

~~plant and machinery (Rs.1.03 crore) for manufacture of shampoos, creams and lotions.~~

~~The Corporation disbursed Rs.0.71 crore in three instalments during March 1996 to October 1997 on the basis of collateral security in the form of assets of Associates concerns who subsequently became serious defaulters of the Corporation on loans availed by them. Further, the directors were not holding any immovable property, which could be taken possession of and sold. Thus, the securities available were inadequate. The Corporation cancelled (April 1999) the balance loan of Rs.0.85 crore and finally took possession (December 1999) of the properties of the unit valuing Rs.0.77 crore (land and building: Rs.0.69 crore and plant and machinery: Rs.7.75 lakh) under section 29 of SFC Act. The unit was advertised for sale (May 2000). The distress sale value of the assets, as assessed by the valuer (excluding the cost of plant and machinery) was Rs.0.52 crore.~~

~~In response to the advertisement, Shree Jay Gajanan Agro (P) Limited offered (June 2000) the highest bid of Rs.45.00 lakh which was accepted. Possession was handed over (July 2000) by accepting Rs.15.75 lakh as initial down payment. The balance amount was receivable in six half yearly installments.~~

~~As the directors did not hold any immovable property, the Corporation could not initiate action to invoke personal guarantee under section 31 of the SFC Act, for recovery of shortfall. Thus, in the absence of any security, the chances of recovery of the balance amount of Rs.0.71 crore were remote.~~

~~The management stated (March 2002) that action for recovery of shortfall of Rs.0.71 crore had been initiated by invoking personal guarantee of promoters under section 31 of SFC Act. The reply was not tenable as the concerns from which the Company obtained collateral security themselves were defaulters to the Corporation and the directors were not holding any immovable property. The reply of the Government was awaited (September 2002).~~

#### **4B.4 Maharashtra Industrial Development Corporation**

##### **4B.4.1 Under billing of water charges**

**Non incorporation of validation checks and improper coding in water billing system resulted in under billing of Rs.2.04 crore .**

Maharashtra Industrial Development Corporation (Corporation) had computerised its water billing system with Oracle as a back end and Developer 2000 as front end to generate water bills and to maintain database of its consumers.

A review of the water billing system revealed that as per the instructions issued (November 1997) by the Corporation in this regard, the industrial consumers were to be charged 50 *per cent* above the normal industrial rate if

they had not obtained Building Completion Certificate (BCC) on or before 1 December 1997. The database for the water billing system had two critical fields, which controlled the billing for BCC purposes; 'BCC date' and 'BCC field', both with 'Yes/No' option. The water billing system was programmed in such a way that if the 'BCC field' was 'Yes' (*i.e.* BCC submitted) the consumer would be billed at normal rate and if the 'BCC field' was 'No' (*i.e.* BCC not submitted) then the consumer would be billed at 1.50 times the normal rates. However, the Corporation had not fed the 'BCC date field' in billing system and it was left blank. This was a crucial lacuna as the date of obtaining the BCC was crucial for further billing purpose.

**Non incorporation of validity checks and improper coding in water billing system resulted in loss of revenue of Rs.2.04 crore.**

In the absence of validation check for linking the 'BCC date field' and 'BCC field' with 'Yes/No' option, 106 consumers who had not obtained 'BCC' on or before 1 December 1997 had been billed at normal rate instead of higher rate resulting in a revenue loss of Rs.1.70 core in respect of Thane, Dombivali and Ambarnath divisions of the Corporation during the period December 1997 to March 2001. In respect of Ambarnath division, Rs.34.37 lakh collected by way of penalty for non production of BCC from consumers had been subsequently refunded wrongly (August 1998) to the consumers by considering the date of starting production as 'BCC'.

Thus, non incorporation of suitable preventive, detective and corrective validation checks and improper coding of parameters of business rules resulted in loss of revenue of Rs.2.04 crore due to under billing of water charges.

The Corporation stated (December 2002) that the irregularities mentioned in Audit para were examined and modification carried out in the water billing software. Efforts are being made to recover the amount due to the Corporation. The reply of the Government was awaited (December 2002).

~~MUMBAI~~ (MRIDULA SAPRU)  
~~The~~ ~~Accountant General~~  
~~(Commercial Audit), Maharashtra~~

~~Countersigned~~

NEW DELHI

The

(VIJAYENDRA N. KAUL)  
Comptroller and Auditor General of India