CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government companies and Statutory corporations

7.1 Introduction

As on 31 March 2005, there were 15 Government companies (seven working companies and eight non-working[1] companies) and one non-working Statutory corporation as against 15 Government companies (nine working companies and six non-working companies) and one non-working Statutory corporation as on 31 March 2004 under the control of the State Government. During the year 2004-05, two working Government companies[2] became non-working companies. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangement of the Statutory corporation is as shown below:

Table No. 7.1

Name of the corporation	Authority for audit by the CAG	Audit arrangement
Manipur State Road Transport Corporation (MSRTC)	Section 33 (2) of the Road Transport Corporations Act, 1950	Sole audit by CAG

7.2 Working Public Sector Undertakings (PSUs)

Investment in working PSUs

7.2.1 As on 31 March 2005, the total investment in seven working PSUs (seven Government companies) was Rs.51.91 crore[3] (equity: Rs.28.32 crore; long term loans Rs.23.59 crore) as against Rs.79.84 crore (equity: Rs.44.35 crore; long term loans[4]: Rs.35.49 crore) in nine working PSUs (nine Government companies) as on 31 March 2004. The analysis of investment in PSUs is given in the following paragraphs.

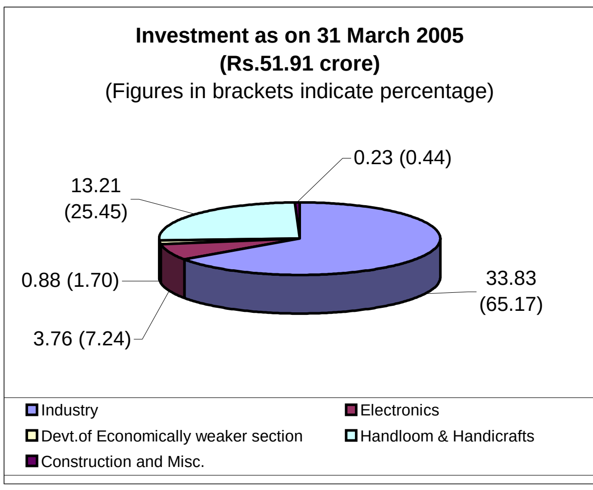
---

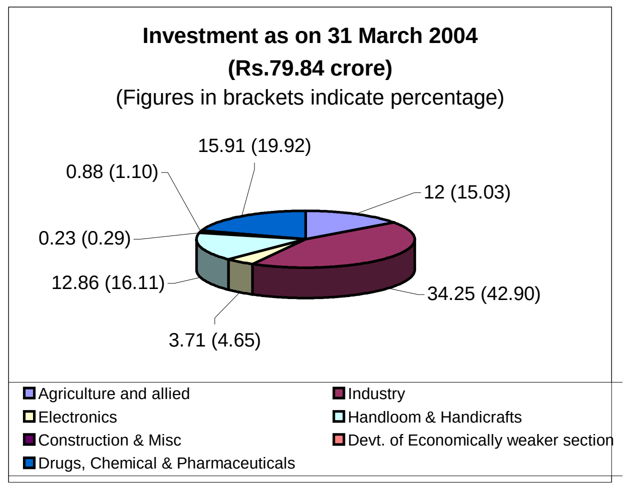
[1] Non-working companies are those that are in the process of liquidation/closure/merger, *etc*.
[2] Serial number B-4 and 8 of *Appendix–XXXII*.
[3] State Government investment was Rs.24.94 crore (others: Rs.26.97 crore). Figure as per Finance Account 2004-05 is Rs.34.53 crore. The difference is under reconciliation.
[4] Long term loans mentioned in paras 7.2.1, 7.2.2, 7.2.3 and 7.8.1 are excluding interest accrued and due on such loans.

Sector-wise investment in working Government companies and Statutory corporation

7.2.2 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2004 are indicated below in the pie charts:

Chart 7.1





Working Government companies

7.2.3 The total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

Table No. 7.2

(Rupees in crore)

Year	Number of Government companies	Investment in working Government companies		
		Equity	Loan	Total
2003-04	9	44.35	35.49	79.84
2004-05	7	28.32	23.59	51.91

Investment in the current year has decreased over the previous year due to decrease in number of working Government companies.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in *Appendix–XXXII.*

As on 31 March 2005, the total investment in working Government companies, comprised 54.56 *per cent* of equity capital and 45.44 *per cent* of loans as compared to 55.55 *per cent* and 44.45 *per cent* respectively as on 31 March 2004.

7.3 Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity

7.3.1 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government companies are given in *Appendices–XXXII* and *XXXIV*.

7.3.2 The budgetary outgo in the form of equity capital and loans and grants/subsidies from the State Government to working Government companies for three years up to 2004-05 are as follows:

Table No. 7.3

(Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity Capital outgo from budget	2	7.03	1	1.50	3	11.15	—	—	3	0.50	—	—
Grants/subsidy towards: (i) Projects/Programmes/ Schemes (ii) Other subsidy	—	—	—	—	—	—	—	—	—	—	—	—
Total outgo	**2**	**7.03**	**1**	**1.50**	**3**	**11.15**	**—**	**—**	**3**	**0.50**	**—**	**—**

7.3.3 No information regarding guarantee given by State Government was received from the companies (September 2005).

7.4 Finalisation of accounts by working PSUs

7.4.1 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

7.4.2 It can be seen from *Appendix–XXXIII*, that none of the seven working Government companies finalised the accounts for the year 2004-05 within the stipulated period. During the period from October 2004 to September 2005, one working Government company (Sl. No. A 5) finalised one accounts for the previous year.

7.4.3 The accounts of all the seven working Government companies were in arrears for periods ranging from eight to 22 years as on 30 September 2005 as per details given below:

Table No. 7.4

Sl. No.	No. of working Government companies	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of *Appendix XXXIII* Government companies
(1)	(2)	(3)	(4)	(5)
1.	1	1983-84 to 2004-05	22	5
2.	1	1987-88 to 2004-05	18	3
3.	1	1990-91 to 2004-05	15	1
4.	1	1991-92 to 2004-05	14	7
5.	2	1996-97 to 2004-05	9	2 & 4
6.	1	1997-98 to 2004-05	8	6
Total	7			

7.4.4 It is the responsibility of the Administrative Departments to oversee and ensure that the accounts are finalised and adopted by the companies within the prescribed period. Though the administrative departments and officials concerned of the Government were apprised quarterly by Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government, and as a result, the net worth of these companies could not be assessed in audit.

7.5 Financial position and working results of working PSUs

7.5.1 The summarised financial results of working PSUs (Government companies) as per their latest finalised accounts are given in *Appendix–XXXIII.*

7.5.2 According to the latest finalised accounts of seven working Government companies, three companies had incurred an aggregate loss of Rs.0.26 crore, three companies earned an aggregate profit of Rs.1 crore and one company had not commenced commercial activities.

7.6 Profit earning working companies and dividend

7.6.1 None of the three profit earning companies had finalised their accounts during the year.

Loss incurring working Government companies

7.6.2 One company, out of three loss incurring working Government companies (A-3) of *Appendix–XXXIII* had accumulated losses aggregating Rs.1.70 crore which exceeded its paid up capital of Rs.1 crore. Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to the company in the form of equity capital. According to available information, the total financial support so provided by the State Government by way of equity capital during 2004-05 to this company amounted to Rs.0.35 crore.

Return on capital employed

7.6.3 As per the latest finalised accounts (up to September 2005), the capital employed[5] worked out to Rs.16.74 crore in seven working companies and total return[6] thereon amounted to Rs.1.48 crore which was 8.84 *per cent* as compared to total return of Rs.1.54 crore (7.72 *per cent*) in the previous year. The details of capital employed and total return on capital employed in the case of working Government companies are given in *Appendix–XXXIII.*

7.7 Reforms in Power Sector

7.7.1 A Memorandum of Agreement (MOA) was signed on 26 July, 2004 between the Ministry of Power, Government of India (GOI) and the Department of Power, Government of Manipur as a joint commitment for implementation of the reforms programme in the power sector with identified milestones.

The major milestones of the reforms programme are:

- The State Government will start corporatisation by August 2004 to handle electricity matters. The Corporation will be made fully functional by July 2005.
- The State Government will set up a State Electricity Regulatory Commission (SERC)/Joint Electricity Regulatory Commission (JERC) by November 2004 and file tariff petitions immediately thereafter.
- The State Government will provide full support to the SERC/JERC to enable it to discharge its statutory responsibilities. The tariff orders issued by SERC/JERC will be implemented fully unless stayed or set aside by a Court order.
- The State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by the SERC/JERC.
- The State Government will undertake Energy Audit and Energy Accounting at all levels to promote accountability and reduce transmission and distribution losses and bring them to the level of 20 *per cent* by 2007 and achieve break even in current distribution operation in three years and positive returns thereafter.
- The State Government would achieve 100 *per cent* electrification of villages by 2007 subject to adequate funds being provided by Government of India under PMGSY or any other relevant scheme.

[5] Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.
[6] For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from the loss as disclosed in the profit and loss account.

The progress of implementing power sector reforms is slow and the Corporation has not become operational as of December 2005. The State Government was to complete 100 *per cent* metering and billing of all consumers by March 2003 but only 1,57,332 consumers (out of 1,71,263) were provided with energy meters (March 2005). Against the target of achieving 100 *per cent* electrification of villages (2,376 villages) by 2007, the State Government could electrify 1,909 villages as of November 2005.

The State Government intimated (December 2005) that the Central Government had constituted a Joint Electricity Regulatory Commission (JERC) for the States of Manipur and Mizoram on 18 January 2005 and that a departmental committee had been set up to assess the inventory, assets and liabilities of the Electricity Department.

7.8 Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

7.8.1 As on 31 March 2005, the total investment in nine non-working PSUs (eight non-working Government companies and one non-working Statutory corporation) was Rs.118.82 crore[7] (equity: Rs.103.47 crore; loans: Rs.15.35 crore) as against total investment of Rs.90.68 crore (equity: Rs.86.94 crore; loans: Rs.3.74 crore) in seven non-working PSUs (six non-working Government companies and one non-working Statutory Corporation) as on 31 March 2004. The classification of non-working Government companies and Statutory corporation at the end of March 2005 was as under:

Table No. 7.5

(Rupees in crore)

Sl. No.	**Status of non-working PSUs**	**Number of companies**	**Number of corporation**	**Investment**			
				Companies		**Corporation**	
				Equity	**Loans**	**Equity**	**Loans**
(i)	Under liquidation/ closure	8	1	56.97	15.35	46.50	—
	Total	**8**	**1**	**56.97**	**15.35**	**46.50**	**—**

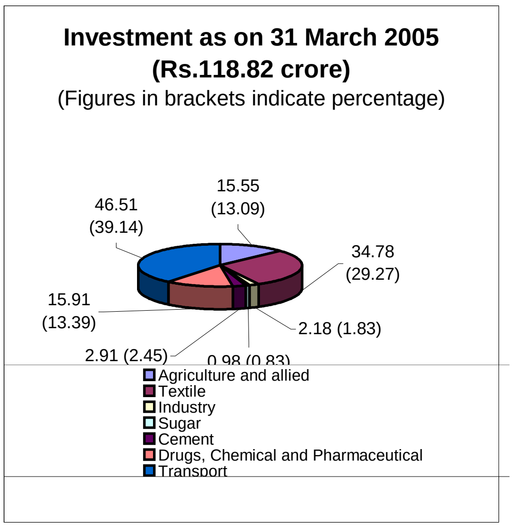
7.8.2 The above non-working PSUs which were under liquidation involve substantial investment of Rs.118.82 crore. Effective steps need to be taken for their expeditious liquidation or revival.

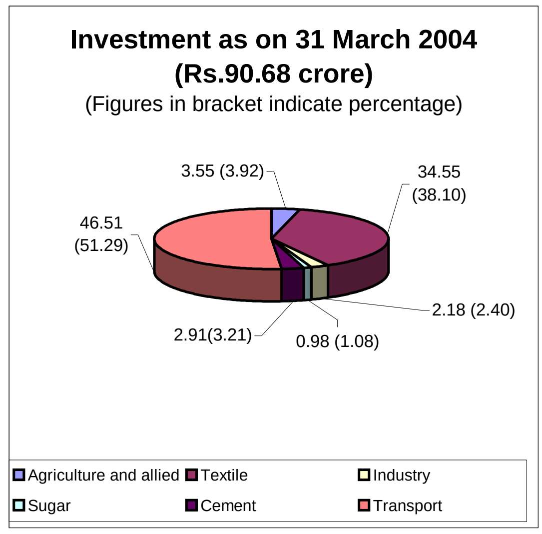
Sector-wise investment in non-working Government companies and Statutory corporation

7.8.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2004 are indicated below in the pie charts:

[7] State Government investment was Rs.110.60 crore (others: Rs.8.22 crore). Figures as per Finance Accounts 2004-05 is Rs.95.67 crore. The difference is under reconciliation.

Chart No. 7.2





Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity to non-working companies and Statutory corporation

7.8.4 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working Government companies and non-working Statutory corporation are given in *Appendices–XXXII and XXXIV*.

Finalisation of accounts of non-working PSUs

7.8.5 It can be seen from *Appendix–XXXIII* that none out of nine non-working PSUs (eight Government companies and one Statutory corporation) had finalised the accounts for the year 2004-05 within the stipulated period. During the period from October 2004 to September 2005, three non-working Government companies finalised three accounts for previous years.

7.8.6 The accounts of nine non-working Government companies and one non-working Statutory corporation were in arrears for periods ranging from eight to 21 years as on September 2005.

Financial position and working results of non-working PSUs

7.8.7 The summarised financial results of non-working PSUs, as per their latest finalised accounts are given in *Appendix–XXXIII*. Statement showing financial position and working results of the non-working Statutory Corporation for the latest three years for which accounts are finalised are given in *Appendices–XXXV* and *XXXVI* respectively.

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of non-working PSUs as per their latest finalised accounts are given below:

Table No. 7.6

(Rupees in crore)

Particular of Companies/Corporation	Paid-up capital	Net worth[8]	Cash loss	Accumulated loss
Non-working companies	5.89	2.49	NA	5.01
Non-working Statutory corporation	18.46	(-) 0.25	NA	18.70
Total	**24.35**	**2.24**		**23.71**

Operational performance of non-working Statutory corporation

7.8.8 The operational performance of Manipur State Road Transport Corporation is given in *Appendix–XXXVII.*

7.9 Status of placement of Separate Audit Reports of Statutory corporation in Legislature

7.9.1 Separate Audit Report on the accounts of the Manipur State Road Transport Corporation for the year 1991-92 along with Audit Certificate had been sent to the State Government in September 2004. No information had been received (September 2005) from the Government regarding placement of the Report in the State Legislature.

7.10 Results of audit by Comptroller and Auditor General of India

7.10.1 During the period from October 2004 to September 2005, the audit of accounts of two Government companies were selected for review. The net impact of the important audit observations as a result of review were as follows:

Table No.7.7

Details	Number of accounts			Amount (Rupees in lakh)		
	Government Companies		Statutory Corporation	Government Companies		Statutory Corporation
	Working	Non-working	Non-working	Working	Non-working	Non-working
Understatement of Assets/Liabilities	—	1	—	—	4.25	—

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above Government companies and Statutory corporation are mentioned below:

Errors and omissions noticed in case of Government companies

Manipur Tribal Development Corporation Limited (1982-83)

7.10.2 All financial books, records, vouchers and supporting documents were stated to have been burnt, washed away and damaged in a fire during March 1984 and flood during July 1989. Thus, no books of accounts, records, registers, ledgers, vouchers and trial balance were produced to Audit.

[8] Net worth represents paid-up capital plus free reserves less accumulated losses.

The Statutory Auditors, while giving several qualifications, expressed their inability to certify and confirm that the final accounts give a true and fair view in conformity with the accounting principles generally accepted in India.

In view of the above, the Balance Sheet as on 31.3.1983 and the Profit and Loss Account for the year ended 31.3.1983 did not reflect the true and fair view of the financial position and working results of the company.

Manipur Agro Industries Corporation Limited (1988-89)

7.10.3 Government of Manipur had released a sum of Rs.4.25 lakh as contribution to the share capital of the Company and the amount was received by the Company in March 1989. However, the said amount was not reflected in the Balance Sheet under Reserves and Surplus as on 31 March 1989 which resulted in understatement of Reserves and Surplus by Rs.4.25 lakh with corresponding understatement of Cash and Bank balance to the same extent.

7.11 Internal audit/Internal control

7.11.1 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. A resume of major recommendations /comments made by Statutory Auditors is as follows:

7.11.2 Manipur Industrial Development Corporation Ltd. had no internal audit system. The Company also did not have any Audit Committee.

7.11.3 The internal audit system in Manipur Spinning Mills Corporation Ltd. was not commensurate with the size and nature of activities of the Corporation.

7.11.4 Manipur Spinning Mills Corporation Ltd. had internal control procedures which were not commensurate with the size and nature of their business for the purchase of stores, raw materials including components, plants and machinery, equipment and other assets.

7.12 Recommendations for improving performance or closure of Government companies

7.12.1 One Government company (Manipur Handloom & Handicrafts Development Corporation Limited) had been incurring losses for five consecutive years (as per its latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of the above company or consider its closure.

7.13 Response to inspection reports, draft paras and reviews

7.13.1 Observations made during audit and not settled on the spot are communicated to the heads of the PSUs and concerned administrative departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2005 pertaining to 16 PSUs disclosed that 192 paragraphs relating to 35 inspection reports remained outstanding at the end of September 2005. Of these 160 paragraphs relating to 27 inspection reports had not been replied to for more than two to 14 years. Department-wise break-up of inspection reports and paragraphs outstanding as on 30 September 2005 is given in *Appendix–XXXVIII.*

Similarly, draft paragraphs and reviews on the working of Government Companies are forwarded to Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that replies to two draft paragraphs and one review forwarded to the various departments during May, August and December 2005 have not been received so far (December 2005) as per details given in the *Appendix–XXXIX.*

7.13.2 It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to inspection reports/ draft paragraphs/reviews as per prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time bound schedule and (c) the system of responding to audit observations is revamped.

7.14 Position of discussion of Commercial Chapters of Audit Reports by the Committee on Public Undertakings (COPU)

7.14.1 The reviews/paragraphs of Commercial Chapters of the Audit Reports pending for discussion at the end of 30 September 2005 are as follows:

Table No. 7.8

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	—	3	—	3
1996-97	1	4	1	4
1997-98	—	2	—	2
1998-99	—	2	—	2
99-2000	2	4	2	4
2000-01	1	2	1	2
2001-02	—	1	—	1
2002-03	—	1	—	1
2003-04	—	2	—	2

7.15 619-B Companies

There was no Company under Section 619-B of the Companies Act, 1956.

SECTION A
AUDIT REVIEW

DEVELOPMENT OF TRIBAL AND SCHEDULED CASTES DEPARTMENT

7.16 ACTIVITIES OF MANIPUR TRIBAL DEVELOPMENT CORPORATION LTD. TOWARDS TRIBAL WELFARE AND DEVELOPMENT

Highlights

The Company has not submitted accounts for the last 21 years.

(Paragraph 7.16.1)

The Company has not contributed its share of Rs.24.34 lakh towards project cost in contravention of guidelines of apex financing corporations.

(Paragraph 7.16.9)

The Company failed to mobilise adequate resources for distribution of loans to the beneficiaries. Apex financing corporations stopped granting loans to the Company resulting in complete stoppage of welfare schemes during the last two years.

(Paragraph 7.16.10)

Against Rs.2.06 crore recoverable from 212 beneficiaries during 2000-01 to 2004-05, the Company could recover only Rs.22.95 lakh. After distributing loans, the Company did not make serious efforts to recover loans from beneficiaries resulting in the poor recovery rate of 11.16 *per cent*.

(Paragraph 7.16.13)

The Company's performance in terms of discharging its own liabilities suffered as it failed to repay NSFDC loans. Against the loans of Rs.6.25 crore taken by the Company during the last 13 years, an amount of Rs.8.44 crore (including interest) was outstanding as on September 2004.

(Paragraph 7.16.15)

Monitoring and evaluation of welfare schemes was not done.

(Paragraph 7.16.17)

Introduction

7.16.1 The Manipur Tribal Development Corporation Limited (Company) was incorporated under the Indian Companies Act, 1956 on 21 June 1979 as a State Government undertaking. The Company was established with the objectives of assisting, financing, protecting and promoting welfare of scheduled tribes, scheduled castes, minorities and other backward classes population in the State.

For achieving its objectives, the Company has been providing term loan assistance at subsidised interest rates to the above categories for income generating schemes by obtaining financing from the apex financial corporations *viz*., National Scheduled Castes and Scheduled Tribes Finance and Development Corporation (NSFDC), National Backward Classes Finance Development Corporation (NBCFDC), National Minority Development and Finance Corporation (NMDFC) and National Safai Karmachari Finance Development Corporation (NSKFDC).

The authorised and paid-up share capital of the Company were Rs.10 crore and Rs.77.50 lakh respectively. The paid-up capital was fully subscribed by the Government of Manipur as on 31 March 2005. The management of the Company is vested in a Board of Directors which is headed by Chairman and the Managing Director who is the Executive Head of the Company. As on 31 March 2005, there were eight Directors. The Director of Tribal Development Department of the Government of Manipur is the ex-officio Managing Director (MD).

Every Government Company is required to finalise its accounts/financial statements within six months of the closure of the accounting year. The accounts of the Company have been in arrears for the last 21 years (1983-84 to 2004-05). The Company's audited accounts for the year 1982-83 are yet (September 2005) to be adopted in the Annual General Meeting (AGM). The Company failed to hold its AGMs regularly and the last AGM was held on 28 July 1998. Apart from physical and financial performance of the Company remaining completely unreported to the Legislature during the last two decades, non-submission of accounts for such a long period has the inherent risk of frauds and misappropriation.

Scope of Audit

7.16.2 Performance audit of the tribal welfare activities of the Manipur Tribal Development Corporation Ltd., covering the period from 2000-01 to 2004-05, was conducted during April-May of 2005 through test-check of the records of the Company.

Audit objectives

7.16.3 Audit was conducted with a view to ascertain whether the programmes/schemes towards tribal welfare and development were implemented effectively and in an economical and efficient manner as per adopted policy of the Government and apex financing corporations.

Audit criteria

7.16.4 Audit criteria considered for assessing the achievement of audit objectives were to evaluate:

- the Company's capacity to mobilise resources for distribution of loans to target groups;
- its own share/ contribution to beneficiary loans;
- efficiency of the Company in terms of recovering loans from beneficiaries;
- position of repayment of loans by the Company to the financing agencies;
- method of selection of beneficiaries; and
- the impact of the schemes implemented by the Company on the beneficiaries.

Audit methodology

7.16.5 The methodology adopted for attaining the audit objectives with reference to audit criteria were examination of:

- guidelines for implementation of various welfare schemes issued by the Government, apex financial corporations and Company; and
- detailed scrutiny and performance evaluation records and transactions of eleven out of 23 welfare schemes selected at random.

The statistical methodology of simple random sampling without replacement was used for selection of scheme and transactions for detailed scrutiny and evidence gathering.

Audit findings

7.16.6 Audit findings as a result of test-check are discussed in the succeeding paragraphs. These findings were referred to the Company/Government in August 2005 and the replies of the Management, received in September 2005 have been taken into consideration while finalising the review. A meeting of the Audit Review Committee on Public Sector Enterprises (ARCPSE) was also scheduled in October 2005 but no representative of the Company/Government attended the meeting.

7.16.7 The Company was functioning as a State Channelising Agency (SCA) of the apex financial corporations (NSFDC, NSKFDC, NBCFDC and NMDFC) for disbursing loans to beneficiaries under various welfare schemes, such as loans for purchase of bus, power tiller, tractor, auto rickshaw, photostat machines, setting up of grocery, tailoring and barber shops, book binding, piggery, engineering workshops, *etc.*

As per the guidelines of NSFDC and NSKFDC, the main criteria for selection of beneficiaries of these schemes were (i) beneficiaries were to belong to scheduled tribes, scheduled castes, minorities and other backward classes, and (ii) the income of the family of the beneficiaries should be within the ceiling of double[9] the poverty line income.

The following deficiencies in implementation of the scheme were noticed.

Selection of beneficiaries

7.16.8 To identify the beneficiaries, applications were invited from the target groups through local newspapers for disbursement of term loan. The beneficiaries were selected by a selection committee consisting of heads of Government Departments. Caste certificates, Income certificates, name and address of a Government servant, and guarantor were to be furnished along with the application by the beneficiaries.

It was noticed during audit that the Company did not carry out proper scrutiny of applications before sanctioning the loans. The applications were considered despite having shortcomings of the following nature:

- The income certificates submitted by the beneficiaries certified the income of the individual and not the income of the entire family of the applicant.
- The income certificates issued by the Sub-Deputy Collectors (SDCs) did not indicate any issue numbers to verify whether such certificates were issued officially after proper verification.
- The selected beneficiaries had one to two Government servants in their families whose income was not included in the income certificates issued by the SDC to the applicant.

The deficiencies noticed are detailed in *Appendix–XL*.

7.16.9 Sharing pattern of Project Cost

According to the terms and conditions of the agreement between the Company and the apex corporations of NSFDC and NSKFDC, the sharing pattern of the project cost would be as follows:

Table No. 7.9

Name of Apex Corporation	Total project cost	Apex Corporation's share	Margin Money Loan (MTDC's share)	Beneficiary's share
	(in *per cent*)			
NSFDC	100	90	10–5	0 to 5
NSKFDC	100	85	10	5

[9] Double the poverty line means income equal to Rs.40,000 per annum for rural areas and Rs.55,000 per annum for urban areas.

The basic purpose of project financing through State Channelising Agency (SCA) was to ensure financial involvement of the SCA concerned.

Test check of records revealed that the Company did not contribute its share towards project costs for implementation of various schemes in the State. Thus, the Company's contribution amounting to Rs.24.34 lakh during 2000-01 to 2004-05 was borne by the beneficiaries as per details given in *Appendix–XLI*. The Company, thus, violated the terms of the agreement entered into with the financing agencies *i.e.* NSFDC and NSKFDC and put extra financial burden on the beneficiaries compelling them to meet the share of project cost which was otherwise to be provided by the Company. The Management stated (September 2005) that the Company had no source of funds for making its contribution towards the project cost.

The reply is not acceptable as the welfare schemes provided for a share of the project cost to be borne by the Company. Further, the Company's adverse financial position was a result of its failure to recover loans from the beneficiaries.

7.16.10 Mobilisation of resources

Test-check of records disclosed that the Company was not able to meet the demand for grant of loans by the target groups. The following table shows that against 1736 applications only 332 beneficiaries could be granted loans of Rs.2.69 crore from the funds received from the apex financial corporations *viz*. NSFDC, NSKFDC and NBCFDC.

Table No. 7.10

Year	No. of application received	No. of Beneficiaries granted loan	Amount of disbursed loan (Rupees in lakh)
2000-01	1456	247	156.06
2001-02	180	10	9.00
2002-03	100	75	104.19
2003-04	Nil*	Nil	Nil
2004-05	Nil*	Nil	Nil
Total	**1736**	**332**	**269.25**

* No applications were invited during 2003-04 and 2004-05

The satisfaction level in terms of grant of loans was therefore less than 19 *per cent*. The Company failed to provide loans to all the applicants due to its inability to mobilise adequate amount of loans from the apex financing corporations. Satisfactory level of loan repayment to the apex corporations is one of the conditions for further release of funds by the apex corporations. The Company however, failed to recover loans from beneficiaries, as a result of which no loans were released by the apex financial corporations to the Company during the last two years *viz*. 2003-04 and 2004-05. The Company, therefore, did not invite applications from the target groups for grant of loans under various welfare schemes during these two years. Thus, the performance of the company in terms of mobilisation of resources was poor and the objective of promoting welfare of tribal and other weaker sections of the society remained largely unachieved in recent years.

7.16.11 Loan agreements

Term loans were released to the beneficiaries after execution of the agreements between the beneficiary and the Company, and on execution of a guarantee deed of a Government servant in the form of a guarantor's security bond on non-judicial stamp paper of Rs.20.

Test-check of records revealed that guarantor's security bonds were not registered and hence, legal enforceability of such bonds and agreements was doubtful. In some cases like tailoring and other schemes under NSKFDC funding, forms of loan agreements and guarantor's security bonds were signed by the parties without filling even basic information such as name of the loanee, loan amount, signature of witness, date of agreement, *etc.*

In nine out of 60 cases test-checked, financially weak guarantors were accepted for loans ranging between Rs.1.40 lakh to Rs.6.40 lakh in violation of the terms and conditions. Thus, loan of Rs.22.78 lakh disbursed in these cases was not adequately secured (Details are given in *Appendix–XLII*).

In the event of default in repayment by the loanees, there is every possibility of non-recovery of loan from the guarantor. This may result in the Company ultimately sustaining loss due to acceptance of weak guarantors.

7.16.12 Delays in distribution of loans

As per terms and conditions of the apex financing corporations, the funds provided by them have to be utilised/disbursed to the beneficiaries within 120 days, and unutilised funds would attract a higher rate of interest of 10 *per cent* against the normal applicable rate of four to six *per cent*. The amounts received by the Company from the apex financial corporations (NSFDC, NSKFDC and NBCFDC) and loans disbursed by it to the beneficiaries under various target groups during the last five years are given in the Table below:

Table No. 7.11

(Rupees in lakh)

Year	Category of loan	Amount received by MTDC during the year	Amount disbursed during the year	Undisbursed amount for the year
2000-01	NSFDC	76.60	67.60	9.00
	NSKFDC	69.18	61.68	7.50
	NBCFDC*	92.00	26.78	65.22
2001-02	NSFDC	NIL	9.00	NIL
	NSKFDC	6.49	NIL	6.49
2002-03	NSFDC	97.70	97.70	NIL
	NSKFDC	NIL	6.49	NIL
2003-04	NSFDC	NIL	NIL	NIL
	NSKFDC	NIL	NIL	NIL
2004-05	NSFDC	NIL	NIL	NIL
	NSKFDC	NIL	NIL	NIL
Total:		**341.97**	**269.25**	

* The Department of Minorities and Other Backward Classes (MOBC) was appointed as channelising agency for NBCFDC loans with effect from 28 April 2000 in place of MTDC.

From the above table it would be seen that the Company could disburse only an amount of Rs.2.69 crore to the beneficiaries out of the funds of Rs.3.42 crore received from the apex corporations. These corporations did not sanction any loan during the last two years 2003-04 and 2004-05 as the Company failed to remit repayment instalments to apex corporations regularly. As a result no applications were invited by the Company from target groups. Audit examination disclosed that funds were not disbursed to the beneficiaries within the stipulated period of 120 days as discussed below:

It was noticed that during 2000-01, an amount of Rs.92 lakh was received by the Company from NBCFDC, out of which Rs.26.78 lakh only could be disbursed among 22 beneficiaries. Of the balance Rs.65.22 lakh, Rs.47.71 lakh was transferred to the Department of Minority and Other Backward Classes (MOBC), Government of Manipur in April 2000 which was disbursed to the beneficiaries during 2001 (MOBC was appointed channelising agency for NBCFDC in place of MTDC in April 2000) and Rs.17.51 lakh was adjusted against NSFDC loan account. This diversion of Rs.17.51 lakh meant for backward classes to scheduled castes beneficiaries was not permissible.

Further, it was seen in audit that an amount of Rs.7.50 lakh received by the Company in the year 2000-01 from NSKFDC was yet (September 2005) to be disbursed to the beneficiaries. Thus the Company on one hand denied loan of Rs.7.50 lakh for sanitary marts to the concerned beneficiaries for more than five years; on the other hand it incurred avoidable interest liability of Rs.3.37 lakh[9] on undisbursed amounts. The Management stated (September 2005) that due to some administrative problems, Rs.7.50 lakh could not be disbursed.

[9] w.e.f. 1.10.2000 to 31.3.2005 at the rate of 10 *per cent*.

7.16.13 Recovery of loans from beneficiaries

Recovery rate of loan is a key indicator to assess success or performance of the income generating schemes funded through subsidised loans provided by the financial corporations. Regular repayment of instalments of loans by the beneficiaries indicate that the funds provided have actually been used for creation of income generating assets and there is some improvement in the financial condition of the individual, which is the ultimate objective of the scheme.

Test-check of records of the Company, however, disclosed that the recovery of loans under various schemes introduced by the Company for welfare of various target groups was almost negligible. The position of loans disbursed by the Company, amounts recovered and instalment amounts outstanding against the loanees for the period from 2000-01 to 2004-05 is given in the Table below:

Table No. 7.12

Recovery of loan (2000-01 to 2004-05)

(Rupees in lakh)

Name of Apex Corporation	Total number of schemes	Total number of beneficiaries	Total amount of loan paid during five years and examined in audit	Total number of beneficiaries refunding loan	Total amount of loan recovered in five years (A)*			Arrears of instalments due as on 31 March 2005 (B)*		
					P≠	I≠	T≠	P≠	I≠	T≠
NSKFDC	7	110	58.17	25	2.59	2.51	5.10	41.74	19.40	61.14
NSFDC	12	102	175.30	76	8.02	9.83	17.85	84.59	37.04	121.63
Total	**19**	**212**	**233.47**	**101**	**10.61**	**12.34**	**22.95**	**126.33**	**56.44**	**182.77**

* Total recoverable amount : Rs.205.72 lakh (A+B)

Out of 212 beneficiaries who were sanctioned loans under various schemes during the last five years, only 101 beneficiaries repaid some instalments of loan. Thus, 52.36 *per cent* of the beneficiaries did not repay any loan instalments during the last five years.

The details in respect of actual amount of loans outstanding against beneficiaries who were sanctioned loans prior to 2000-01, were not made available by the Company to Audit. The condition of records maintenance in respect of the old period was also extremely poor and important documents such as loan ledgers were not authenticated. Thus, the actual amount of loans disbursed, their recovery and outstandings could not be vouchsafed in audit.

Against the total recoverable amount of Rs.2.06 crore during 2000-01 to 2004-05 under NSFDC and NSKFDC funded schemes, loan recovery was to the extent of Rs.22.95 lakh only during this period, constituting 11.16 *per cent* of the recoverable amount. This resulted in arrears of outstanding loans mounting to Rs.1.83 crore at the end of March 2005 against 212 loanees alone. The Company did not take any action against the defaulting loanees as per terms and conditions of the loan agreement to recover the outstanding dues.

≠ P indicates Principal, I indicates Interest and T indicates Total.

The Management stated (September 2005) that the main reasons for non-recovery of loans were:

- poor income of the targeted people;
- lack of habit of refunding loan as Government provides grants-in-aid for similar schemes and, therefore, the beneficiaries wait for waiver of loans in the long run; and
- marketing bottlenecks and lack of proper management.

This indicated that the scheme was not successful and could not achieve its objectives.

7.16.14 Scheme-wise recovery of loans from beneficiaries

Apex corporations (NSFDC and NSKFDC) sanctioned interest bearing loans at the rate of 6 to 9 *per cent* to the targeted SC/ST beneficiaries to implement schemes of grocery shop, piggery, tractor, truck, power tiller, bus, autorickshaw *etc.*, on the condition that loan amount would be repaid in 20 quarterly equal instalments alongwith due interest. The Company disbursed loan money to the selected beneficiaries after concluding agreements with the beneficiaries and their guarantors.

Test-check of records revealed that an amount of Rs.58.17 lakh was disbursed under 7 schemes to Safai Karamcharis and Rs.1.75 crore under 12 schemes to Scheduled Caste and Scheduled Tribe beneficiaries during the last five years. The scheme-wise position of recovery of these loans is given in the *Appendix–XLIII*.

Audit analysis revealed that the recovery rate from Safai Karamcharis ranged between 1.15 to 12.36 *per cent* under these schemes, the lowest being 1.15 *per cent* under the Xerox scheme. Similarly, in case of Scheduled Caste and Scheduled Tribe beneficiaries who were provided loans through financing by NSFDC, the recovery rate ranged between 0 to 35.63 *per cent*.

Low or negligible recovery of subsidised loans indicated that no serious efforts were made by the Company to enforce recoveries either from the loanees or from their guarantors.

The Management stated (May 2005) that if a beneficiary failed to repay the loan for two consecutive instalments, the Company intimated the employer of the guarantor to withhold the salary of the guarantor and recover the loan dues from his/her salary. As most of the Drawing and Disbursing Officers (DDOs)/Heads of Departments did not extend their full cooperation, the Company could not make any significant recovery from the defaulters.

The Company further stated that it did not effect recovery through seizure of asset or initiating legal action against the loanees and their guarantors, as the litigation in such cases involved huge expenditure and time.

The reply of the Company indicates that it did not make any serious efforts to recover the amount despite the recovery rate being very low and despite over 60 *per cent* of the beneficiaries not paying any instalment during the last five years.

The State Government also needs to take action against the DDOs who are not effecting recoveries from their employees (who stood guarantor) and totally ignoring the request of the Company for recovery from the employees who stood guarantors for the loans disbursed by the Company.

7.16.15 Default by the Company in repayment to financial corporations

In view of the recovery of loans from various target groups under all the schemes being extremely low, the Company was unable to pay back the loans it had obtained from NSFDC and NSKFDC for disbursement to the beneficiaries.

It was seen from the statement furnished by the NSFDC that during the period from 1991-92 to 2004-05, against the loan of Rs.6.25 crore given to the Company as loan for disbursement amongst the various beneficiaries against 50 schemes, an amount of Rs.8.44 crore (Principal: Rs.4.83 crore and Interest: Rs.3.61 crore) remained outstanding till September 2004. In respect of the other two apex financing corporations (NSKFDC and NBCFDC), loan amounts totalling Rs.1.25 crore and Rs.5.55 crore including interest were outstanding as of December 2004 and September 2005 respectively.

As the Company failed to remit repayment instalments to apex corporations regularly, the apex corporations did not sanction any loan to the Company during the last two years 2003-04 and 2004-05. As a result no applications were invited by the Company from target groups during these two years and no loans were disbursed to any category.

Thus, due to the failure of the Company to effectively monitor and recover loans from the defaulters, funds for the schemes for welfare of tribal groups and other weaker sections of society have been stopped for the last two years, depriving these groups of benefits of schemes designed for them.

7.16.16 Micro credit finance schemes implemented through Non Governmental Organisations

Loans/assistance provided by NSFDC under micro credit finance scheme can be channelised by SCAs through Non-Governmental Organisations (NGOs) as per the guidelines of the apex financial corporations. Six NGOs/Co-operative societies were, therefore, selected on the recommendation of the MD during 2000-01 under micro-credit finance scheme for disbursing term loan of Rs.10 lakh to 100 beneficiaries belonging to the SC/ST community at the rate of Rs.10,000 per beneficiary for vegetable vendor, tea shop and pan shop schemes.

Audit analysis revealed that five of the six NGOs/societies did not repay any amount of loan to the Company though the three years term loan period for micro credit finance scheme had expired in December 2003. Only one NGO had paid Rs.10,000 towards interest payable on the loan amount of Rs.60,000. Thus, against the total recoverable amount of Rs.14.39 lakh (Principal: Rs.10 lakh and Interest: Rs.4.39 lakh) as on March 2005, only Rs.10,000 could be recovered under micro credit finance scheme from the six NGOs/societies.

The Management stated (September 2005) that the demand notices were issued to the NGOs/societies but recovery of loan was very poor due to changes in the management of the NGOs/societies.

No action was taken by the Company against the NGOs/societies or their guarantors for recovering the loan dues as per agreements drawn up with them.

7.16.17 Project monitoring and evaluation

Terms and conditions of the loans provided by the apex financial corporations (NSFDC, NSKFDC *etc.*) to the Company required that for monitoring the implementation of the project, the channellising agency (the Company) would form a project implementation committee where representatives of the apex financial corporations would normally be included.

It was seen during audit that no implementation monitoring committee was formed in respect of any project during 2000-01 to 2004-05. The Management stated (May 2005) that as most of the beneficiaries were selected from different hill districts, physical and financial progress could not be obtained. Impact of these welfare schemes in terms of increase in the income or improvement in condition of beneficiaries was also not assessed.

Thus, the Company after disbursing the loan amounts neither monitored the projects nor assessed the impact of the schemes.

In the absence of any monitoring of the projects, it was not known whether income generating assets were actually created out of loans provided by the Company and whether the schemes implemented actually led to any significant improvement in the income and quality of life of the target groups.

7.16.18 Loan money misappropriated

The accounts of the Company have been in arrears for the last 21 years (1983-84 to 2004-05). The Company's audited accounts for the year 1982-83 have not been adopted in the Annual General Meeting (AGM) till September 2005 and the last AGM was held on 28 July 1998. Non-maintenance of the accounts for such a long period has the inherent risk of frauds and misappropriation.

A Scheme Officer of the Company embezzled an amount of Rs.31.84 lakh realised from loanees under NBCFDC during January 1996 to April 2000. The entire amount was retained by the officer and was not deposited into the Company account. On this being detected by local fund audit in August 2002, a departmental enquiry was initiated in January 2004 against the officer who was subsequently absorbed in the Department of Minority and Other Backward Classes (MOBC), Government of Manipur before the enquiry could be concluded by the Company. The enquiry remained unconcluded till date (May 2005). The Management also stated that some misappropriated amount was deposited by the officer in piecemeal but the payments were yet to be reconciled.

There was delay of almost 1½ years in initiating the enquiry against the official and non-reconciliation by the Company of payment received from the official further highlights the risk of misappropriation due to inordinate delay in finalisation of accounts.

The Management of the Company in consultation with the State Government should ensure that the enquiry proceedings are completed within a fixed time frame and penalty imposed if the charged official is found guilty of misappropriation. The Management should reconcile the amount recoverable from the official and intimate the same to the Department of MOBC immediately for effecting recovery from the charged official along with interest.

Conclusion

The Company was incorporated with the main objective of assisting, financing, protecting and promoting welfare of scheduled tribes, scheduled castes, minorities and other backward classes population in the State. The Company, however, failed in achieving the objective of economic upliftment of the targeted population as the Company did not contribute its share of Rs.24.34 lakh towards project costs and the beneficiaries were made to bear with this extra financial burden. The Company was not able to mobilise adequate amount of loans from the apex financing corporations as its repayment to these institutions was not satisfactory and as a result no loans were released by these corporations in the last two years *i.e.*2003-04 and 2004-05. Funds received from the financial corporations were not released to the beneficiaries; loan agreements were entered into by accepting financially weak guarantors; system of scrutiny of applications, maintenance of accounts and records and monitoring of recovery was weak and prone to frauds and misappropriations. There was lack of monitoring of the projects financed by the Company.

Recommendations

- The Company should improve the system of scrutiny of applications and selection of beneficiaries to ensure that benefits of the schemes were made available only to the targeted groups.
- The Company needs to strengthen its loan recovery mechanism so that the revenue generation capacity of the Company is enhanced.
- The Company should devise a proper system of monitoring the implementation of projects and also make an impact assessment of the welfare of the schemes financed by it.
- Impact of welfare schemes should be assessed by constituting direct beneficiary survey.
- Accounts should be prepared and submitted without further delay.

The above matters were referred to Government (August 2005); their reply is awaited (September 2005).

SECTION B
AUDIT PARAGRAPH

MANIPUR FILM DEVELOPMENT CORPORATION LTD.

ART AND CULTURE DEPARTMENT

7.17 Unfruitful expenditure on an incomplete Theatre Complex

After incurring expenditure of Rs.51.03 lakh on the cost of construction of a theatre complex, work has remained suspended for over 10 years rendering the expenditure unfruitful.

Manipur Film Development Corporation Limited (MFDCL) decided in its Board meeting (May 1989) to construct a cultural complex on the pattern of North East Zone Cultural Centre at Dimapur and proposed construction of a theatre complex with loan assistance of Rs.15 lakh from the National Film Development Corporation and also by mobilising of the Corporation's own resources. An estimate for construction of a cinema hall, having a capacity of 1200 persons, was prepared for Rs.77 lakh (Phase–I: Rs.55.54 lakh; Phase–II: Rs.21.46 lakh) based on the Manipur schedule of rates 1992. The work was awarded (November 1995) to the Manipur Development Society, a Government of Manipur Undertaking, at Rs.1.06 crore. The work was to be completed within 18 months i.e. by April 1997. The date of completion was subsequently extended up to March 1999.

Test-check of records revealed that the cinema hall could not be completed so far (September 2005) even after eight years of the original scheduled date of completion. The work on construction of the cinema hall was stopped in July 1998 on completion of only 30 *per cent* of the work. This incomplete structure of a theatre, comprising of column up to ground floor and 50 *per cent* earth filling up to plinth level (30 *per cent* work component) valuing Rs.51.03 lakh had been lying unused and unprotected for the last seven years, which may result in serious deterioration/weakening in the strength and quality of the structure due to prolonged exposure to adverse weather conditions. Abnormal delay in completion of the project has also resulted in significant cost overrun with the estimated cost of the project increasing to Rs.2.86 crore in 2005 (at 1998 Manipur schedule of rate).

The Corporation cited (April 2005) funds constraint as the reason for stoppage of work. Audit examination disclosed that out of Rs.51.03 lakh spent on construction so far (September 2005), Rs.15 lakh was provided by NFDC, Mumbai as loan, Rs.7.52 lakh was met from other sources and the balance Rs.28.51 lakh was made available by the State Government. Since no significant amount of funds were provided by the State Government during 1999-2004, no work was taken up by the MFDCL to complete the project. The Corporation also did not make any serious efforts to mobilise resources from other agencies and complete the project. This indicates lack of proper planning both on the part of the Company and the State Government as they should have tied up resources before embarking on the project, they have failed to mobilise resources for seven years to complete the remaining 70 *per cent* component of the cinema hall building.

Government stated (July 2005) that a sum of Rs.1 crore has been earmarked in the Budget Estimates – 2005-06 for theatre construction and Rs.13.42 lakh has since been released. Audit examination revealed that Rs.13.42 lakh made available by the State Government was not utilised towards construction of cinema theatre but diverted for paying loan instalments to NFDC, Mumbai. No further funds were released by the State Government (September 2005) and therefore no further construction work could be taken up (September 2005).

Thus, taking up of the project without first tying up funds has led to unfruitful expenditure of Rs.51.03 lakh. Further, delay of more than seven years in completion of the construction work has resulted in cost overrun of Rs.1.80 crore. The delay in construction of cinema hall has also resulted in loss of potential revenue to the Company.

GENERAL

7.18 Corporate Governance

Introduction

7.18.1 Corporate Governance is the system by which companies are directed and controlled by the Management in the best interest of the shareholders and others to ensure greater transparency and better and timely financial reporting. The fundamental objective of corporate governance is the enhancement of long-term shareholder value while at the same time protecting the interest of other stakeholders. The Board of Directors is responsible for the governance of companies.

7.18.2 The Companies Act, 1956 was amended in December 2000 by providing, *inter alia,* Directors' responsibility statement (Sec. 217) to be attached to the Director's report to the shareholders. According to Section 217 (2 AA) of the Act, the Board of Directors has to report to the shareholders that they have taken proper and sufficient care for the maintenance of accounting records; for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. Section 292-A of the Companies Act, 1956, notified in December 2000, also provides that every public limited company having paid up capital of not less than Rupees five crore shall constitute an Audit Committee at the Board level.

7.18.3 Out of seven working State Government Companies, Audit reviewed six companies (all unlisted) and the matters relating to the Board of Directors were reviewed.

Board of Directors

Meetings

7.18.4 Since the Board of Directors is the agency for the implementation of good governance practices, it is imperative that the Board devotes adequate attention to these issues. Moreover, the Board must be equipped with the requisite representation, and the members of the Board should meet regularly. As per Section 285 of the Companies Act, 1956, the Board of Directors of a company shall meet at least once in every three months and at least four such meetings shall be held in a year.

Information received from the companies, revealed that out of six companies, requisite number of meetings were not held in four companies.

- In Manipur Film Development Corporation Limited, Board of Directors meeting was held only once in each year during 2002-03 to 2004-05.
- In Manipur Industrial Development Corporation Limited, no meeting of the Board was held during 2003-04, while three meetings each were held during 2002-03 and 2004-05.
- In Manipur Electronics Development Corporation Limited, Board of directors meeting was held only once in each year during 2002-03 to 2004-05.
- In Manipur Tribal Development Corporation Limited, no Board meetings were held during 2002-03 to 2004-05.

Attendance

7.18.5 In Manipur Film Development Corporation Limited, the attendance of non-executive directors including Government directors was not regular.

In Manipur Electronics Development Corporation Limited, one non-executive director did not attend the Board’s meetings held during 2002-03 to 2004-05.

In Manipur Industrial Development Corporation Limited, only five out of total eight directors attended the Board’s meetings. Further, only three directors attended the Board’s meeting held on 26 October 2002.

In Manipur Handloom and Handicrafts Development Corporation Limited, only six directors out of total nine directors attended the Board’s meetings held during 2002-03. The attendance of directors in the Board’s meetings during 2003-04 and 2004-05 was also not regular.

In Manipur Police Housing Corporation Limited, the attendance of directors in the meetings of the Board was not regular during 2002-03 to 2004-05.

Directors' Report

7.18.6 According to Section 217 (2 AA) of the Companies Act, 1956, Board of Directors' Report annexed to the annual accounts of the company should include a Directors' Responsibility Statement.

In respect of two companies, *viz.*, Manipur Film Development Corporation Limited and Manipur Police Housing Corporation Limited, Directors' Responsibility Statement was not included in the Board of Directors' Report annexed to the annual accounts of the company.

To sum up

- Board meetings were not held regularly in most of the companies in violation of the provisions of the Companies Act, 1956.
- Attendance of Directors in the Board meetings was not regular in most of the companies.
- Directors' Responsibility Statements were not annexed to the Annual Reports in respect of two companies.

The matter was referred to the Management and Government (December 2005); their replies are awaited.

Imphal (P.K. KATARIA)
The Accountant General (Audit) Manipur

Countersigned

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