement with Durgapur Projects Limited for supply of electricity to the Durgapur Works of the Company for a period of 7 years commencing from 1st October, 1969. The contract demand was fixed at 500 KVA for the first year and at 1000 KVA during the subsequent years. The agreement provides for payment of demand charges and energy charges on the following basis :—

Demand Charges :

On the actual monthly KVA demand in the first year and maximum KVA demand for the month or on 75 per cent of the contract demand, whichever is higher, for subsequent years.

Energy Charges :

On actual consumption, subject to a guaranteed minimum consumption of 11,00,000 KWH in the first year and 22,00,000 KWH each year thereafter.

As against the contractual demand of 1000 KVA from the second year onwards, the actual average demand during the period October 1970 to September 1976 was 253 KVA and the actual maximum demand during this period was 347 KVA in the month of April 1975. The actual consumption of energy has also been lower than the minimum guaranteed consumption for each year. The table below indicates the minimum guaranteed consumption and actual consumption for each of the 7 years ending September 1976 :—

Year	Minimum guaranteed consumption	Actual consumption	Shortfall
	(in Kilo Watt Hours)		
October 1969 to September 1970 . .	11,00,000	6,88,134	4,11,866
October 1970 to September 1971 . .	22,00,000	5,98,450	16,01,550
October 1971 to September 1972 . .	22,00,000	6,35,250	15,64,750
October 1972 to September 1973 . .	22,00,000	8,47,750	13,52,250
October 1973 to September 1974 . .	22,00,000	8,12,900	13,87,100
October 1974 to September 1975 . .	22,00,000	9,15,223	12,84,777
October 1975 to September 1976 . .	22,00,000	9,34,700	12,65,300

In March 1973, the Company approached the Durgapur Projects Limited for refixing the contract demand and the annual guaranteed minimum consumption but Durgapur Projects Limited expressed its inability in September 1973 to agree to any revision of contractual demand during the tenure of the existing agreement. As a result of the actual KVA demand and actual consumption of energy being lower than those stipulated in the agreement, the Company had to incur an extra expenditure of Rs. 9.84 lakhs as detailed below :—

(a) Excess payment due to difference of minimum contractual KVA demand charges over KVA demand actually utilised during the period from October 1970 to September 1976 . . .	Rs. 4.97 lakhs
(b) Excess payment due to difference of annual guaranteed minimum consumption charges over the actual consumption charges during the period from October 1969 to September 1976 . .	Rs. 4.87 lakhs
Total . .	Rs. 9.84 lakhs

The Ministry of Industry and Civil Supplies stated (January 1976) as follows :—

"............The revision of contract with Durgapur Projects Limited to raise the power quota to 1000

KVA was made for better utilisation of the existing facilities and anticipated plant expansion. The Company had a plan of expansion in Durgapur by setting up plant for manufacture of Machine Tools, Heavy Cranes, etc. But with the recession in Engineering Industry, which started in 1966-67 and continued for some more years subsequent thereto and with severe labour unrest during that period, these plans had to be abandoned by the Company. Since the expansion of the capacity to derive power is a pre-requisite for any expansion programme, necessary steps were taken to increase the contract demand of electric energy. However, with the withdrawal of the expansion plan in the circumstances stated above, as well as for want of sufficient fund the Company approached Durgapur Projects Limited for necessary reduction in the contractual demand. The Durgapur Projects have, however, not so far acceded to the request of Jessops. As such, the payment of electricity charges for the unutilised portion of the contract demand could not be avoided by the Company .... Modernisation and expansion of Durgapur Iron Foundry has since been taken up. The programme envisages expansion to existing shops with a 50 tonne capacity Crane running at a high level to enable handling of molten metals for casting of cylinders for Paper Making Machinery. This will involve installation of electric retaining furnaces for holding molten metal and there will be further addition of electricity driven moulding machine, sand preparation system etc."

In this connection, the Chairman of the Company reported in September 1975 that further orders for Paper Making Machines were not forthcoming presumably on account of the tight resources position.

The Ministry of Industry and Civil Supplies further stated in April 1976 as follows :—

> "the orders position in respect of Paper Machinery Project has improved considerably. Besides the contract for Nagaland which is at an advanced stage of consideration, the Company have recently got another order for Rs. 6 crores from Rayalaseema Paper Mills. The prospect of receiving further orders is encouraging".

In July 1976 the Company gave notice to Durgapur Projects Limited that on the expiry of the existing agreement on 30th September, 1976, the Company would like to have a contract demand of 800 KVA in place of 1000 KVA with effect from 1st October, 1976. A revised contract has, however, not been executed so far (November 1976) with the Durgapur Projects Limited.

HINDUSTAN COPPER LIMITED

5. Recovery of discount for shortfall in weight of equipment

Between 1968 and 1972, Hindustan Copper Limited entered into a number of agreements with a French group of companies for supply of equipment and machinery valued at French Francs 1,93,06,617 for the Khetri Copper Project of the Company. The supply agreements provided for a price discount if the weight of the equipment fell short of that specified in the agreements. The relevant clause in the supply agreements reads as follows :

> "Clause IV : Discounts for shortfall in Weights—The items of equipments as ordered have been classified in Appendix II on the basis of their weights

and prices. If the actual net weight of any item of equipment falls short of 7 per cent or more of the relative net weight specified in Appendix II, or if the aggregate net weight of all the items of equipment covered by the order, falls short of the aggregate net weight mentioned in the Appendix II by 5 per cent or more, M/s. ....(French group) would give correspondingly to Hindustan Copper Limited a price discount for the material cost of the equipment on a *pro rata* basis".

The total weight falling short by 7 per cent or more in individual items and by 5 per cent or more on the aggregate of the individual agreements came to 53,675 kgs. It was observed that no claim had been made for any price discount for shortfall in the weights of the equipment received. After the matter had been pointed out by Audit, the Company preferred a claim in March 1974 for F.F. 19.30 lakhs comprising F.F. 14.44 lakhs on account of price discount *pro rata* to the total price of the equipment and the balance on account of insurance and custom duty which the Company had to pay on the weight short received. On 13th March, 1974, a representative of the French group, who had come to India to negotiate this matter gave a letter to the Company agreeing to refund a discount amounting to F.F. 4,19,989 on 9 items out of a total of 31 items in respect of which the Company had preferred claim for shortfall in weight. The discount of F.F. 4,19,989 offered for shortfall in the weight of 9 items was calculated *pro rata* on the basis of the total price of the equipment. It was also stated in the said letter that for the remaining items, the French group would be sending their necessary explanation or agreement for refund regarding the discrepancy between the contractual and actual weights.

On 22nd May, 1974, the French group repudiated the offer of their representative and stated that according to the agreement the price discount was admissible on the cost of materials used for the fabrication of the equipment and not on the total cost of the equipment. During subsequent discussion, the group disowned any liability for insurance and customs duty paid by the Company on the weights short received. After protracted correspondence and negotiations, the French group made an offer in January 1976 to refund F.F. 7.50 lakhs (about Rs. 15 lakhs) comprising (i) discount on *pro rata* basis for the material cost of the equipment, the average material cost being 40 per cent of the cost of the equipment as listed in the agreement and (ii) 30 per cent of the amount so arrived at towards reimbursement of insurance and custom duty. After obtaining legal opinion, the Company accepted the offer in January 1976 for the refund of F.F. 7.50 lakhs (about Rs. 15 lakhs) in full and final settlement.

MADRAS FERTILIZERS LIMITED

6. Use of a costlier filler

The suppliers [M/s. Dorr-Oliver (India) Ltd.] of the N.P.K. Plant specified, among other raw materials, the use of sand or dolomite as inert filler for production of N.P.K. compound fertilizers. The Plant operating manual prepared by the Management in 1970 also gave the same indication.

Production of N.P.K. compound fertilizers was commenced in November 1971 by using dolomite, instead of sand which was a much cheaper raw material, as inert filler. From March 1973 the Company started using sand simultaneously with dolomite as inert filler on account of (i) non-availability of dolomite in adequate quantity and (ii) increase in the transportation cost of dolomite. Dolomite was completely replaced by sand from February 1974.

During November 1971 to January 1974 the average cost of purchase of dolomite amounted to Rs. 99.10 per tonne as against the cost of Rs. 25.10 per tonne of sand. A total quantity of 57,750 tonnes of dolomite was used by the Company during November 1971 to January 1974 when it was completely replaced by sand. If sand had been used in place of dolomite as inert filler for production of N.P.K. compound fertilizers from inception, a saving of Rs. 42.74 lakhs (representing the difference between the average purchase cost of dolomite and sand) could have been made by the Company.

In August 1974, the Management stated as follows :

(*a*) The urea-based N.P.K. granulation process used by the Company was not only the first of its kind in India but also in the world including U.S.A., USSR and Canada. During the commissioning of the plant and early period of production, it was desirable to establish the parameters and to train the operators to effectively control the plant variables. After careful consideration, it was considered prudent to use a softer material like dolomite which had the affinity to absorb the ammonium phosphate slurry and a better binding property resulting in more desirable physical structure and granular strength of the N.P.K. Product. Dolomite was known to have medium thixo-trophy and lower abrasiveness compared to sand, in addition to micro-nutrient content in the form of magnesium and a soil neutralising material which were beneficial to the ultimate user of the N.P.K. granule.

(*b*) As the cost of production of N.P.K. fertilizers started going up steadily, it was decided to re-evaluate the feasibility of using other filler materials as one of the several possibilities of reducing cost. At the same time, availability of dolomite became difficult due to restrictions imposed by State Government on allocation of power to dolomite producers.

(*c*) Even after taking the decision to make experiment with sand, suppliers of graded and river sand had to be developed and as a result, the change-over had to be made gradually with necessary modification in operating techniques and increase in operator skills.

(*d*) The experience with the use of sand confirmed some of the Company's initial doubts, particularly the degree of abrasiveness. After the use of sand, the rate of erosion of heavy duty elevator chains was higher resulting in repetitive plant shut-down for maintenance and consequent loss of production.

In this connection, the following points may be mentioned :—

(1) On being asked to make available the documents containing the Management's decision to use dolomite as inert filler in place of sand in the initial period and the basis for that decision, it was stated (October 1975) that the decision was "based on the personal discussions Madras Fertilizers Ltd. experts had with T.V.A. (Tennessee Valley Authority) in U.S.A. There are no papers leading to points discussed prior to arriving at this decision".

In the circumstances, it is not possible to ascertain whether all the pros and cons of utilising a costlier raw material were duly taken into account and whether the final decision was taken with the approval of the Board of Directors. However, it may be mentioned that the Managing Director informed the Board of Directors on August 31, 1973, that "the use of sand as filler does not change the physical properties of the product".

(2) The Company does not also have any records to support its contention as at (*b*) above. It was stated that the decision to change over from dolomite to sand was taken "as a result of technical discussion within the Plant group meetings...... ....and no paper documentation for such day-to-day operating decisions are kept".

(3) According to the Management, no major expenditure was incurred on modification in operating techniques for the use of sand as a filler.

(4) When asked to indicate the number and duration of shut-downs resulting from the use of sand, it was stated that in a highly sophisticated plant it was not possible to attribute a particular shut-down to only one single cause and that the Management's statement of August 1974 in this respect indicated only the technical judgement of the experts for which no records were available.

It is relevant to mention in this connection that on an earlier occasion (April 1974) the Management had stated that the effect of using sand on plant wear and tear was not significant.

The Ministry stated (July 1976), *inter alia*, as follows :—

"...............The notional saving of Rs. 42.74 lakhs could therefore be at best only a broad estimate and may not reflect the correct position.

There are advantages and disadvantages in the use of dolomite or sand, ...
As pointed out by MFL, the decision regarding what filler should be and whether filler should be used at all is still liable to change. The use of sand as a substitute for dolomite became essential,

as it became more and more difficult and costly to procure adequate quantities of dolomite.

The Management in this case appears to have taken a 'safe' decision at the time of start-up and then reacted appropriately to changing conditions".

INDIAN AIRLINES

7. Delay in occupation of leased accommodation

In July 1973, the Board of Directors approved of the leasing of accommodation in a private building at New Delhi for locating the booking office and other ancillary offices of the Corporation. Architects for interior designing and layout of the booking office complex were appointed by the Corporation in September 1973. Owing to the time taken in negotiations with the landlords, possession of the various portions of the building could be taken by the Corporation from the dates and at monthly rates of rent indicated below :—

Sl. No.	Portion	Area sq. feet	Rate per sq. ft. (Rs.) per month	Effective date of rent
1.	Upper Ground Floor . . .	15,441	3.25	3-10-1973
2.	Mezzanine Floor	1,070	3.25	12-11-1973
3.	Basement	2,436	2.00	1-12-1973

According to the Corporation, the Architects could start their planning and design work only after 3rd October, 1973 when the upper ground floor was actually taken over. The drawings and plans finalised by the Architects in consultation with the Management were submitted to the Corporation on 5th January, 1974 for submission to the New Delhi Municipal Committee. The plans could, however, be submitted to the

New Delhi Municipal Committee for sanction only on 11th March, 1974. In this connection, the Corporation stated (March 1975) as follows :—

"The rules of the N.D.M.C. required that all the eleven landlords who owned the premises should sign the plan and also furnish affidavits on prescribed *pro forma.* When approached for signatures, the landlords raised an objection saying that the lobby portion in front of the staircase should not be covered in our renovation scheme, since according to them, the lobby did not belong to any of the landlords. The plans had to be revised to meet the landlords' objection and revised plans were prepared by the architects by 14th January, 1974. All the eleven landlords signed the revised plans but refused to sign the affidavits since they had some legal difficulties with the Builders regarding transfer of the land on which the building is built. The text of the affidavits had to be subsequently modified after a number of meetings held with the builders and the New Delhi Municipal Committee and finally the signatures of all the landlords were obtained on the affidavits. These documents were then handed over to the architects who submitted the same to the New Delhi Municipal Committee on 11th March, 1974".

The plans submitted on 11th March, 1974 were rejected by the New Delhi Municipal Committee on 25th March, 1974 as provision for construction of an elevated passage way across the hall in the upper ground floor was not made therein as was originally contemplated in the Master Plan of the New Delhi Municipal Committee for the high rise buildings in that locality. The Ministry of Tourism and Civil Aviation stated (December 1975) that the "Landlords/builders did not at any stage during the initial negotiations or later when the renovation plans were signed by them, bring to the notice of Indian Airlines or to the Architects that the original building plan approved by the New Delhi Municipal Committee provided for a passage in the middle of the main hall". The original building plans approved by the New Delhi Municipal Committee were not seen by the Corporation before planning the interior designing and layout of the building. On rejection of plans by the New Delhi Municipal Committee, the Corporation again negotiated with the landlords and finally agreed to a revised rent of Rs. 3 per sq. ft. for the upper ground floor till the passage way came up and at the originally agreed rate of Rs. 3.25 per sq. ft. if it was finally decided by the concerned authority not to build such an elevated walk way at all.

The revised plans for interior layout were finally approved by the New Delhi Municipal Committee on 11th July, 1974 and the Corporation shifted its office to the leased building on 7th November, 1974. The rent paid and the maintenance charges incurred by the Corporation for the period during which it could not occupy the leased premises amounted to Rs. 7.44 lakhs (Rs. 7.09 lakhs by way of rent and Rs. 0.35 lakh as maintenance charges).

HINDUSTAN AERONAUTICS LIMITED

8. Import of a grinder

On the basis of the recommendations of foreign collaborators, which was also confirmed by the Company's Planning and Engineering Team after a visit to their works in 1960, the Company placed an order on a British firm in March 1963 for supply of a helical grinder at a cost of Rs. 4.34 lakhs for grinding three specific parts of an engine proposed to be taken up for manufacture. The number of engines planned to be manufactured was reduced in July 1963 from 300 to 75 ; the necessity for the grinder was not, however, reviewed by the Company.

The machine, which was received in April 1966, was commissioned in January 1968. Except for trial runs, the machine was not used at all as the import of the three parts in question was found to be more economical than their manufacture. The machine was declared surplus to requirements in December 1972 and its depreciated value (Rs. 3.05 lakhs) was written off in the accounts for 1972-73. The Company's efforts to utilise the machine for the manufacture of parts of another engine were not successful. The machine has not been disposed of so far (June 1976).

In October 1975, the Management admitted that order for the import of machine could have been cancelled when it became known in July 1963 that the programme for the manufacture of the engine had been reduced. It was, however, stated that the officers who could be held responsible for this lapse were either deceased or were no longer in service.

INDIAN MOTION PICTURES EXPORT CORPORATION LIMITED

9. Loss on the working of Block Making and Sub-Titling Units

In March 1965, the Ministry of Information and Broadcasting suggested the desirability of setting up a sub-titling unit by the Indian Motion Pictures Export Corporation Limited (IMPEC), on the consideration that the performance of the only sub-titling laboratory in the country in the private sector was not found to be satisfactory and the lack of facilities for sub-titling of films was coming in the way of export promotion and was also a drain on the foreign exchange resources of the country, as the Indian films to be screened abroad had to be sub-titled in foreign countries.

Having come to know that the Indian Motion Pictures Export Corporation Ltd., was to enter the field of sub-titling, one Private Limited Company at Bombay (hereinafter referred to as "firm") which had obtained import licences for the import of certain machinery, offered on 16th August, 1965 to the Ministry of Commerce and Industry to sell its block making and sub-titling equipment (including those ordered from abroad but not cleared) and transfer the unutilised import licences to the Company. For rendering assistance to the Company in procuring indigenous machinery, commissioning the block making unit and making available the knowhow in the field of sub-titling etc., the firm demanded a commission of 7½ per cent on gross billing or 40 per cent of the net profits earned by the Company from this activity. The firm appears to have made this offer, as it felt that there was not enough scope for two units to operate in the field. In November 1965, the Board of Directors decided to purchase the equipment from the firm and also to utilise the services of its Chairman (who later became a Director of the Company) for two years on payment of 5 per cent of the gross billings for block making and sub-titling work (excluding the work received on Government account). The block making equipment was purchased from the firm in September 1966 for Rs. 84,418 and installed in October 1966. The Company also incurred further expenditure aggregating Rs. 30,177 towards installation of the unit, purchase of certain additional equipment and towards cost of electrical installation. Against the import licence transferred in its favour, the Company imported a sub-titling unit at a cost of Rs. 1,90,434 in October 1968. Expenditure subsequently incurred on the installation and purchase of certain additional items etc. amounted to Rs. 36,436. According to the information submitted to the Board of Directors, while the block making unit was expected to bring a return of Rs. 1,000 per month (at a level of business of Rs. 10,000 per month), a possibility of loss of Rs. 3 to 4 lakhs in the first two to three years in the operation of sub-titling unit was anticipated for want of a team of good translators.

The block making unit was installed in the premises rented by the Chairman of the firm in October 1966 and was operated there till September 1968. It was thereafter shifted to another place, as the location was not suitable. Due to lack of business, the Company not only did not get any return on this investment, but also suffered substantial losses aggregating Rs. 2,72,861 upto March 1975. Block making operations were stopped in March 1973.

The sub-titling unit purchased in October 1968 remained inoperative till January 1970 due to various technical difficulties like, quality of chemicals, climatic conditions, type of films, quality of translation, lack of competent persons to handle the work, etc. At a later date when a commercial order was executed, it was of a very poor quality and the Company had to pay compensation to the producers of the film. As there was no possibility of growth of business in this line, the unit was closed down from March 1972. The total loss suffered in the operation of the unit amounted to Rs. 1,07,228 upto 31st March, 1972. (Details of the expenditure incurred for the years 1972-73 to 1974-75 are not available and these stand included in the working results of block making unit). Credit sales of the blocks made led to a large outstanding of Rs. 29,836 (as on February 1976) of which Rs. 8,350 has been treated as doubtful.

In September 1972, the Board was informed that there was hardly any prospect of receiving any orders for sub-titling in the near future as most of the prints exported from India continued to be sub-titled in foreign countries, the cost of sub-titling in those countries being less than in India. A Sub-Committee was appointed by the Board of Directors (September 1972) to look into the economics of running these units but it appears from a report to the Board (June 1973) that the Committee did not meet to discuss the matter. In June 1973 the Board decided to dispose of the Units by inviting tenders. After more than two years a customer was found for the sub-titling unit and the unit (excluding one item of equipment) was sold (February 1976) to National Film Archives of India at a depreciated value of

Rs. 1,40,941. However, due to disagreement in the method and period of calculating depreciation the Company has not received the price claimed (June 1976). (The depreciated value of sub-titling unit according to National Film Archives of India, works out to Rs. 1,01,625). For the block making unit, the Company received an offer of Rs. 50,000 (October 1975) and this offer was accepted. The equipment has, however, not been delivered pending permission from the Chief Controller of Imports and Exports for the sale of the imported camera and screens which constitute parts of block making unit. On the basis of the accepted offer of Rs. 50,000 the Company would suffer a loss of Rs. 3,842 in the disposal of this unit, the depreciated cost as on 31st March, 1975 being Rs. 53,842. The Company incurred an expenditure of Rs. 0.30 lakh [Rs. 9,923 on operational staff (@Rs. 1,265 per month for 5 months and Rs. 514 per month for 7 months) and Rs. 20,196 towards rent (@Rs. 1,683 per month)] during the year 1975-76.

The objective of setting up the sub-titling unit *viz.* export promotion and foreign exchange savings has thus not been achieved.

The Management stated (January 1976) as follows :—

> "This appears.........to be a case of well intended scheme with inadequate planning. No techno-economic feasibility study seems to have been done scientifically before undertaking the venture. This could not possibly be done due to inadequate knowledge and lack of technical expertise in this field".

COCHIN REFINERIES LIMITED

10. **Payment of customs duty**

On 12th January, 1972, the Company placed an order for import of 1,101 tonnes of steel plates from Japan through

Minerals and Metals Trading Corporation of India Limited. The steel plates were required for erection of storage tanks in connection with the expansion programme of the Company.

One thousand and ninety tonnes of steel plates valuing Rs. 18.71 lakhs were received at Cochin port through different shipments during February 1972. These were cleared on payment of customs duty at normal rates amounting to Rs. 5.40 lakhs as against the concessional duty of Rs. 3.92 lakhs which could have been availed of by the Company by registering the purchase order with the Customs authorities before the actual import of material. Eight applications for the refund of excess amount of customs duty submitted to the Assistant Collector of Customs, Cochin were rejected. The Appellate Collector of Customs, Madras to whom appeals were filed also confirmed the orders of the Assistant Collector of Customs, Cochin in all these eight cases. On 5th June, 1973, the Company filed revision petitions with the Ministry of Finance for condoning the delay in getting the purchase order registered with the Customs authorities, but all the eight revision applications were also rejected on 21st November, 1973.

The Management stated (February 1975) as follows :—

> "......................... there was possibly an impression that works not entrusted to Engineers India Limited as part of the expansion project, would not be eligible for preferential duty. Licences obtained by MMTC did not have the CCIE endorsement 'Project Imports eligible for assessment under 72A of the ICT Act.' This issue came up only when the first shipment of plates was received and duty assessed at a higher rate".

The Ministry of Petroleum and Chemicals endorsed (April 1976) the reply given by the Management in February 1975.

BHARAT COKING COAL LIMITED

11. Appointment of Coordinators

(*a*) In March 1972, when Bharat Coking Coal Limited was acting as custodian for management of Coking Coal mines, the Company appointed a private firm to act as coordinator for the sale of coal to a State Government Undertaking in West Bengal with effect from 14th March, 1972 until further advice on a commission of Re. 1 per tonne of coal despatched. One of the terms of the appointment was that Company's bills on the State Government Undertaking would be paid by the coordinator in Calcutta within 15 days of the dates of the bills.

On a test check of the coal sale bills it was noticed that delays in making payments by the coordinator from the dates of the bills varied from 4 to 148 days. While the coordinator failed in some cases to make payments within 15 days from the dates of delivery of the bills, the delays in getting payments against sales was attributable mainly to (i) delays in preparation of the bills and (ii) delays in sending bills from the Units to the Calcutta office of the Company. The main purpose for which the coordinator was appointed was, therefore, not fulfilled. The services of the coordinator were, however, terminated in July 1975 after the matter was taken up in audit. The commission paid to the coordinator for the coal despatched during the period from 14th March, 1972 to 31st March, 1975 amounted to Rs. 15.01 lakhs. The amount of commission paid between April 1975 and July 1975 is not known.

The Management stated (July 1975) as follows :—

"It is unfortunate that preparation and submission of the bills to the Marketing Division by the Production Units was considerably delayed with the result that by the time the bills were received at the Calcutta office, the 15 days period as mentioned in the

> contract had already expired in the case of most of the bills and we could not justifiably expect the coordinator to pay us even before the bills were handed over to them. While it is true that in retrospect one could say that the engagement of a coordinator did not prove useful to the Company, the coordination arrangement would really have been beneficial to the Company, had it been possible to send the bills to the Calcutta office soon after despatch of the wagons".

The Ministry of Enegry stated (April 1976) as follows :—

> "............................ as Bharat Coking Coal could not get the Durgapur Projects Limited's bills discounted and as just after the taking over, the Company was in difficulties on amounts against Coal sales, it was decided to continue with the services of the Coordinator..................It may be mentioned here that Department of Coal had considered the various aspects of this practice and Secretary of the Department had as early as in March 1973 desired that the Company should have the practice of engaging Coordinators examined".

(*b*) In April 1972, a Power House owned by Government of India invited quotations for the supply of non-coking coal conforming to certain specifications. A private firm was authorised by the Company to quote on its behalf for the non-coking coal at Rs. 4 per tonne below the prevailing price. Even after such a reduction, the tender of the Company was not accepted as the Company's coal was not considered suitable. The Power House was, however, persuaded by the Company through direct negotiations without the help of the private firm, to accept the tender of the Company at the rate listed by it subject to the stipulated penalties. The contract was entered for the supply of 50,000 tonnes of coal per month. Although the private firm could not succeed in securing the contract and it was found that opening a liaison office in Delhi and arranging supply through it might be cheaper, it was considered that it would be unethical to totally eliminate the private firm from the supply. The private firm was, therefore, appointed as a coordinator to supervise loading and unloading, arrange for sampling and analysis and assist the Company in obtaining timely and full payment. A regional office was opened and has been functioning in Delhi from 11th August, 1972. The Company, however, continued to associate the coordinator with the supply till 1st March, 1976 when his services were terminated.

Commission paid/payable to the firm at the rate of Rs. 37,500 for 50,000 tonnes of coal despatched to the Power House for the period from April 1973 to February 1976 amounted to Rs. 5.02 lakhs.

The Ministry of Energy stated (April 1976) as follows :

> "The Coordinator carried out inspections at loading and unloading and sampling points, chased the authorities for regular payments with the result that there was no reduction from the bills on account of quality complaints".

NATIONAL COAL DEVELOPMENT CORPORATION LIMITED

12. Non-installation of 100 tonne weighbridge at Bachra Colliery

In order to avail of terminal rebate and to facilitate work of correct weighment of coal at Bachra Colliery, a 100 tonne weighbridge imported at a cost of Rs. 29,894 was received at Barkakana Central Stores on 10th July, 1961. This was transferred to the Colliery in January 1963. While negotiation with the Railways for its installation at Bachra Railway Siding was in progress, the Company agreed in March 1965 to the weighment of their wagons on a weighbridge of similar capacity to be installed by the Railways at Ray Railway Station which is about 3-4 km. away from the Bachra Railway Siding. The Railway weighbridge at Ray started functioning in June/July 1965. On the installation of the Railway weighbridge at Ray, the Company's 40 tonne weighbridge which was in operation at Bachra Siding since September 1960 became superfluous and was not used from 1st June, 1965, it was ultimately disposed of in February 1974 after having been found to be beyond repair.

Although the Railways gave their approval for installation of the 100 tonne weighbridge at Bachra in 1972 and a sum of Rs. 29,915 was deposited in parts on 6th December, 1972 and 7th August, 1973 with the Railways for its installation, the same has not been installed so far (July 1976).

In the absence of a weighbridge at the loading point, it is not possible to avoid underloading/overloading of wagons at Bachra Railway Siding, as a result of which the Company has suffered a loss of Rs. 3.83 lakhs comprising deductions aggregating Rs. 3.32 lakhs made by consumers from coal sale bills on account of underloading of wagons during June 1965 to March 1975 and Rs. 0.51 lakh representing short payments made by the Railways for 3,145.3 tonnes of coal which was loaded into coal wagons in excess of their carrying capacity and unloaded by the Railways at Ray Railway Station and consumed by the Railways for their own purpose during the years 1966-67 to 1968-69. The Ministry of Energy stated (May 1976), *inter alia* as follows :—

> "The fact of the matter is that the Railway Authorities had installed a 100 tonne weighbridge at the Ray Railway Station in June/July 1965 to cater to the needs of other private collieries. Obviously, the Railways had considered that once the permission was given for the installation of the weighbridge in question the weighbridge installed at Ray Railway Station would have very little work.

The Railways have since taken up the construction work which is expected to be completed by 30th November, 1976".

INDIAN OIL CORPORATION LIMITED

13. Delay in Revision of prices

While agreeing to supply Iomex to a private company beyond the then current supply arrangement on a long term basis, the Management stated (December 1972) that the price of Rs. 215 per Kl. would be subject to final agreement between the Corporation and the private company. The Marketing Division of the Corporation proposed in December 1972 that the base price of crude as on December 1972 should be escaled at a certain fixed factor but the final decision accepting this proposal was taken in March 1974 and the revised schedule of rates with effect from 1st January, 1973 was communicated to the private company in June 1974. Even this revised schedule was found to be incorrect and another revised schedule was issued in October 1974. The Corporation raised bills for the additional amounts of Rs. 70.66 lakhs on the basis of the revised schedule between July 1974 and May 1975 and recovered the same between August 1974 and July 1975. The interest lost on account of the delay in taking a decision and consequential delay in billing worked out to Rs. 4.73 lakhs.

II. REPORT OF THE COMPANY AUDITORS UNDER THE DIRECTIVES ISSUED BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

In pursuance of the directives issued by the Comptroller and Auditor General of India, the special reports of the company auditors on the accounts for the year 1973-74 have been received in the case of 91 companies and 13 subsidiary companies. The important points contained in these reports are given in the succeeding paragraphs.

SYSTEM OF ACCOUNTS AND BOOK-KEEPING

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

(*i*) Mineral Exploration Corporation Limited.

(*ii*) Projects and Equipment Corporation of India Limited.

(*iii*) Bharat Pumps and Compressors Limited.

(*iv*) Biecco Lawrie Limited.

(*v*) Indian Rare Earths Limited.

(*vi*) Indo-Burma Petroleum Company Limited.

(*vii*) Hindustan Steel Limited (Central Coal Washeries Organisation).

(*viii*) Bharat Dynamics Limited.

(*ix*) Hindustan Antibiotics Limited.

(*x*) National Textile Corporation Limited.

(*xi*) Hindustan Zinc Limited.

(*xii*) Electronics Corporation of India Limited.

(*xiii*) Indian Petrochemicals Corporation Limited.

(*xiv*) Indian Motion Pictures Export Corporation Limited.

(*xv*) India Tourism Development Corporation Limited (Akbar Hotel, Head Office, Transport Division of Northern Region, Travellers Lodges other than those under control of Area office, Madras; Production and Publicity, Marketing Division; Projects Division ; Son-et-Lumiere, Duty Free Shops other than Madras and Qutab Hotel).

(*xvi*) Uranium Corporation of India Limited.

(*xvii*) Tungabhadra Steel Products Limited.

(*xviii*) Mining and Allied Machinery Corporation Limited.

(*xix*) Fertilisers and Chemicals, Travancore Limited.

(*xx*) Manganese Ore (India) Limited (Head Office).

(*xxi*) Hindustan Latex Limited.

(*xxii*) Jessop and Company Limited.

(*xxiii*) Hindustan Copper Limited.

(*xxiv*) Richardson and Cruddas (1972) Limited.

(*xxv*) Hindustan Cables Limited (Hyderabad Unit).

(*xxvi*) Rehabilitation Industries Corporation Limited.

(*xxvii*) Mandya National Paper Mills Limited.

(*xxviii*) Jute Corporation of India Limited.

(*xxix*) Heavy Engineering Corporation Limited (Foundry Forge Plant, Heavy Machine Tool Plant, Heavy Machine Building Plant, Township and Headquarters).

(*xxx*) Cotton Corporation of India Limited.

(*xxxi*) Metal Scrap Trade Corporation of India Limited.

(*xxxii*) Central Fisheries Corporation Limited.

(*xxxiii*) Bharat Aluminium Company Limited.

(*xxxiv*) Bridge and Roof Company (India) Limited.

(*xxxv*) Balmer Lawrie and Company Limited.

(*xxxvi*) Pyrites, Phosphates and Chemicals Limited.

(*xxxvii*) Coal Mines Authority Limited (Korba Area and IB Valley Sub-area, Pench area and Sub-areas and Western Division).

(*xxxviii*) Hindustan Steelworks Construction Limited.

(*xxxix*) State Farms Corporation of India Limited.

(*xl*) Steel Containers Limited.

(*xli*) Industrial Containers Limited.

(*xlii*) Handicrafts and Handlooms Exports Corporation of India Limited.

(AA) In National Instruments Limited the Accounting Manual was incomplete inasmuch as it did not contain the alterations in the procedure which came into force from time to time since the date of preparation of the Manual in 1966.

(AB) In State Trading Corporation of India Limited (Head Office) there were procedural defects in the maintenance of accounts in certain cases.

(AC) In Indian Oil Corporation Limited :

(*i*) The Accounting Manual needs elaboration so as to cover all the sections (Marketing Division—Head Office and Western Branch).

(*ii*) There were wrong debits and credits given by the bankers which had not been adjusted (Marketing Division—Head Office).

(AD) In India Tourism Development Corporation Limited :

(*i*) The Accounting Manual drawn up in 1969-70 for the unit, had not been fully implemented (Ashoka Hotel).

(*ii*) There was no proper system of reconciliation between Sundry Debtors' Ledgers and Control Account in the General Ledgers (Ashoka Hotel).

(*iii*) There was no system of periodical reconciliation of subsidiary ledger with Control Account in General Ledger (Akbar Hotel).

(*iv*) Kitchen Order Ticket Analysis Register was not maintained in order to verify that all kitchen orders executed have been billed (Hotel Ashoka, Bangalore).

(*v*) Consumption had not been reconciled with the kitchen orders executed (Hotel Ashoka, Bangalore).

(*vi*) Subsidiary ledgers in respect of sundry creditors for supplies, advances, etc. and stock records maintained in Engineering and Maintenance stores, were incomplete (Hotel Ashoka, Bangalore).

(*vii*) Credit facilities were allowed by the Unit Managers although no specific powers had been delegated to them (Head Office, Transport Division of Northern Region, Travellers Lodges other than those under control of Area Office, Madras ; Production and Publicity, Marketing Division ; Projects Division ; Son-et-Lumiere; Duty Free Shops other than Madras and Qutab Hotel).

(AE) In Hindustan Copper Limited the Company was not having a uniform system of accounting for all the units.

(AF) In National Coal Development Corporation Limited :

(*i*) The system of accounting followed by the Corporation was not adequate for the purpose of auditing in depth.

(*ii*) Transactions prior to 1st April, 1968 for which no details were available and which were transferred to unlinked suspense account had not been completely reviewed and adjusted.

(AG) In Sambhar Salts Limited, Accounting Manual though prepared was yet to be approved by the Board of Directors and implemented.

(AH) In Hindustan Salts Limited, the Company is yet to adopt an accounting manual.

(AI) In Cotton Corporation of India Limited there was no effective system of reconciliation of the books by taking out periodical trial balances.

(AJ) In Bharat Gold Mines Limited no proper records were maintained at the mines regarding quantity of ore extracted and ore sent to Mill. The quantity of ore extracted and that received at Mill as per Mill records could not be reconciled.

(AK) In Central Fisheries Corporation Limited :

(i) There was no system of recording in the financial books the value of fish received or despatched to and from different units and Central Depot.

(ii) There was no system of periodical reconciliation between financial accounts of sale proceeds with quantitative records.

(iii) There was no system of periodical reconciliation between financial accounts of sale proceeds with quantitative records of sale of fish.

(iv) There was no effective system in Head Office of reconciliation of books by drawing out periodical trial balances.

(AL) In Mineral Exploration Corporation Limited the present system of accounting was considered most inadequate.

(AM) In Bharat Aluminium Company Limited the procedure laid down in the construction manual for recoveries from running bills and recoveries for materials issued to contractors was not adhered to.

(AN) In Coal Mines Authority Limited :

(i) There were many deficiencies in the maintenance of Accounts (Ramgarh Area—Central Division).

(*ii*) Subsidiary records were not reconciled with the control ledger (Ramgarh Area—Central Division).

(*iii*) There was no uniform system of accounting for different areas (Western Division).

(AO) In Hindustan Steelworks Construction Limited allocation of expenditure on buildings between capital and revenue was not properly done.

(AP) In Projects and Equipment Corporation of India Limited there was no effective system of reconciliation of the accounts with the holding company *i.e.* State Trading Corporation of India Limited.

(AQ) In Central Road Transport Corporation Limited the prescribed accounting procedure had been followed partly by the Company.

(AR) In National Small Industries Corporation Limited (Bombay Branch) Accounting Manual was not adhered to.

(AS) In State Farms Corporation of India Limited inter-farm reconciliation and reconciliation with Head Office was not carried out periodically.

(AT) In Handicrafts and Handlooms Exports Corporation of India Limited the accounting system in vogue in respect of foreign offices was not adequate for the purpose of auditing in depth.

(AU) In Steel Containers Limited separate ledgers were not maintained for advances made to the suppliers and sundry creditors.

(B) In the following Companies accounting manual had not been up-dated :

(*i*) State Trading Corporation of India Limited (Head Office).

(*ii*) National Coal Development Corporation Limited.

(iii) Hindustan Cables Limited (Rupnarayanpur Unit).

(iv) Indian Oil Corporation Limited (Marketing Division—Eastern Branch).

(v) Cochin Refineries Limited.

(vi) Bharat Ophthalmic Glass Limited.

(C) Property/Plant/Assets Registers were not maintained by the following Companies :

(i) Projects and Equipment Corporation of India Limited.

(ii) State Trading Corporation of India Limited (foreign offices).

(iii) Indian Petrochemicals Corporation Limited.

(iv) Goa Shipyard Limited (for launch, land and assets acquired prior to April 1962).

(v) Mandya National Paper Mills Limited.

(vi) Bharat Coking Coal Limited (Areas III to V and Head Office).

(vii) Heavy Engineering Corporation Limited [Foundry Forge Plant (non-residential buildings, railway sidings, etc.), Township and Headquarters (some assets)].

(viii) Mineral Exploration Corporation Limited (in respect of assets received from Geological Survey of India Offices).

(ix) Coal Mines Authority Limited (Korba Area and IB Valley Sub-area).

(CC) In India Tourism Development Corporation Limited (Akbar Hotel) there was no system of periodical reconciliation of Fixed Assets Registers with Control Account in General Ledger.

(CD) In Triveni Structurals Limited property and plant registers were maintained only for items of plant and machinery and were not up to date.

(CE) In Heavy Engineering Corporation Limited (Heavy Machine Building Plant) assets register for some assets had not been maintained while those maintained for other assets had not been fully reconciled with financial accounts.

(CF) In State Farms Corporation of India Limited the property and plant registers were not maintained. Even the detailed list of fixed assets maintained at certain farms did not tally with the financial books.

(D) In the following Companies, property/plant/assets registers were not maintained properly/were incomplete/were not up to date :

(*i*) Hindustan Aeronautics Limited (Lucknow Division).

(*ii*) Fertilizer Corporation of India Limited (Sindri Unit).

(*iii*) Lubrizol India Limited.

(*iv*) Hindustan Steel Limited (Bhilai Steel Plant and Central Coal Washeries Organisation).

(*v*) Modern Bakeries (India) Limited (Calcutta Unit, Bangalore Unit and Delhi Unit).

(*vi*) Machine Tool Corporation of India Limited.

(*vii*) Hindustan Antibiotics Limited.

(*viii*) Hindustan Zinc Limited.

(*ix*) Electronics Corporation of India Limited (in cases whose itemised costs were compiled).

(*x*) Central Road Transport Corporation Limited (except for vehicles).

(*xi*) India Tourism Development Corporation Limited (Head office, Transport Division of Northern Region, Travellers Lodges other than those under the control of Area office, Madras; Production and Publicity, Marketing Division; Projects Division; Son-et-Lumiere; Duty Free Shops other than Madras and Qutab Hotel).

(*xii*) Bharat Gold Mines Limited.

(*xiii*) Bharat Ophthalmic Glass Limited.

(DD) In National Seeds Corporation Limited inter-unit transfers of the assets were not recorded in the Assets Register, thereby rendering the reconciliation between financial books and property register difficult.

(DE) In Neyveli Lignite Corporation Limited detailed assets registers were not maintained for library, furniture, fittings and equipment. In certain cases where asset registers were maintained, postings were not up to date.

(DF) In Hindustan Salts Limited property and plant registers were not kept up to date. Registers at Khargoda Unit were under preparation.

(DG) In Fertilisers and Chemicals, Travancore Limited property and plant registers were not maintained in most of the cases, and where maintained these were not kept up to date.

(E) In the following Companies property/plant/assets registers were not kept up to date and reconciled with the financial books :

(*i*) Modern Bakeries (India) Limited (Head Office).

(*ii*) Indian Motion Pictures Export Corporation Limited.

(*iii*) India Tourism Development Corporation Limited (Hotel Ashoka, Bangalore).

(*iv*) Uranium Corporation of India Limited.

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

(*i*) Coal Mines Authority Limited (Pench area and Sub-area and Western Division).

(*ii*) Indian Motion Pictures Export Corporation Limited.

(*iii*) Hindustan Salts Limited.

(FF) In Central Fisheries Corporation Limited the procedure for write off of bad or doubtful debts was not adequate.

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

(*i*) Cashew Corporation of India Limited.

(*ii*) Bharat Pumps and Compressors Limited.

(*iii*) National Instruments Limited.

(*iv*) Biecco Lawrie Limited.

(*v*) Indian Rare Earths Limited.

(*vi*) National Industrial Development Corporation Limited.

(*vii*) Housing and Urban Development Corporation Limited.

(*viii*) Hindustan Antibiotics Limited.

(*ix*) India Tourism Development Corporation Limited (Ashoka Hotel, Akbar Hotel and Hotel Ashoka, Bangalore).

(*x*) Indian Petrochemicals Corporation Limited.

(*xi*) Goa Shipyard Limited.

(*xii*) Uranium Corporation of India Limited.

(*xiii*) Hindustan Aeronautics Limited (Nasik Division).

(*xiv*) Mandya National Paper Mills Limited.

(*xv*) National Buildings Construction Corporation Limited.

(*xvi*) Modern Bakeries (India) Limited (Hyderabad Unit).

(*xvii*) Manganese Ore (India) Limited.

(*xviii*) Hindustan Copper Limited.

(*xix*) Richardson and Cruddas (1972) Limited.

(*xx*) Hindustan Steel Limited (Central Sales Organisation).

(*xxi*) Rehabilitation Industries Corporation Limited.

(*xxii*) Hindustan Paper Corporation Limited.

(*xxiii*) Hindustan Salts Limited.

(*xxiv*) Jute Corporation of India Limited.

(*xxv*) Cotton Corporation of India Limited.

(*xxvi*) Bharat Gold Mines Limited.

(*xxvii*) Central Fisheries Corporation Limited.

(*xxviii*) Bharat Aluminium Company Limited.

(*xxix*) Cochin Refineries Limited.

(*xxx*) Bridge and Roof Company (India) Limited.

(*xxxi*) Balmer Lawrie and Company Limited.

(*xxxii*) Bharat Ophthalmic Glass Limited.

(*xxxiii*) State Farms Corporation of India Limited.

(*xxxiv*) Handicrafts and Handlooms Exports Corporation of India Limited.

(*xxxv*) Steel Containers Limited.

(AA) In Hindustan Zinc Limited Internal Audit Manual had not been approved by the Board of Directors.

(AB) In Hindustan Housing Factory Limited Internal Audit Manual had not been finalised.

(AC) In National Research Development Corporation of India the Internal Audit Manual drawn up by the Company had not been implemented.

(AD) In Fertilisers and Chemicals, Travancore Limited a new Internal Audit Manual to replace the existing one, was stated to have been drafted but was awaiting approval.

(AE) In Cement Corporation of India Limited the Internal Audit Manual drawn up by the Company had not been fully implemented.

(AF) In Hindustan Latex Limited although the manual outlining the scope and programme of work for internal audit had been prepared, the same had not been approved by the Board of Directors and was, therefore, not being followed by the Internal Audit Department.

2(B) In the following Companies there was no system of internal audit :

(*i*) Projects and Equipment Corporation of India Limited.

(*ii*) Nagaland Pulp and Paper Company Limited.

(*iii*) Lubrizol India Limited.

(*iv*) Film Finance Corporation Limited.

(*v*) National Industrial Development Corporation Limited.

(*vi*) Indo-Burma Petroleum Company Limited.

(*vii*) Fertilizer Corporation of India Limited (Talcher and Ramagundam Divisions).

(*viii*) Indian Dairy Corporation.

(*ix*) Machine Tool Corporation of India Limited.

(*x*) Indian Motion Pictures Export Corporation Limited.

(*xi*) Tungabhadra Steel Products Limited.

(*xii*) Bharat Coking Coal Limited (Areas II, IV and Head Office).

(*xiii*) Sambhar Salts Limited.

(*xiv*) Hindustan Cables Limited (Hyderabad Unit).

(*xv*) Hindustan Paper Corporation Limited.

(*xvi*) Cochin Shipyard Limited.

(*xvii*) Bridge and Roof Company (India) Limited.

(*xviii*) Balmer Lawrie and Company Limited.

(*xix*) Bharat Ophthalmic Glass Limited.

(*xx*) Industrial Containers Limited.

(BB) In Mandya National Paper Mills Limited there was no internal control and internal check regarding purchases, issue of materials and cash payments.

(BC) In Coal Mines Authority Limited :

(*i*) No programme for internal audit was drawn up (Ramgarh Area—Central Division).

(*ii*) Internal control and checking relating to accounts especially for wages, stores and advances was not adequate (Ramgarh Area—Central Division).

(*iii*) There was neither any internal audit nor any internal control (Korba Area and IB Valley Sub-area).

2(C) In the following Companies the existing system of internal audit was not considered to be comprehensive and adequate :

(*i*) State Trading Corporation of India Limited (Bombay and Calcutta Branches).

(*ii*) Fertilizer Corporation of India Limited (Barauni Division, Namrup, Gorakhpur and Trombay Units).

(*iii*) Minerals and Metals Trading Corporation of India Limited (Calcutta Region).

(*iv*) Bharat Heavy Electricals Limited (Tiruchi, Bhopal, Hyderabad and Hardwar Units).

(*v*) Bharat Pumps and Compressors Limited.

(*vi*) National Instruments Limited.

(*vii*) Bokaro Steel Limited.

(*viii*) Indian Oil Corporation Limited (Western Branch of Marketing Division).

(*ix*) National Textile Corporation Limited.

(*x*) National Newsprint and Paper Mills Limited.

(*xi*) Shipping Corporation of India Limited.

(*xii*) National Buildings Construction Corporation Limited.

(*xiii*) Manganese Ore (India) Limited.

(*xiv*) Hindustan Copper Limited.

(*xv*) Triveni Structurals Limited.

(*xvi*) Neyveli Lignite Corporation Limited.

(*xvii*) Rehabilitation Industries Corporation Limited.

(*xviii*) Jute Corporation of India Limited.

(*xix*) Heavy Engineering Corporation Limited (Heavy Machine Tools Plant, Township and Head Office).

(*xx*) Central Fisheries Corporation Limited.

(*xxi*) Hindustan Zinc Limited.

(*xxii*) Hindustan Organic Chemicals Limited.

(*xxiii*) Hindustan Antibiotics Limited.

(*xxiv*) Handicrafts and Handlooms Exports Corporation of India Limited.

(CC) In Hindustan Aeronautics Limited (Lucknow Division) the internal audit was applied to purchases and certain works accounts only. The scope of internal audit required to be extended to cover other activities.

(CD) In Fertilizer Corporation of India Limited :

(*i*) Internal audit programme could not be fully kept up, especially regarding the quantum and periodicity due to inadequacy of staff (Eastern Marketing Zone).

(*ii*) The system of internal audit was inadequate (Durgapur Division).

(CE) In Lubrizol India Limited purchase procedure was not followed in certain cases of purchases exceeding Rs. 2 lakhs individually.

(CF) In State Trading Corporation of India Limited (Head Office) :

(*i*) The points raised by internal audit were pending consideration and implementation.

(*ii*) Internal Audit required to be strengthened.

(CG) In Indian Oil Corporation Limited (Marketing Division) :

(*i*) The points raised in internal audit were not properly and promptly attended to (Southern Branch).

(*ii*) No internal audit programmes were drawn up for the first two quarters and the programmes for the third and fourth quarters were not kept up by the Internal Audit Department (Head Office).

(*iii*) The Internal Audit Department required to be strengthened (Southern Branch).

(*iv*) Internal audit programme was not kept up owing to paucity of manpower (Eastern Branch).

(CH) In Hindustan Steel Limited purchases were generally (except in a few cases) made on basis of selective or limited enquiry and reasons for not inviting open tenders were not recorded as required under the purchase procedure (Bhilai Steel Plant).

(CI) In Electronics Corporation of India Limited the programme of internal audit as laid down in the manual was not completed.

(CJ) In National Newsprint and Paper Mills Limited the manual of procedure for all purchases had not yet been finalised and adopted.

(CK) In National Small Industries Corporation Limited :

(*i*) The internal audit carried out was inadequate (P.D.T. Centre, Okhla, Head Office, Delhi Cell, Raw Materials Depot, Pottery Depot, Khurja, Madras Branch, Calcutta Branch and P.D.T. Centre, Howrah).

(*ii*) There was need to conduct internal audit in a more elaborate manner and in depth (Bombay Branch).

(CL) In Hindustan Cables Limited the programme regarding audit of cost records as indicated in Financial Hand-Book was not kept.

(CM) In Bharat Heavy Plate and Vessels Limited :

(*i*) The Internal Audit Department was unable to render effective service at the right moment on account of insufficient manpower.

(*ii*) There was delay in taking action on the points raised by internal audit.

(CN) In Fertilisers and Chemicals, Travancore Limited :

(*i*) There was delay on the part of Management in taking action on the points raised by the internal audit.

(*ii*) Annual programme for internal audit was not drawn up.

(*iii*) The internal audit did not cover the entire area of the accounts of more important units.

(*iv*) The internal audit work was not considered as quite effective because (a) the work was not up to date (b) there was delay in the issue of reports (c) adequate follow up was not there.

(CO) In Hindustan Latex Limited :

(*i*) The Internal Audit Section conducted the audit of factory only.

(*ii*) No action/timely action had been taken by the Management on some of the points raised by the Internal Audit Department.

(CP) In National Seeds Corporation Limited internal control was inadequate in respect of Regional Office, Bangalore and sub-unit, Hyderabad. This facilitated misappropriation of stocks and cash. Internal control was also inadequate in respect of inter-unit material transfers.

(CQ) In Neyveli Lignite Corporation Limited some of the points thrown up by the internal audit were not fully considered by the Management for taking the required action.

(CR) In Hindustan Shipyard Limited the existing system of internal audit was not considered to be comprehensive and adequate. The programme drawn up for internal audit during the year was also not followed in full.

(CS) In Rehabilitation Industries Corporation Limited the internal audit could neither complete the tentative programme nor could prepare a consolidated audit report.

(CT) In Mandya National Paper Mills Limited no detailed purchase procedure had been laid by the competent authority.

(CU) In Hindustan Salts Limited internal control was lacking on bagging, sewing and loading work being done departmentally.

(CV) In Heavy Engineering Corporation Limited :

(*i*) Internal Audit Department did not fully cover the programme for internal audit stipulated in the manual (Foundry Forge Plant).

(*ii*) The programme of internal audit was not kept up (Heavy Machine Building Plant).

(CW) In Bharat Gold Mines Limited there was no proper system of internal audit. The Internal Audit Department required re-organisation.

(CX) In Hindustan Machine Tools Limited no internal audit was carried out in the absence of an internal auditor.

(CY) In Indian Telephone Industries Limited no separate internal audit programme for Naini Branch was prepared but the programme outlined for Head Office was followed which was also not carried out fully.

(CZ) In Mining and Allied Machinery Corporation Limited the programme of internal audit as envisaged in the Internal Audit Manual was not followed.

(CZA) In Indian Drugs and Pharmaceuticals Limited prescribed procedure of purchase was not followed in certain cases of purchases.

(CZB) In Coal Mines Authority Limited :

(i) There was no regular internal audit (Western Division).

(ii) There was neither internal check nor internal control over day to day transactions in respect of credit sales (Western Division).

(iii) No programme for internal audit had been drawn up (Pench area and Sub-areas).

(CZC) In State Farms Corporation of India Limited :

(i) The internal audit carried out was not considered adequate.

(ii) Certain important points thrown up by the internal audit were yet to be considered by the administration.

(CZD) In the following Companies no internal audit was conducted :

(*i*) Hindustan Steel Limited (Head Office).

(*ii*) Instrumentation Limited (records at a few site offices).

(*iii*) Central Road Transport Corporation Limited (Ranchi, Gauhati, Silchar, Bombay and Koyali Branches).

(*iv*) Mandya National Paper Mills Limited.

(*v*) Modern Bakeries (India) Limited (Head Office).

(*vi*) Steel Containers Limited.

(CZE) In the following Companies internal audit programme was not fully completed/covered by the Internal Audit Department :

(*i*) Hindustan Steel Limited (Rourkela Fertilizer Plant, Rourkela Steel Plant, Central Transport & Shipping Organisation and Alloy Steels Plant).

(*ii*) Hindustan Housing Factory Limited.

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

(*i*) State Trading Corporation of India Limited (Madras, Bombay and Calcutta Branches, Head Office and Wig India, Madras).

(*ii*) National Mineral Development Corporation Limited (Diamond Mining Project, Meghahatuburu Project, Kiriburu Project, Bailadila Iron Ore Project—Deposit 14 and Vishakhapatnam Regional Office).

(*iii*) Hindustan Aeronautics Limited (Kanpur, Nasik and Koraput Divisions and Bangalore Complex).

(*iv*) Indian Telephone Industries Limited (Allahabad Unit).

(v) Fertilizer Corporation of India Limited (Namrup, Sindri, Gorakhpur and Trombay Units, Haldia, Barauni, Durgapur, Ramagundam and Talcher Divisions, Fertilizer Promotion and Agriculture Research Centre and Eastern Marketing Zone).

(vi) Export Credit and Guarantee Corporation Limited (Revenue Budget).

(vii) Minerals and Metals Trading Corporation of India Limited (Calcutta Region).

(viii) Bharat Heavy Electricals Limited (Tiruchi, Bhopal, Hyderabad and Hardwar Units).

(ix) Bharat Pumps and Compressors Limited.

(x) Lubrizol India Limited.

(xi) Indian Drugs and Pharmaceuticals Limited (Antibiotics Plant, Surgical Instruments Plant, Synthetic Drugs Plant and Marketing Division).

(xii) Biecco Lawrie Limited.

(xiii) Mazagon Dock Limited.

(xiv) Film Finance Corporation Limited.

(xv) Indian Rare Earths Limited (Mineral Division only).

(xvi) National Industrial Development Corporation Limited.

(xvii) Indo-Burma Petroleum Company Limited (except Bombay Branch including Electronics Division).

(xviii) Indian Oil Corporation Limited :

(a) Marketing Division (Southern, Northern, Eastern and Western Branches and Head Office).

(b) Refineries and Pipelines Division (Head Office, Chairman's office, North West Refinery, Haldia, Gauhati and Barauni Refineries, Gauhati-Siliguri

Products Pipeline and Haldia—Barauni—Kanpur Pipeline).

(*xix*) Projects and Equipment Corporation of India Limited.

(*xx*) Madras Fertilizers Limited.

(*xxi*) Hindustan Photo Films Manufacturing Company Limited.

(*xxii*) Bokaro Steel Limited.

(*xxiii*) Hindustan Steel Limited (Central Coal Washeries Organisation, Rourkela Fertilizer Plant, Rourkela Steel Plant, Central Transport and Shipping Organisation, Bhilai Steel Plant, Durgapur Steel Plant, Alloy Steels Plant and Central Sales Organisation).

(*xxiv*) Modern Bakeries (India) Limited (Head Office, Calcutta and Kanpur Units).

(*xxv*) Hindustan Organic Chemicals Limited.

(*xxvi*) Bharat Dynamics Limited.

(*xxvii*) Machine Tool Corporation of India Limited.

(*xxviii*) Hindustan Antibiotics Limited.

(*xxix*) National Textile Corporation Limited.

(*xxx*) Instrumentation Limited.

(*xxxi*) Hindustan Zinc Limited.

(*xxxii*) Electronics Corporation of India Limited.

(*xxxiii*) Hindustan Housing Factory Limited.

(*xxxiv*) Indian Petrochemicals Corporation Limited.

(*xxxv*) Goa Shipyard Limited.

(*xxxvi*) National Newsprint and Paper Mills Limited.

(*xxxvii*) National Small Industries Corporation Limited (Prototype Development-*cum*-Training Centre, Howrah, Madras Branch, Head Office, Delhi Cell, Proto-type Development-*cum*-Training Centre, Okhla, Raw Material Depot, Okhla and Pottery Depot, Khurja).

(*xxxviii*) Uranium Corporation of India Limited (Capital Budget only).

(*xxxix*) Shipping Corporation of India Limited.

(*xl*) National Projects Construction Corporation Limited.

(*xli*) Bharat Heavy Plate and Vessels Limited.

(*xlii*) Bharat Earth Movers Limited.

(*xliii*) Tungabhadra Steel Products Limited.

(*xliv*) Mining and Allied Machinery Corporation Limited.

(*xlv*) Central Road Transport Corporation Limited (Revenue and Sales Budget).

(*xlvi*) National Instruments Limited.

(*xlvii*) National Buildings Construction Corporation Limited.

(*xlviii*) National Research Development Corporation of India.

(*xlix*) Fertilisers and Chemicals, Travancore Limited.

(*l*) Manganese Ore (India) Limited.

(*li*) Cement Corporation of India Limited.

(*lii*) Praga Tools Limited.

(*liii*) Jessop and Company Limited.

(*liv*) Hindustan Copper Limited.

(*lv*) Central Inland Water Transport Corporation Limited.

(*lvi*) Bharat Coking Coal Limited (Area IV and Head Office).

(*lvii*) National Seeds Corporation Limited.

(*lviii*) Sambhar Salts Limited.

(*lix*) National Coal Development Corporation Limited.

(*lx*) Hindustan Cables Limited (Revenue and Capital).

(*lxi*) Hindustan Shipyard Limited.

(*lxii*) Rehabilitation Industries Corporation Limited.

(*lxiii*) Garden Reach Workshops Limited.

(*lxiv*) Metallurgical and Engineering Consultants (India) Limited.

(*lxv*) India Tourism Development Corporation Limited (Head Office).

(*lxvi*) Hindustan Salts Limited.

(*lxvii*) Jute Corporation of India Limited.

(*lxviii*) Triveni Structurals Limited.

(*lxix*) Heavy Engineering Corporation Limited (Foundry Forge Plant, Heavy Machine Building Plant and Head Office).

(*lxx*) Bridge and Roof Company (India) Limited.

(*lxxi*) Balmer Lawrie and Company Limited.

(*lxxii*) Hindustan Machine Tools Limited, (Unit V, Hyderabad).

(*lxxiii*) Hindustan Steelworks Construction Limited.

(*lxxiv*) Bharat Ophthalmic Glass Limited.

(*lxxv*) Bharat Electronics Limited.

(*lxxvi*) Central Fisheries Corporation Limited.

(*lxxvii*) Bharat Gold Mines Limited.

(*lxxviii*) State Farms Corporation of India Limited.

(*lxxix*) Handicrafts and Handlooms Exports Corporation of India Limited.

(AA) In Sindri Unit of Fertilizer Corporation of India Limited actual cost of production was more than the budgeted cost of production.

3(B) In the following Companies there was no system of preparing capital, revenue, production and sales budgets so as to compare actual performance thereagainst :

(*i*) Mineral Exploration Corporation Limited.

(*ii*) India Tourism Development Corporation Limited (Ashoka Hotel—Capital budget).

(*iii*) Indian Motion Pictures Export Corporation Limited.

(*iv*) Cotton Corporation of India Limited.

(*v*) Mogul Lines Limited.

(BB) In India Tourism Development Corporation Limited there was no system of comparing budget estimates with actuals periodically (Akbar Hotel).

(BC) In Central Road Transport Corporation Limited no capital budget was prepared.

(BD) In Modern Bakeries (India) Limited (Hyderabad Unit) the figures of actual expenditure were not compared with the budget estimates due to inadequacy of staff.

(BE) In Mandya National Paper Mills Limited no production and sales budgets were prepared.

(BF) In Coal Mines Authority Limited budget estimates were not prepared except at Saunda 'D' Colliery.

3(C) In State Trading Corporation of India Limited (Madras Branch) sales budget was not prepared in advance.

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

(*i*) National Mineral Development Corporation Limited (Kiriburu Iron Ore Project and Bailadila Iron Ore Project—Deposit No. 14)

(*ii*) Indian Telephone Industries Limited (Allahabad Unit—in certain cases).

(*iii*) Fertilizer Corporation of India Limited (Trombay Unit, Planning and Development Division, Namrup Unit—in respect of Ammonium Sulphate, Sindri Unit—in respect of Ammonium Sulphate, Nitrate and Urea and Gorakhpur Unit—in respect of Urea).

(*iv*) Bharat Pumps and Compressors Limited.

(*v*) Indian Drugs and Pharmaceuticals Limited (Antibiotics Plant, Synthetic Drugs Plant and Surgical Instruments Plant).

(*vi*) Indian Rare Earths Limited (in respect of most of the products).

(*vii*) Madras Fertilizers Limited.

(*viii*) Hindustan Photo Films Manufacturing Company Limited.

(*ix*) Bokaro Steel Limited.

(*x*) Hindustan Steel Limited [Central Coal Washeries Organisation (except Bhojudih Washery), Rourkela Fertilizer Plant, Rourkela Steel Plant (except in a few cases), Bhilai Steel Plant, Durgapur Steel Plant and Alloy Steels Plant].

(*xi*) Hindustan Organic Chemicals Limited (in most of the cases).

(*xii*) Bharat Heavy Electricals Limited (Hyderabad and Hardwar Units).

(*xiii*) Machine Tool Corporation of India Limited (in most of the cases).

(*xiv*) Hindustan Antibiotics Limited (in certain cases).

(*xv*) Instrumentation Limited (except in the case of Tempt. transmitters).

(*xvi*) Hindustan Zinc Limited (in respect of Lead, Silver, Zinc, Superphosphate and Zinc Sulphate).

(*xvii*) Electronics Corporation of India Limited (for certain items).

(*xviii*) Hindustan Housing Factory Limited (in respect of prestressed concrete railway sleepers and site works).

(*xix*) Bharat Heavy Plate and Vessels Limited.

(*xx*) Bharat Earth Movers Limited (Earth Movers Division).

(*xxi*) Tungabhadra Steel Products Limited.

(*xxii*) Mining and Allied Machinery Corporation Limited.

(*xxiii*) Mandya National Paper Mills Limited.

(*xxiv*) National Buildings Construction Corporation Limited (Brick Kiln Plant).

(*xxv*) Fertilisers and Chemicals, Travancore Limited.

(*xxvi*) Cement Corporation of India Limited.

(*xxvii*) Praga Tools Limited (in some cases).

(*xxviii*) Hindustan Latex Limited.

(*xxix*) Bharat Coking Coal Limited (Area IV and Head Office).

(*xxx*) Triveni Structurals Limited.

(*xxxi*) Sambhar Salts Limited.

(*xxxii*) Indian Oil Corporation Limited (Barauni Refinery—in respect of most of the products and Gauhati Refinery).

(*xxxiii*) Neyveli Lignite Corporation Limited.

(*xxxiv*) Garden Reach Workshops Limited.

(*xxxv*) Hindustan Salts Limited.

(*xxxvi*) Heavy Engineering Corporation Limited [Foundry Forge Plant, Heavy Machine Tools Plant and Heavy Machine Building Plant (except rolling mill equipment)].

(*xxxvii*) Bharat Electronics Limited (in certain cases).

(*xxxviii*) Modern Bakeries (India) Limited (Cochin, Kanpur and Bangalore Units).

(*xxxix*) Bharat Ophthalmic Glass Limited.

(*xl*) Bridge and Roof Company (India) Limited.

(*xli*) Indian Petrochemicals Corporation Limited (DMT only).

(*xlii*) State Farms Corporation of India Limited.

(AA) In Lubrizol India Limited no targets of production were fixed.

(AB) In Indo-Burma Petroleum Company Limited the rated capacity was not determined and targets were not fixed (Electronics Division).

(AC) In Indian Oil Corporation Limited the targets of sales were not achieved (Marketing Division—Northern Branch).

4(B) In the following Companies there was no regular costing system in operation :

(*i*) Bharat Pumps and Compressors Limited.

(*ii*) Lubrizol India Limited.

(*iii*) India Tourism Development Corporation Limited (Akbar Hotel and Hotel Ashoka, Bangalore).

(*iv*) Modern Bakeries (India) Limited (Calcutta Unit).

(*v*) National Seeds Corporation Limited.

(*vi*) Hindustan Salts Limited.

(*vii*) Balmer Lawrie and Company Limited.

(*viii*) Hindustan Steelworks Construction Limited.

(*ix*) Bharat Ophthalmic Glass Limited.

(BB) In India Tourism Development Corporation Limited there was no effective costing system prevalent (Ashoka Hotel).

(BC) In Bharat Heavy Plate and Vessels Limited detailed estimates were not prepared before submitting the tenders. The maintenance of costing records also needed improvement.

(BD) In Mining and Allied Machinery Corporation Limited product-wise costs were not worked out.

(BE) In Central Inland Water Transport Corporation Limited no proper estimates of cost for submitting quotations were maintained.

(BF) In National Coal Development Corporation Limited there was no effective system of reconciliation of cost as per financial records and costing records.

(BG) In Indian Oil Corporation Limited costs of individual items of products of the Refineries were not determined at periodical intervals (Gauhati Refinery and Barauni Refinery).

(BH) In Rehabilitation Industries Corporation Limited there was scope for improvements in the existing system of costing.

(BI) In Hindustan Shipyard Limited the following defects existed in the costing system :

(*i*) The estimates were not prepared in accordance with the details of jobs available for cost accounting purposes.

(*ii*) Comparison between estimates and actuals was not possible as estimating was done on a very broad basis for the ship as a whole and not by jobs.

(*iii*) Certain important recommendations made by the Chief Cost Accounts Officer of the Government of India for improving and modernising the costing system had not been fully implemented.

(*iv*) Standard cost of products had not been established.

(BJ) In Garden Reach Workshops Limited :

(*i*) There was no regular system of reconciliation of cost booked on the basis of pre-determined rate and the actual expenditure booked in the financial accounts.

(*ii*) Actual costs in some cases were considerably higher than the estimated costs.

(BK) In Central Fisheries Corporation Limited there was no system of cost accounting in any form.

(BL) In Bridge and Roof Company (India) Limited the costing system in vogue was considered inadequate.

(BM) In Biecco Lawrie Limited product-wise cost of production was not ascertainable as the basis of allocating the administrative overhead had not been developed.

(BN) In Coal Mines Authority Limited :

(*i*) Costing records had not been maintained except at Saunda 'D' Colliery (Ramgarh Area—Central Division).

(*ii*) Separate Raising Account was not drawn up to know the cost of production (Korba Area and IB Valley Sub-area).

(BO) In State Farms Corporation of India Limited there was no effective system of cost accounts.

(BP) In National Instruments Limited cost and financial accounts were not reconciled.

(BQ) In the following Companies standard costs for various main products had not been fixed :

(*i*) Bharat Heavy Electricals Limited (Tiruchi and Hyderabad Units).

(*ii*) Biecco Lawrie Limited (except in respect of materials utilisation).

(*iii*) Indo-Burma Petroleum Company Limited (except in the case of one item in Electronics Section of Electronics Division).

(*iv*) Indian Oil Corporation Limited (Marketing Division—Southern Branch).

(*v*) Hindustan Steel Limited (Central Coal Washeries Organisation for washed coal).

(*vi*) Modern Bakeries (India) Limited (Delhi and Kanpur Units).

(*vii*) Machine Tool Corporation of India Limited.

(*viii*) India Tourism Development Corporation Limited (Ashoka Hotel, New Delhi and Hotel Ashoka, Bangalore).

(*ix*) Hindustan Zinc Limited.

(*x*) Instrumentation Limited.

(*xi*) Hindustan Housing Factory Limited.

(*xii*) National Newsprint and Paper Mills Limited.

(*xiii*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant).

(*xiv*) Mining & Allied Machinery Corporation Limited.

(*xv*) Mandya National Paper Mills Limited.

(*xvi*) National Buildings Construction Corporation Limited (Brick Kiln Plant).

(*xvii*) Neyveli Lignite Corporation Limited (except for power generation).

(*xviii*) Rehabilitation Industries Corporation Limited (some of the products).

(*xix*) Heavy Engineering Corporation Limited (Heavy Machine Tool Plant).

(*xx*) National Mineral Development Corporation Limited (Iron Ore).

(*xxi*) Pyrites, Phosphates and Chemicals Limited (Ore produced).

(*xxii*) Coal Mines Authority Limited (Korba Area and IB Valley Sub-area and Western Division).

(*xxiii*) State Farms Corporation of India Limited (in respect of Crops produced).

(BR) In the following Companies actual cost of production was higher than the standrad cost :

(*i*) Fertilizer Corporation of India Limited (Namrup Unit—in respect of Ammonium Sulphate and Urea and Nangal Unit—in respect of Heavy Water).

(*ii*) Indian Drugs and Pharmaceuticals Limited (Antibiotics Plant).

(*iii*) Hindustan Photo Films Manufacturing Company Limited.

(*iv*) Hindustan Steel Limited [Rourkela Fertilizer Plant, Rourkela Steel Plant, Bhilai Steel Plant and Durgapur Steel Plant (much higher)].

(*v*) Hindustan Organic Chemicals Limited (in a number of cases).

(*vi*) Fertilisers and Chemicals, Travancore Limited (major products).

(BS) In Machine Tool Corporation of India Limited comparison between the standard consumption and actual consumption of materials on the production of a particular machinery had not been made.

(BT) In Goa Shipyard Limited actual costs were more than the estimates in the case of tugs.

(BU) In the following Companies standard costing system had not been introduced :

(*i*) Madras Fertilizers Limited.

(*ii*) Hindustan Aeronautics Limited (Kanpur, Nasik, Hyderabad and Koraput Divisions).

(*iii*) Central Inland Water Transport Corporation Limited.

(*iv*) Indian Oil Corporation Limited (Refineries Division—Gauhati and Barauni Refineries).

(*v*) Industrial Containers Limited.

(*vi*) Bharat Dynamics Limited.

(*vii*) Hindustan Antibiotics Limited.

4(C) In the following Companies there was no system of ascertaining idle time for labour and machinery specifying the reasons therefor :

(*i*) State Trading Corporation of India Limited (Wig India—for labour only).

(*ii*) National Mineral Development Corporation Limited (Diamond Mining Project).

(*iii*) Hindustan Aeronautics Limited (Lucknow Division—for machinery).

(*iv*) Indian Telephone Industries Limited (Allahabad Unit).

(*v*) Fertilizer Corporation of India Limited [Planning & Development Division and Namrup Unit (labour only)].

(*vi*) Bharat Pumps and Compressors Limited.

(*vii*) Lubrizol India Limited.

(*viii*) Indian Drugs and Pharmaceuticals Limited [Antibiotics Plants and Synthetic Drugs Plant (for labour only)].

(*ix*) National Instruments Limited.

(*x*) Indian Rare Earths Limited (in case of Minerals Division).

(*xi*) Indian Oil Corporation Limited :

(*a*) Marketing Division [Southern Branch and Eastern Branch (for machinery only)].

(*b*) Refineries and Pipelines Division [Gauhati Refinery, Barauni Refinery (except in respect of processing units) and Haldia—Barauni—Kanpur Pipeline (for labour only)].

(*xii*) Hindustan Steel Limited [Rourkela Steel Plant (labour only), Central Coal Washeries Organisation (labour only) and Bhilai Steel Plant (except Rolling Mills)].

(*xiii*) Modern Bakeries (India) Limited (Delhi, Kanpur and Hyderabad Units).

(*xiv*) Hindustan Antibiotics Limited (for labour only).

(*xv*) Hindustan Zinc Limited.

(*xvi*) Electronics Corporation of India Limited (for machinery and in some of the divisions for labour also).

(*xvii*) Goa Shipyard Limited (for machinery only).

(*xviii*) Bharat Heavy Plate and Vessels Limited (for machinery only).

(*xix*) Manganese Ore (India) Limited (for machinery only).

(*xx*) Central Inland Water Transport Corporation Limited (for machinery only).

(*xxi*) Bharat Coking Coal Limited (Areas II and IV and Head Office).

(*xxii*) Richardson and Cruddas (1972) Limited.

(*xxiii*) National Coal Development Corporation Limited (for machinery only)

(*xxiv*) Jessop and Company Limited.

(*xxv*) Rehabilitation Industries Corporation Limited.

(*xxvi*) Hindustan Salts Limited.

(*xxvii*) Bharat Gold Mines Limited.

(*xxviii*) Bharat Electronics Limited (Components Division—for machinery only).

(*xxix*) Pyrites, Phosphates and Chemicals Limited.

(*xxx*) Balmer Lawrie and Company Limited (Bombay Branch).

(*xxxi*) Hindustan Steelworks Construction Limited.

(*xxxii*) Coal Mines Authority Limited (Ramgarh Area of Central Division and Korba Area and IB Valley Sub-area).

(*xxxiii*) Industrial Containers Limited.

(*xxxiv*) Steel Containers Limited.

(CC) In National Mineral Development Corporation Limited the idle time of labour had not been recorded (Kiriburu Iron Ore Project).

(CD) In Hindustan Steel Limited (Durgapur Steel Plant) percentage of idle hours to available hours was very high and was also more than the norms in most of the mills.

(CE) In Heavy Engineering Corporation Limited percentage of idle hours of labour and machinery was too high (Foundry Forge Plant and Heavy Machine Building Plant).

(CF) In Hindustan Machine Tools Limited (Unit-V, Hyderabad) percentage of idle time to available hours was on the high side in Machine Tools and Press Divisions.

(CG) In State Farms Corporation of India Limited there was no effective system of ascertaining idle time for labour and machinery.

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

(*i*) Fertilizer Corporation of India Limited [Sindri Unit and Namrup Unit (in respect of Sulphur)].

(*ii*) Indian Drugs and Pharmaceuticals Limited (Antibiotics plant and Synthetic Drugs Plant).

(*iii*) National Instruments Limited.

(*iv*) Hindustan Photo Films Manufacturing Company Limited.

(*v*) Bokaro Steel Limited.

(*vi*) Hindustan Steel Limited (Rourkela Fertilizer Plant).

(*vii*) Hindustan Antibiotics Limited.

(*viii*) National Newsprint and Paper Mills Limited (in respect of main product—*i.e.* Newsprint).

(*ix*) Fertilisers and Chemicals, Travancore Limited.

(*x*) Hindustan Cables Limited (in many cases).

(DD) In Indo-Burma Petroleum Company Limited :

(*i*) Consumption of major raw materials for manufacture of major products and the estimated quantity budgeted by the Management had not been compared (Electronics Division).

(*ii*) Records were not maintained for determining the rejections in production as well as the return of the goods rejected by customers (Electronics section of Electronics Division).

(DE) In Indian Oil Corporation Limited no norms were fixed in respect of consumption of raw materials in the lube and drum plants (Marketing Division—Southern Branch).

(DF) In Hindustan Photo Films Manufacturing Company Limited rejections were more than the norms for rejections.

(DG) In Hindustan Steel Limited :

(*i*) There were variations in the consumption of major raw materials as compared to norms (Rourkela Steel Plant).

(*ii*) Actual rejections were more than the norms fixed (Durgapur Steel Plant).

(DH) In Modern Bakeries (India) Limited rejections of bread were high as compared to the norms (Delhi and Kanpur Units).

(DI) In Bharat Dynamics Limited norms for rejections had not been fixed.

(DJ) In Instrumentation Limited quantitative comparison between the projected estimates of the consumption of raw materials and the materials actually consumed had not been done.

(DK) In Electronics Corporation of India Limited:

(*i*) Standards/norms for consumption of major raw materials for manufacture of major products were not available for comparison with the actuals.

(*ii*) No consolidated statements to show quantity-wise output and rejections were drawn up.

(DL) In Goa Shipyard Limited consumption of materials generally exceeded the estimates in case of construction of tugs.

(DM) In Indian Drugs and Pharmaceuticals Limited rejections were higher than last year (Surgical Instruments Plant).

(DN) In National Projects Construction Corporation Limited actual consumption of materials was not compared with the estimated consumption of materials by various Units of the Company at the end of the working season.

(DO) In Tungabhadra Steel Products Limited consumption of steel was more than the estimates in the case of certain jobs completed.

(DP) In National Buildings Construction Corporation Limited the rejections in the Brick Kiln Plant were on the high side.

(DQ) In Cement Corporation of India Limited consumption of gypsum was higher than the norms as per the Detailed Project Report.

(DR) In Jessop and Company Limited no records were maintained for rejections in production.

(DS) In Richardson and Cruddas (1972) Limited separate records for determining rejections in production were not maintained.

(DT) In Garden Reach Workshops Limited :

(*i*) The Company did not maintain records for determining the rejections in production except in Foundry Shop and Timber Workshop.

(*ii*) No norms had been fixed by the Management for rejections in respect of Foundry Shop and Timber Workshop.

(DU) In Heavy Engineering Corporation Limited percentage of rejections was more than the norms fixed.

(DV) In Bharat Ophthalmic Glass Limited records for rejections were not maintained.

(DW) In Bharat Pumps and Compressors Limited no estimates for the consumption of raw materials were drawn up.

(DX) In Coal Mines Authority Limited (Ramgarh Area—Central Division), no records were maintained for determining rejections in coal raising.

PROFIT AND LOSS ACCOUNT

5(A) In the following Companies the selling prices were less than the cost of production/procurement :

(*i*) National Mineral Development Corporation Limited (Kiriburu Iron Ore Project).

(*ii*) Fertilizer Corporation of India Limited [Sindri Unit, Namrup Unit (in respect of Amonium Sulphate) and Trombay Unit (in respect of Urea)].

(*iii*) Bharat Heavy Electricals Limited (Bhopal Unit).

(*iv*) Indian Drugs and Pharmaceuticals Limited [Antibiotics Plant, Synthetic Drugs Plant and Surgical Instruments Plant (in respect of Surgical Instruments)].

(*v*) National Instruments Limited.

(*vi*) Biecco Lawrie Limited (Transformers and Motor Pumps).

(*vii*) Madras Fertilizers Limited (in respect of Urea).

(*viii*) Hindustan Photo Films Manufacturing Company Limited (in the case of Cine Positive, X-Ray and Cine Sound).

(*ix*) Bokaro Steel Limited.

(*x*) Hindustan Steel Limited [Rourkela Fertilizer Plant, Rourkela Steel Plant, Bhilai Steel Plant, Durgapur Steel Plant and Alloy Steels Plant (certain cases)].

(*xi*) National Newsprint and Paper Mills Limited (in respect of old allottees).

(*xii*) Fertilisers and Chemicals, Travancore Limited (some cases).

(*xiii*) Cement Corporation of India Limited.

(*xiv*) Praga Tools Limited.

(*xv*) Jessop and Company Limited.

(*xvi*) Central Inland Water Transport Corporation Limited.

(*xvii*) Bharat Coking Coal Limited (Areas III, IV and V).

(*xviii*) Triveni Structurals Limited.

(*xix*) Sambhar Salts Limited.

(*xx*) Neyveli Lignite Corporation Limited.

(*xxi*) Rehabilitation Industries Corporation Limited.

(*xxii*) Garden Reach Workshops Limited.

(*xxiii*) Hindustan Salts Limited (Kharagoda Unit).

(*xxiv*) Heavy Engineering Corporation Limited [Foundry Forge Plant, Heavy Machine Tools Plant (in some cases) and Heavy Machine Building Plant (in many cases)].

(*xxv*) Cochin Refineries Limited.

(*xxvi*) Bridge and Roof Company (India) Limited.

(*xxvii*) Machine Tool Corporation of India Limited (in case of a few products).

(*xxviii*) Hindustan Antibiotics Limited (in certain cases).

(*xxix*) Bharat Heavy Plate and Vessels Limited (fabricated equipments).

(AA) In Gorakhpur Unit of Fertilizer Corporation of India Limited average selling price of urea was lower than the cost of production.

(AB) In Electronics Corporation of India Limited product-wise costs were not available to compare these with the selling price.

(AC) In Tungabhadra Steel Products Limited in certain jobs under execution the actual expenditure had exceeded contracted price.

(AD) In Bokaro Steel Limited substantial amount was paid/payable as demurrage.

(AE) In Hindustan Steel Limited :

(*i*) Substantial amount was paid as demurrage for loading and unloading railway wagons (Rourkela Fertilizer Plant, Rourkela Steel Plant and Bhilai Steel Plant).

(*ii*) Incidence of demurrage was high (Durgapur Steel Plant).

(AF) In Bharat Earth Movers Limited Rs. 1.38 lakhs was paid as demurrage and wharfage charges (Earth Mover Division).

(AG) In Madras Refineries Limited an expenditure of Rs. 23,74,733 was incurred towards demurrage on shipment of crude oil.

(AH) In India Tourism Development Corporation Limited there was no system to determine profit and/or loss of various departments *viz.*, restaurants, bars, swimming pool, tailoring, electroplating, bakery, etc. (Ashoka Hotel).

(AI) In National Small Industries Corporation Limited depreciation had not been charged on the buildings at Naini Industrial Estate since inception.

(AJ) In Heavy Engineering Corporation Limited supplies to the extent of Rs. 2476.92 lakhs made during the years 1966-67 to 1973-74 had not been billed (Heavy Machine Building Plant).

(AK) In Coal Mines Authority Limited (Pench area and Sub-areas) average selling prices were lower than cost of production.

BALANCE SHEET

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

(*i*) National Mineral Development Corporation Limited (Kiriburu Iron Ore Project).

(*ii*) Hindustan Aeronautics Limited [Nasik Division and Kanpur Division (some items of stores)].

(*iii*) Indian Telephone Industries Limited (Allahabad Unit).

(*iv*) Indian Drugs and Pharmaceuticals Limited (Antibiotics Plant).

(*v*) National Instruments Limited.

(*vi*) Indian Rare Earths Limited (Minerals Division).

(*vii*) Indo-Burma Petroleum Company Limited (Electronics Division).

(*viii*) Modern Bakeries (India) Limited [Delhi Unit, Hyderabad Unit, Calcutta Unit, Bombay Unit (other than raw materials) and Madras Unit (other than raw materials)].

(ix) Machine Tool Corporation of India Limited.

(x) India Tourism Development Corporation Limited (Ashoka Hotel, Akbar Hotel and Hotel Ashoka, Bangalore).

(xi) Electronics Corporation of India Limited.

(xii) Hindustan Housing Factory Limited (in respect of items like electrical tools, ball bearings, etc.).

(xiii) Goa Shipyard Limited.

(xiv) Shipping Corporation of India Limited.

(xv) Central Road Transport Corporation Limited.

(xvi) Mandya National Paper Mills Limited (except a few items).

(xvii) Hindustan Steel Limited (Alloy Steels Plant—spares only).

(xviii) Manganese Ore (India) Limited.

(xix) Hindustan Latex Limited.

(xx) Central Inland Water Transport Corporation Limited.

(xxi) National Seeds Corporation Limited.

(xxii) Sambhar Salts Limited.

(xxiii) Indian Oil Corporation Limited :

(a) Marketing Division—Eastern Branch.

(b) Refineries Division—Gauhati Refinery (in respect of certain items).

(xxiv) Neyveli Lignite Corporation Limited (spares only).

(xxv) Hindustan Cables Limited.

(xxvi) Rehabilitation Industries Corporation Limited.

(xxvii) Garden Reach Workshops Limited.

(*xxviii*) Hindustan Salts Limited.

(*xxix*) Bharat Electronics Limited.

(*xxx*) Balmer Lawrie and Company Limited.

(*xxxi*) Coal Mines Authority Limited (Korba Area and IB Valley Sub-area).

(*xxxii*) Steel Containers Limited (raw materials).

(AA) In Hindustan Antibiotics Limited maximum and minimum limits in respect of some of the items were not fixed. In case of the items in respect of which such limits were fixed, the limits were being revised.

(AB) In Instrumentation Limited out of about 15,000 items the minimum and maximum levels had been fixed for 5,500 items only.

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

(*i*) Goa Shipyard Limited.

(*ii*) India Tourism Development Corporation Limited (Akbar Hotel—except for linen and blankets).

(*iii*) Central Inland Water Transport Corporation Limited.

(*iv*) Sambhar Salts Limited.

(*v*) Steel Containers Limited.

(BB) In State Trading Corporation of India Limited stocks of wignetting and chemicals of Rs. 5.96 lakhs and Rs. 0.98 lakh respectively had not moved for three years (Wig India).

(BC) In Nagaland Pulp and Paper Mills Limited procedure for purchase, control and accounting of stores had not been laid down.

(BD) In Fertilizer Corporation of India Limited :

(*i*) Inventory includes surplus stores/spares of the value of Rs. 48.50 lakhs (Sindri Unit).

(*ii*) Stores and spares valuing Rs. 119.16 lakhs did not move for more than three years (Durgapur Division).

(*iii*) The value of stores declared surplus amounted to Rs. 31.33 lakhs as on 31st March, 1974. Besides, the value of stores and spares which had not moved for three years amounted to Rs. 270.44 lakhs (Trombay Unit).

(*iv*) Surplus stores valued at Rs. 4.12 lakhs relating to the abandoned Korba Project were awaiting disposal as on 31st March, 1974. Besides, stores of the value of Rs. 5.07 lakhs had not moved for the last 3 years (Planning and Development Division).

(BE) In Bharat Heavy Electricals Limited :

(*i*) Surplus/Retrievable stores valuing Rs. 56.17 lakhs were lying in stock at the end of the year (Tiruchi Unit).

(*ii*) Stores and spares valuing Rs. 30.98 lakhs had not moved for 3 years and more (Tiruchi Unit).

(*iii*) Stores and spares valuing Rs. 110.81 lakhs had not moved for more than three years (Hyderabad Unit).

(*iv*) Stock and spares valuing Rs. 19.93 lakhs had not moved for more than three years (Hardwar Unit).

(*v*) Stock of raw materials, components, stores and spares and construction stores valuing Rs. 97.48 lakhs had not moved for two years or more (Bhopal Unit).

(BF) In Hindustan Zinc Limited there was no regular system of immediate disposal of unserviceable stores.

(BG) In Indian Drugs and Pharmaceuticals Limited :

(*i*) Stores valuing Rs. 12.27 lakhs had not moved for three years and more (Antibiotics Plant).

(*ii*) The stores and spares valuing Rs. 2.20 lakhs had not moved for 3 years and more (Surgical Instruments Plant).

(*iii*) There was a large inventory of raw materials, stores and spares (Surgical Instruments Plant).

(*iv*) Stores and spares valuing Rs. 6.22 lakhs had not moved for three years and more (Synthetic Drugs Plant).

(*v*) Surplus stores worth Rs. 17.62 lakhs were awaiting disposal (Synthetic Drugs Plant).

(*vi*) There was substantial accumulation of finished products (Synthetic Drugs Plant).

(BH) In Hindustan Steel Limited :

(*i*) There were large stocks of stores and spares which did not move for 3 years and more (Rourkela Fertilizer Plant and Rourkela Steel Plant).

(*ii*) There was heavy accumulation of surplus and slow/non-moving stores and spares. The value of stores and spares which did not move for the last two years or more as on 31st March, 1974 amounted to Rs. 202.12 lakhs (Alloy Steels Plant).

(BI) In Modern Bakeries (India) Limited (Bombay Unit) there was unused stock of wrappers valued at Rs. 13,816.60 for the last two years.

(BJ) In Hindustan Housing Factory Limited stores items valuing Rs. 47,927 had not moved since 1965.

(BK) In Indian Petrochemicals Corporation Limited periodical reconciliation of stores accounts records with the financial records was not carried out.

(BL) In India Tourism Development Corporation Limited.

(*i*) The priced stores ledgers were not maintained (Ashoka Hotel and Hotel Ashoka, Bangalore).

(*ii*) There was no system of pricing of stores issued (Akbar Hotel).

(*iii*) The system of pricing of stores was not followed (Hotel Ashoka, Bangalore).

(*iv*) No stock records had been maintained for empties/containers kept in the stores and no procedure was laid down for the disposal of the same (Hotel Ashoka, Bangalore).

(BM) In Goa Shipyard Limited there was no proper system of entering the stores Purchase Orders (Goods Receipt Notes) in the respective Kardex.

(BN) In National Small Industries Corporation Limited (PDTC, Okhla) particulars of surplus and obsolete stores had not been made available.

(BO) In National Research and Development Corporation of India the obsolete and unserviceable stores of the value of Rs. 13,716.69 of Cane Juice Projects were lying unsold for more than five years.

(BP) In Central Road Transport Corporation Limited no reconciliation was carried out between the ground balance and book balance of stores (Cuttack Branch).

(BQ) In Bharat Coking Coal Limited stores issued and consumption and billing and despatches had not been reconciled (Area II).

(BR) In Triveni Structurals Limited stores and spares amounting to Rs. 3.33 lakhs had not moved for 3 years and more.

(BS) In Neyveli Lignite Corporation Limited the system of procurement and disposal of stores and spares was such that these were accumulated in excess of reasonable requirements of maintenance and production.

(BT) In Indian Oil Corporation Limited :

(*i*) The value of stores and spares which had not moved for 3 years or more as on 31st March, 1974 amounted to Rs. 2.48 lakhs (Gauhati-Siliguri Products Pipeline).

(*ii*) Stores and spares amounting to Rs. 44.84 lakhs had not moved for three years or more as on 31st March, 1974 (Gauhati Refinery).

(*iii*) Out of 18,500 items of stores and spares, stock control limits had not been prescribed for about 11,000 items (Barauni Refinery).

(BU) In Mineral Exploration Corporation Limited there was no method for pricing of stores issued from the Stores for consumption.

(BV) In State Farms Corporation of India Limited :

(*i*) There were large quantity of stores and spares lying in excess of reasonable requirement.

(*ii*) Proper reconciliation of stores and financial records was not carried out.

6(C) In the following Companies no proforma accounts were maintained in respect of service units for the benefit of staff :

(*i*) Fertilizer Corporation of India Limited (Namrup Unit and Gorakhpur Unit).

(*ii*) Bharat Heavy Electricals Limited (Tiruchi Unit—in respect of Transport).

(*iii*) Indian Drugs and Pharmaceuticals Limited (Antibiotics Plant and Synthetic Drugs Plant).

(*iv*) Indian Rare Earths Limited.

(*v*) Hindustan Steel Limited (Central Coal Washeries Organisation).

(*vi*) National Newsprint and Paper Mills Limited.

(*vii*) India Tourism Development Corporation Limited (Akbar Hotel—in respect of Canteen and Hotel Ashoka, Bangalore).

(*viii*) Modern Bakeries (India) Limited (Hyderabad Unit and Calcutta Unit).

(*ix*) Cement Corporation of India Limited.

(*x*) National Coal Development Corporation Limited.

(*xi*) Hindustan Shipyard Limited.

(*xii*) Hindustan Salts Limited.

(*xiii*) Cotton Corporation of India Limited.

(*xiv*) Bharat Ophthalmic Glass Limited (Canteen).

(*xv*) Coal Mines Authority Limited (Ramgarh Area of Central Division, Korba Area and IB Sub-area and Western Division).

(*xvi*) Hindustan Steelworks Construction Limited.

(*xvii*) Indian Petrochemicals Corporation Limited.

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

(*i*) Fertilizer Corporation of India Limited (Barauni Division—furniture and fixtures—since inception).

(*ii*) Projects and Equipment Corporation of India Limited (stock of the value of Rs. 81.10 lakhs).

(*iii*) Hindustan Photo Films Manufacturing Company Limited (fixed assets—since 1967).

(*iv*) Modern Bakeries (India) Limited (Head Office—assets).

(*v*) India Tourism Development Corporation Limited :

(*a*) Ashoka Hotel—fixed assets.

(*b*) Head office—property.

(*vi*) Indian Drugs and Pharmaceuticals Limited :

(*a*) Surgical Instruments Plant—fixed assets.

(*b*) Synthetic Drugs Plant—stores and spares, raw materials and plant and machinery valuing Rs. 21.43 lakhs.

(*vii*) Sambhar Salts Limited (stores).

(*viii*) Hindustan Salts Limited (fixed assets, stock, stores, spare parts and loose tools except stock at Mandi).

(*ix*) State Trading Corporation of India Limited (Head Office—fixtures, furniture, fittings, air-conditioners etc.).

(*x*) National Coal Development Corporation Limited (plant and machinery—in certain areas).

(*xi*) Coal Mines Authority Limited (Korba Area and IB Valley Sub-area—stock and stores).

(DD) In National Research Development Corporation of India there was no system of physical verification of stocks, stores and spare parts and raw materials at the projects of the Company.

(DE) In Central Inland Water Transport Corporation Limited there was no system of periodical physical verification of stock of finished goods, stores, spares and raw materials.

(DF) In Indian Oil Corporation Limited quantitative reconciliation of LPG cylinders as shown in records was not done with the physical stock lying with storage points, distributors and those in circulation.

(DG) In Bharat Gold Mines Limited the existing system of physical verification of stock was inadequate.

(DH) In Cochin Shipyard Limited the system of physical verification of materials was inadequate. Only a small portion was physically verified during the year.

(DI) In Mineral Exploration Corporation Limited a system of conducting periodical physical verification of stocks of stores and spare parts had not been evolved.

6(E) In the following Companies the system of obtaining confirmations of balances from sundry debtors was not in vogue/ confirmations of balances were not obtained :

(*i*) State Trading Corporation of India Limited (Bombay Branch and Head Office).

(*ii*) India Tourism Development Corporation Limited (Ashoka Hotel).

(*iii*) Indian Motion Pictures Export Corporation Limited.

(*iv*) Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant and Marketing Division).

(*v*) Shipping Corporation of India Limited.

(*vi*) National Projects Construction Corporation Limited.

(*vii*) Bharat Heavy Plate and Vessels Limited.

(*viii*) Tungabhadra Steel Products Limited.

(*ix*) Mining and Allied Machinery Corporation Limited.

(*x*) National Buildings Construction Corporation Limited.

(*xi*) National Research Development Corporation of India.

(*xii*) Fertilisers and Chemicals, Travancore Limited (from most of the parties).

(*xiii*) Modern Bakeries (India) Limited (Calcutta Unit).

(*xiv*) Praga Tools Limited.

(*xv*) Bharat Coking Coal Limited (Area IV and Head Office).

(*xvi*) Triveni Structurals Limited.

(*xvii*) Hindustan Steel Limited (Central Sales Organisation).

(*xviii*) Neyveli Lignite Corporation Limited.

(*xix*) Indian Oil Corporation Limited (Refineries and Pipelines Division—Barauni Refinery and Haldia-Barauni-Kanpur Pipeline).

(*xx*) Heavy Engineering Corporation Limited (Foundry Forge Plant, Township, Head Office and Heavy Machine Building Plant).

(*xxi*) Bharat Gold Mines Limited (from all the parties).

(*xxii*) Bharat Electronics Limited (from all the parties).

(*xxiii*) National Mineral Development Corporation Limited (Bailadila Iron Ore Project—Deposit 14).

(*xxiv*) Hindustan Machine Tools Limited (Unit V, Hyderabad).

(*xxv*) Coal Mines Authority Limited (Western Division).

(*xxvi*) Hindustan Steelworks Construction Limited.

(*xxvii*) State Farms Corporation of India Limited.

(*xxviii*) Handicrafts and Handlooms Exports Corporation of India Limited.

(EE) In India Tourism Development Corporation Limited :

(*i*) Effective system for follow up of debts was not prevalent (Akbar Hotel).

(*ii*) Outstanding debts were not properly followed up (Hotel Ashoka, Bangalore).

(*iii*) Debts were not vigorously pursued (Head office, Transport Division of Northern Region, Travellers Lodges other than those under the control of Area Office, Madras, Production and Publicity, Marketing Division, Projects Division, Son-et-Lumiere, Duty Free Shops other than Madras and Qutab Hotel).

(EF) In Hindustan Housing Factory Limited action taken in the matter of realising old outstandings appeared to be rather ineffective. Debts aggregating Rs. 16.74 lakhs pertaining to the period from 1966 and earlier to 1970-71 were outstanding as on 31st March, 1974.

(EG) In National Small Industries Corporation Limited no strict control was exercised in respect of collection of sundry debtors (Madras Branch).

(EH) In National Seeds Corporation Limited a major portion of outstanding debts was more than 3 years old.

(EI) In Hindustan Shipyard Limited although the system of obtaining confirmation of outstanding debts was in vogue, the same was not effective. Letters seeking confirmation of balances had not been issued to all the parties.

(EJ) In Rehabilitation Industries Corporation Limited adequate system did not exist for chasing and realisation of debts.

(EK) In Indian Oil Corporation Limited (Marketing Division—Southern Branch) no confirmation of advances to suppliers and contractors, deposits with outsiders, loan of products and advances to other marketing companies for product loan etc. were obtained.

(EL) In Indian Motion Pictures Export Corporation Limited recovery of debts was not pursued.

(EM) In Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant) no time limit was prescribed for making payment in respect of credit sales and large amounts were outstanding from Northern Region from 1968 onwards.

6(F) GENERAL

(FF) In the following Companies manufacturing accounts had not been drawn up :

(*i*) National Newsprint and Paper Mills Limited.

(*ii*) Mining and Allied Machinery Corporation Limited.

(*iii*) Garden Reach Workshops Limited.

(*iv*) Bharat Ophthalmic Glass Limited.

(*v*) National Instruments Limited.

(FG) In State Trading Corporation of India Limited (Wig India Unit) :

(*i*) There was substantial accumulation of finished products.

(*ii*) Plant and Machinery worth Rs. 18.63 lakhs imported for leather development unit had not been installed.

(FH) In Projects and Equipment Corporation of India Limited targets of exports and imports were not achieved.

(FI) In Bharat Heavy Electricals Limited :

(*i*) Plant and Machinery valuing Rs. 33.69 lakhs were awaiting erection for more than two years (Bhopal Unit).

(*ii*) Machinery of the value of Rs. 42.80 lakhs was not installed and commissioned as on 31st March, 1974 (Bhopal Unit).

(*iii*) Plant and Machinery of the value of Rs. 26.59 lakhs were awaiting erection since 1968-69 (Hardwar Unit).

(FJ) In Indian Drugs and Pharmaceuticals Limited :

(*i*) Plant and Machinery of the value of Rs. 22.51 lakhs was not in operation (Antibiotics Plant).

(*ii*) Transformer costing Rs. 8.19 lakhs had not been installed on account of high cost of diesel and difficulties in its availability (Surgical Instruments Plant).

(FK) In Hindustan Steel Limited :

(*i*) In general, claims for unlinked wagons, after matching them by machines, were lodged after 6 months *i.e.* the prescribed time-limit, which were never entertained by the Railways (Central Coal Washeries Organisation).

(*ii*) Machineries worth Rs. 166.10 lakhs had not been installed or were lying idle for periods ranging between 4 years and 14 years (Durgapur Steel Plant).

(FL) In Electronics Corporation of India Limited product-wise break up of turn over had not been worked out.

(FM) In National Small Industries Corporation Limited :

(*i*) There was a delay in depositing of cheques (Madras Branch).

(*ii*) The method of valuation of seized machinery was not scientific (Madras Branch).

(*iii*) Management's own investigation into the accumulation of arrears in hire-purchase debtors revealed that the follow up of notices etc. was not satisfactory (Head Office).

(*iv*) Control over repossessed/surrendered machines was defective (Calcutta Branch).

(*v*) Valuation of closing stock of certain seized machinery was not satisfactory (Bombay Branch).

(*vi*) Chain Testing Machine costing Rs. 7,29,124 was not installed and commissioned (P.D.T.C., Howrah).

(FN) In Modern Bakeries (India) Limited :

(*i*) The title deed of land at Chandigarh had not been executed and registered (Head Office).

(*ii*) Annets Moulder worth Rs. 2.29 lakhs was acquired and installed during the year but not put to use (Bangalore Unit).

(*iii*) A generator set costing Rs. 1.29 lakhs was installed during the year but not utilised (Bangalore Unit).

(FO) In Hindustan Antibiotics Limited :

(*i*) There was no procedure laid down for the examination of cases involving payment of demurrage.

(*ii*) Prescribed procedure laid down for recovery of charges for materials issued for major construction work was not rigidly followed.

(*iii*) Norms of consumption for services like power, etc. had not been fixed.

(FP) In India Tourism Development Corporation Limited :

(*i*) Cost of free accommodation and food etc. provided to the official guests of the hotel was not determined (Akbar Hotel).

(*ii*) Credit policy was not finalised (Hotel Ashoka, Bangalore).

(FQ) In National Research Development Corporation of India the figures of royalty could not be ascertained in the case of licensees from whom no royalty returns were received.

(FR) In Fertilisers and Chemicals, Travancore Limited the present system of reporting, control, monitoring and evaluation of procedures and practices required considerable improvements. A system of built-in checks and internal control required to be organised.

(FS) In Rehabilitation Industries Corporation Limited shortage and excess of raw materials and finished stock had been adjusted in the Accounts without obtaining prior approval of the Board.

(FT) In Heavy Engineering Corporation Limited plant and machinery worth Rs. 11.15 lakhs, though erected in 1971-72, had not been commissioned. In addition, plant and machinery worth Rs. 52.39 lakhs, though commissioned, remained idle during the entire period of 1973-74 (Heavy Machine Building Plant).

(FU) In Hindustan Machine Tools Limited the rated capacity of the units based on two shifts working had not been reviewed so far.

(FV) In Bharat Ophthalmic Glass Limited no manufacturing accounts could be drawn up.

(FW) In Coal Mines Authority Limited :

(*i*) The pricing of stores issued had not been done on uniform basis at all collieries except Sounda 'D' Colliery (Ramgarh Area—Central Division).

(*ii*) Financial assistance available for the construction of houses for labourers could not be fully availed of (Ramgarh Area—Central Division).

(*iii*) The valuation of closing stock of Coal, Coke, etc. was not done uniformly at all Collieries (Western Division).

(*iv*) An *ad hoc* amount of Rs. 22,09,495 was written off at divisional level on account of deterioration of coal (Western Division).

(*v*) The plant and machinery valued at Rs. 13,14,630 was not installed, pending finalisation of various development plans and project sites (Pench area and Sub-areas).

(FX) In State Farms Corporation of India Limited machinery costing Rs. 5.54 lakhs was not commissioned.

(FY) In Handicrafts and Handlooms Exports Corporation of India Limited closing stocks at foreign offices were valued at estimated landed cost and not at the actual landed cost except in the case of one office where stocks were valued on C.I.F. basis.

III. OBSERVATIONS AND COMMENTS MADE UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956

Annual accounts of Government companies are audited by Chartered Accountants appointed by Government of India on the advice of the Comptroller and Auditor General. Under Section 619(4) of the Companies Act, the Comptroller and

Auditor General has the right to comment upon or supplement the audit report of the Company Auditors. Under this provision, review of the annual accounts of the Government companies is conducted in selected cases after audit conducted by the Chartered Accountants. On the basis of observations arising out of such review, the annual accounts of Government companies are rectified, wherever considered necessary, by the Management. Some of the mistakes/omissions, etc. noticed in the course of review of annual accounts are indicated below :—

(1) Value of stores and spare parts left over by a foreign contractor on completion of a project without payment wrongly credited to 'revenue reserves' instead of 'capital reserves' or using the same as reduction of capital expenditure of the project.

(2) Advances given for purchase of materials not adjusted even after receipt of materials and use of part thereof.

(3) Expenditure of revenue nature incurred on a plant beyond the normal commissioning period treated as deferred revenue expenditure.

(4) Cost of fixed assets brought into use was not capitalised and consequently no depreciation was charged.

(5) Value of materials consumed and shortage found on physical verification included in the value of closing inventories.

(6) Regular by-product arisings of considerable value accumulated over past few years brought to account for the first time crediting the revenues of the current period.

(7) Provision not made for doubtful debts or for claims, the recovery of which was doubtful.

(8) Demand for Excise Duty included in 'contingent liability' instead of making provision therefor.

(9) Expenses pertaining to prior period charged against current revenues instead of inclusion in the 'prior period adjustment account'.

(10) Contrary to instructions of the Company Law Board, accounts of an earlier year opened after adoption of the same in annual general meeting.

(11) Non-disclosure of guarantee of loan given by a third party.

(12) Non-disclosure of licensed and installed capacity of a plant.

(13) Exhibition of uncommitted 'developmental reserve' side by side with debit balance of Profit and Loss Account.

(14) Taking credit for subsidy from Government in spite of decisions to the contrary by the Government.

(15) Valuation of closing stock of finished products at weighted average selling price instead at cost which was lower resulting in over-statement of closing stock and profit.

(16) Valuation of rejected materials at a rate higher than the scrap value.

(17) Adoption of higher rates than the billing rates and estimation of lower expenditure likely to be incurred

to complete work-in-progress resulting in over valuation of work-in-progress.

(18) Non-disclosure of the fact that entire equity capital was subscribed by the holding company.

(19) Travelling Allowance paid to whole-time Directors was held wrongly by company auditors as remuneration received over and above the remuneration to which they are entitled as whole-time Directors attracting provision of section 314 of the Companies Act.

(20) Abnormal shortage found on physical verification charged to accounts without distinct disclosure.

(21) Change in the method of valuation of closing stock and its effect not disclosed.

(22) Penal interest payable on overdue instalments according to loan agreement not provided for but shown as contingent liability.

(23) Actual production indicated in additional information includes production of ancillaries, sub-contractors and bought out items.

(24) Provision made for doubtful claims recoverable shown wrongly under 'current liabilities and provisions' instead of deduction from claims recoverable.

(25) Adjustment of expenses relating to previous year made below the line but credit pertaining to previous year included in sales.

(26) Cash and bank balances understated.

(27) Income from services rendered and value of consignment stocks wrongly included in sales.

(28) Life of similar asset has been assessed differently in the same company resulting in adoption of varying rates of depreciation.

(29) Provision for liability for audit fee not separately shown.

(30) Over valuation or under valuation of closing stock and work-in-progress.

(31) Under provision/non-provision of liabilities and expenses and doubtful debts.

(32) Under provision or excess provision of depreciation.

(33) Excess provision of gratuity.

(34) Non-provision of likely loss.

(35) Over-statement of sales.

(36) Non-adjustment of prepaid expenses.

(37) Non-disclosure of contingent liabilities.

(38) Under-statement of remuneration paid to Directors including Managing Directors.

(39) Non-disclosure of expenditure on power and fuel separately.

(40) Non-disclosure of particulars regarding loans and advances as required under the Companies Act.

(41) Non-disclosure of change in the rate of depreciation consequent on reclassification of assets and effect thereon.

(42) Non-disclosure of estimated amount of contracts to be executed on capital account.

(43) Incorrect disclosure of payments made to Chairman and Managing Directors, etc.

(44) Non-disclosure of change in the basis of accounting and effect thereof.

(45) Non-disclosure of the nature of income from interest and the amount of income tax deducted from gross income.

(46) Misclassification of income, expenditure, assets and liabilities.

(47) Exhibition of write back of provision no longer required as miscellaneous receipts.

(48) Classification of subsidy receivable as 'sundry debtors' instead of claims recoverable.

(49) Excess of sale proceeds over original cost of fixed assets treated as revenue receipts instead of capital receipts.

(50) Omission to account for :

(*a*) fixed deposit receipts,

(*b*) cheques received before closure of the accounting year, (*c*) cash credit,

(*d*) advance payments received from customers,

(*e*) various assets and liabilities, etc.

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New Delhi; *Deputy Comptroller and Auditor General*
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MGIPRRND— TSSI—S/7 C&AG/76—14-12-76—1950.

(*c*) cash credit,

(*d*) advance payments received from customers,

(*e*) various assets and liabilities, etc.

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