

APPENDIX-I

(Referred to in para 14.4)

Recoveries at the instance of audit during the year 2009-10

Name of PSU	Name of the Ministry/ Department	Audit observation in brief	Amount (₹ in lakh)	
			Amount of recovery pointed out by Audit	Amount recovered by the Management
Food Corporation of India	Consumer Affairs, Food and Public Distribution	Non-recovery of cost of food grains from the district administration towards supply of mid-day meals to ineligible students	6.12	6.12
BEML Limited (Hydraulics and powerline division-KGF)	Defence Production and Supplies	Non recovery of excess amount paid to the supplier for supply of 13 items of casting without considering the downward revision of the rates	8.75	8.75
New India Assurance Company Limited	Finance-Insurance Division	Short charging of fire premium due to incorrect application of premium rate for storage risk under floater policy in violation of AIFT	34.81	37.75
United India Insurance Company Limited	Finance-Insurance Division	(i) Short loading of premium	2.04 (Amount pointed out by audit was ₹ 6.04 lakh, however, ₹ 4 lakh were recovered in 2007 itself, amount pointed out by audit is therefore shown as ₹ 2.04 lakh)	2.04
		(ii) On account payment to an insured despite serious	Audit has pointed out discrepancy in the	8.85

Name of PSU	Name of the Ministry/ Department	Audit observation in brief	Amount of recovery pointed out by Audit	Amount recovered by the Management
		irregularities	submission of the insured. Amount to be deducted for same was not worked out by audit	
Bharat Heavy Electricals Limited	Heavy Industries and Public Enterprises	(i) Non-realisation of service tax on freight from customer	106.90	102.42
		(ii) Non-recovery of disallowance by a customer in cost plus contract from the contractor to whom the work was assigned	205.91	205.91
		(iii) Non-claiming of differential turn over discount from vendor despite eligibility	22.51	23.69
		(iv) Payment of works contract tax at a higher rate	6.65	3.05
		(v) Failure to recover sea freight charges from suppliers	2.89	2.08
Hindustan Paper Corporation Limited	Heavy Industries and Public Enterprises	Undue benefit extended to the stockist by supplying paper at lower rate than that finalized during the tendering process	113.92	118.17
BSNL	Telecommunications	(i) Non billing of rentals of Leased Circuits provided to M/s Hughes Telecom Limited, (now Tata Teleservices Limited, Maharashtra)	136.69	78.58
		(ii) Excess payment of entry tax to the Government of Assam (Kolkata circle)	80.22 (amount reworked by the Company)	66.58

Name of PSU	Name of the Ministry/ Department	Audit observation in brief	Amount of recovery pointed out by Audit	Amount recovered by the Management
			as ₹ 66.58 lakh)	
		(iii)Non-reduction of proportionate amount of leave periods resulting in excess payment of pension and leave salary contribution to DoT	57.25	57.25
			784.66	721.24

APPENDIX-II

(Referred to in para 14.5)

Corrections/rectifications at the instance of audit

Name of PSU	Name of the Ministry	Audit observation/suggestion in brief	Action taken by the management
Food Corporation of India	Consumer Affairs, Food and Public Distribution	<p>Section 34 (1) of Food Corporation (Amendment) Act, 2000 provides that Corporation is required to maintain proper Accounts and other relevant record and prepare an annual statement of accounts including Profit and Loss Account and Balance Sheet in such form as may be prescribed by the Central Government in consultation with the CAG.</p> <p>The Management of the PSU was stressed upon in a series of meetings to adopt the format of Balance Sheet and Profit and Loss Account as given in the Schedule VI of the Companies Act, 1956.</p>	Revised format of Balance Sheet and Profit and Loss Account based on Schedule VI of the Companies Act has been approved by the Corporation in the 312 th meeting of Board of Directors held in July, 2008. Proposal was agreed to by the Ministry in November, 2009.
Rashtriya Chemicals and Fertilizers Limited	Ministry of Fertilisers	(i) Accounting Policy of Company Para 7.3.2 provided for inclusion of cost of catalysts replaced during the year in cost of manufactured goods which was contrary to the Accounting Standard 2. This was confirmed by the Institute of	Company has changed its Accounting policy during the year 2009-10 to bring the same in tune with opinion of ICAI. The catalysts are treated as inventories and are charged off over the estimated useful life as technically assessed.

Name of PSU	Name of the Ministry	Audit observation/suggestion in brief	Action taken by the management
		Chartered Accountants of India (ICAI) in June, 2009. As per opinion of ICAI, at the end of the year, where the catalysts are still in use, cost thereof to be charged under cost of conversion as per para 8 of AS 2 should be only to the extent of catalyst consumed during the period.	
		(ii) There should be a transparent accounting policy for making provision for old doubtful debts and loans and advances after taking into account the age of the debt.	The Company has framed an accounting policy for making provision for old doubtful debts and loans and advances. The same has been approved by the Board of Directors in their meeting held on 6 May 2010.
Bharat Heavy Electricals Limited	Ministry of Heavy Industries and Public Enterprises	Trichy unit of the Company made payment of Excise Duty and Central Sales Tax to the vendor without restricting to the actual payments made by the vendor as was stipulated in the terms of contract. This resulted in excess payment of ₹ 32.67 lakh.	The Company has inserted the clause for payment of taxes and duties against documentary evidence in the Terms and conditions of the tender so that this aspect is taken care of in future transactions to have a fool proof mechanism to ward off such discrepancies.
MECON Limited	Ministry of Steel	As per DPE Guidelines, the Company has to evolve a suitable procedure/methodology to cover investment of funds to be followed by	The Company has prepared an investment policy and this was approved by the Board of Directors in the Board meeting held on 29 March 2010.

Name of PSU	Name of the Ministry	Audit observation/suggestion in brief	Action taken by the management
		the Company. No such procedure/methodology was evolved by the Company except formation of a Committee.	
Steel Authority of India Limited	Ministry of Steel	Bhilai Steel Plant (BSP) of SAIL was paying royalty for the iron ore extracted from its captive Mines at Rajhara-Dalli on dispatch basis i.e. for the quantity finally dispatched after processing of the raw iron ore. Rates for royalty vary on the basis of Fe content present in the iron ore i.e. rates are higher for iron ore containing higher Fe content and vice versa. Processing of raw iron ore (including crushing, screening and washing) leads to increase in the Fe content of the iron ore. Hon'ble Supreme Court of India in a decision dated 10 th August 1998 held that the Royalty was payable at the rate applicable for Fe content present on the whole quantity produced i.e. on production basis rather than on dispatch basis. Hence, from the year, 1999-2000, BSP started to pay Royalty at the rate applicable for iron	Policy was changed by the Management and liability of ₹ 32.48 crore as appearing in the books of Accounts as on 31 March 2009 was withdrawn.

Name of PSU	Name of the Ministry	Audit observation/suggestion in brief	Action taken by the management
		<p>ore at the rates applicable for Fe content on pre-processed quantity.</p> <p>However, BSP was still charging (May, 2009) expenditure in the aforesaid account the amount of Royalty calculated on the dispatch basis (i.e. after processing the iron ore) which attracts more royalty because of its enrichment in Fe content. This resulted in creation of excess liability amounting to ₹ 32.48 crore accumulated on year to year basis since 1999-2000. Creation of such excess provision without any reasonable justification distorted the fairness of the Accounts of the Company.</p>	

APPENDIX-III

(Referred to in Chapter XVIII)

Statement showing the details of Audit Reports prior to 2010 (Commercial) for which Action Taken Notes are pending (As on 7 March 2011)

No. and Year of Report	Name of the Report	Para No.
Ministry of Agriculture		
1. No. 24 of 2009	Transaction Audit Observations	Para 1.1.1 (agriculture insurance)
Department of Bio-Technology		
1. No. 11 of 2007	Compliance Audit Observations	Para 3.1.1
Department of Fertilizers		
1. PA 9 of 2008	Performance Audit on working of Udyogmandal Division of FACT Limited.	Paras 1.7.1.1, 1.7.1.2, 1.7.2, 1.7.3.1, 1.7.4.1, 1.7.5.1, 1.7.5.2, 1.7.5.3, 1.7.5.4, 1.7.5.5, 1.7.5.6, 1.7.5.7, 1.7.6, 1.7.7, 1.7.8.1 and 1.7.8.2
2. No. 11 of 2008	Compliance Audit Observations	Para 9.2.1(RCF)
3. No. 24 of 2009	Compliance Audit Observations	Paras 7.1.1 & 7.1.2 (NFL), 13.2.1 (RCF & NFL)
Ministry of Civil Aviation		
1. No. 12 of 2006	Transaction Audit Observation	Paras 4.1.1 and 16.2.1
2. No. 23 of 2009	Frequent Flyer Program of NACIL	CH-I
Ministry of Commerce and Industry		
1. No. 24 of 2009	Compliance Audit Observations	Paras 4.1.1, 4.2.1
Ministry of Communications and Information Technology		
Department of Telecommunications		
1. No 9 of 2006	Chapter-II (Performance Audit of Human Resource Mgt. in BSNL)	Paras 2.12.3.3, 2.13.1.1, 2.1.5.4, 2.1.6.2
2. No. 13 of 2006	Transaction audit observations Chapter-II	Paras 2.11(VIII) 1, 2.13 case I to case II, 2.15(XI)3
	Chapter III	Paras 3.6.1 to 3.6.8, 3.7 (3.7.1 & 3.7.2), 3.8 (3.8.1 to 3.8.6), 3.9 (3.9.1 to 3.9.7)
3.	Chapter-IV	Para 4.19
	Chapter-VI	Para 6.2
4. No. 10 of 2007	Billing and Customer care in MTNL	Paras 3.10, 3.11.1, 3.13.1, 3.13.2, 3.13.3, 3.14.2, 3.15.1, 3.15.2 and 3.15.3
5. No. 12 of 2007	Telecommunications Sector Transaction Audit Observations	Paras 2.2(II)12, 2.2(II)20, 2.3(III)(6, 7, 10,11, 13 & 14), 2.7 (V) (50), 2.8 (VII)(8 to 11), 2.18(XIII) (1 to 11), 2.21(XV) (2 to 22), 3.3(XVII)(4), 4.1, 4.7

No. and Year of Report	Name of the Report	Para No.
6. PA 9 of 2008	Performance Audit of Revenue earnings from leased line services	Paras 3.7.1(VI)(9, 10, 12), 3.7.3 (V)(1 to 10, 12, 13, 20 to 22, 24 to 37), 3.7.3(VI)(1), 3.7.4(VII) (11 to 13, 20 to 24, 27 to 29,31, 32), 3.7.5.1(VIII)(1,2,3,7,8,9,16,17, 22 & 23), 3.7.5.4(IX) (4, 5 to 9)
7. CA 10 of 2008	IT review of BSNL	Paras 1.6.1.1 & 1.6.2.2
8. CA 12 of 2008	Compliance Audit Observations Chapter-II	Paras 2.1.1(I)(10, 12), 2.1.2(II)(11), 2.1.4(V)(1,3), 2.1.5(VI) (3&7), 2.2(X)(3, 8 to 16), 2.3, 2.3(XI)(8 to 11), 2.5(XII)(2 to 6, 9, 10), 2.7(XIV)(1), 2.8(XV)(1 to 6)
	Chapter-III	Paras 3.1.1, 3.1.4, 3.14
	Chapter-V	Paras 5.2, 5.6
9. No. 25 of 2009	Chapter-II	Paras 2.3(III)(11 to 18), 2.4(IV)(1 to 9), 2.(V) (3 to 6), 2.7(VII)(2 to 4), 2.8(VIII) (1 to 3)
	Chapter-V	Paras 5.1, 5.2, 5.3, 5.5
10. No. 27 of 2009	Chapter-III	Para 3.8.2.7
Ministry of Consumer Affairs Food & Public Distribution		
1. No. 11 of 2008	Compliance Audit Observations	Para 7.1.3
2. No. 24 of 2009	Compliance Audit Observations	Para 5.2.3(FCI)
Department of Defence Production and Supplies		
1. CA 10 of 2008	IT review of Garden Reach Shipbuilders and Engineers Limited (ERP system in material management)	Paras 2.8.1, 2.8.2.1, 2.8.2.2, 2.8.3.1, 2.8.3.2, 2.8.3.3, 2.8.3.4, 2.8.4.1, 2.8.4.2, 2.8.4.3, 2.8.4.4, 2.8.4.5, 2.8.4.6, 2.8.4.7, 2.8.4.8, 2.8.4.9 and 2.8.5
2. CA 10 of 2008	IT review of HAL (Financial module under ERP package)	Paras 3.7.1.1, 3.7.1.2, 3.7.2.1, 3.7.2.2, 3.7.2.3, 3.7.2.4, 3.7.3.1, 3.7.4, 3.7.5, 3.7.6, 3.7.7, 3.7.8 and 3.7.9
3. No 24 of 2009	Compliance Audit Observations	Paras 13.2.1(MIDHANI), 6.1.3(BEML)
Ministry of Finance (Banking Division)		
1. No. 12 of 2006	Transaction Audit Observations	Para 2.1.1
2. No. 11 of 2007	Transaction Audit Observations	Para 2.1.1
3. CA 10 of 2008	IT review of BRBNML (Distribution and Manufacturing Modules under ERP)	Paras 4.7.1.1, 4.7.1.2, 4.7.1.3, 4.7.1.4, 4.7.1.5, 4.7.1.6, 4.7.2.1, 4.7.3, 4.7.4, 4.7.5.1 and 4.7.5.2
4. No. 11 of 2008	Compliance Audit Observations	Paras 2.1.1, 2.2.1

No. and Year of Report	Name of the Report	Para No.
Ministry of Finance (Insurance Division)		
1. No. 12 of 2006	Transaction Audit Observations	Paras 11.2.2(NIC),
2. No. 11 of 2007	Transaction Audit Observations	Paras 10.1.1, 10.2.1, 10.3.4, 10.4.3,
3. PA 15 of 2008	General Insurance Companies	Paras 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, 2.11, 2.12, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16(a),(b),(c),(d),(e), 3.17, 3.18, 3.19, 4.3, 4.5.1, 4.6, 4.7, 4.8, 4.9, 4.10, 4.12, 4.13, 1.14, 5.4, 5.5, 5.7, 5.8, 5.9, 5.10, 5.11, 5.12, 5.13, 5.14, 5.15 and 5.16
4. No. 24 of 2009	Compliance Audit Observations	Paras 8.2.1(NIACL) and 8.3.1(ORIINS)
Ministry of Heavy Industry & Public Enterprises		
1. No. 11 of 2008	Compliance Audit Observations	Para 11.2.1
2. No. 24 of 2009	Compliance Audit Observations	Para 9.3.1
Ministry of Petroleum and Natural Gas		
1. No.12 of 2006	Transaction Audit Observation Chapter-XIV	Paras 14.7.8 (ONGC) and 14.8.1(OIL)
Ministry of Power		
1. No. 11 of 2008	Compliance Audit Observations	Paras 20.1.1(bspl)
2. No. 27 of 2009	Implementation of 10th Plan hydel projects in North Eastern and Eastern Region-NEEPCO & NHPC	Ch-VIII
Department of Road Transport & Highways		
1. No. 11 of 2008	Compliance Audit Observations	Paras 18.1.1 and 18.1.2
Ministry of Science and Technology		
1. No.12 of 2006	Transaction Audit Observation Chapter-XIX	Para 19.1.1
Department of Shipping		
1. PA 9 of 2008	Performance Audit of IWAI	Paras 8.2.1, 8.2.2, 8.2.3, 8.3.1.1,8.3.1.1 (i), 8.3.1.1 (ii), 8.3.1.2, 8.3.1.3, 8.3.1.4, 8.3.1.5(i), 8.3.1.5 (ii), 8.3.2, 8.4.1, 8.4.1.1, 8.4.1.2, 8.4.2, 8.4.3.1, 8.4.3.2, 8.4.4.1, 8.4.4.2, 8.4.4.3, 8.4.5.1, 8.5.1, 8.5.2.1, 8.5.2.2, 8.5.2.3, 8.6.1, 8.6.2, 8.7, 8.8.1, 8.8.2, 8.8.3, 8.8.4 and 8.8.5
Ministry of Steel		
1. No. 24 of 2009	Compliance Audit Observations	Paras 13.1.1(Neelachal Ispat

No. and Year of Report	Name of the Report	Para No.
		and 16.4.1 (Mecon)
Ministry of Union Territory Administration		
1. No. 24 of 2009	Compliance Audit Observations	Para 13.1.1(ANIIDCO)