CHAPTER VIII : GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

8.1 Overview of Government companies and statutory corporation

Introduction

8.1.1 As on 31 March 2003, there were nine Government companies (eight working companies and one non-working company♣) and one working statutory corporation as against the same number of working and non–working companies and statutory corporation as on 31 March 2002 under the control of the State Government. The accounts of the Government companies (as defined in section 617 of Companies Act, 1956) are audited by statutory auditors who are appointed by the Comptroller and Auditor General of India (C&AG) as per provisions of section 619(2) of Companies Act, 1956. The accounts are also subject to supplementary audit conducted by the C&AG as per provisions of section 619 of the Companies Act, 1956. The audit of Tripura Road Transport Corporation (TRTC), the only statutory corporation is conducted by the C&AG, as sole auditor, under section 33 (2) of the Road Transport Corporations Act, 1950.

Working Public Sector Undertakings (PSUs)

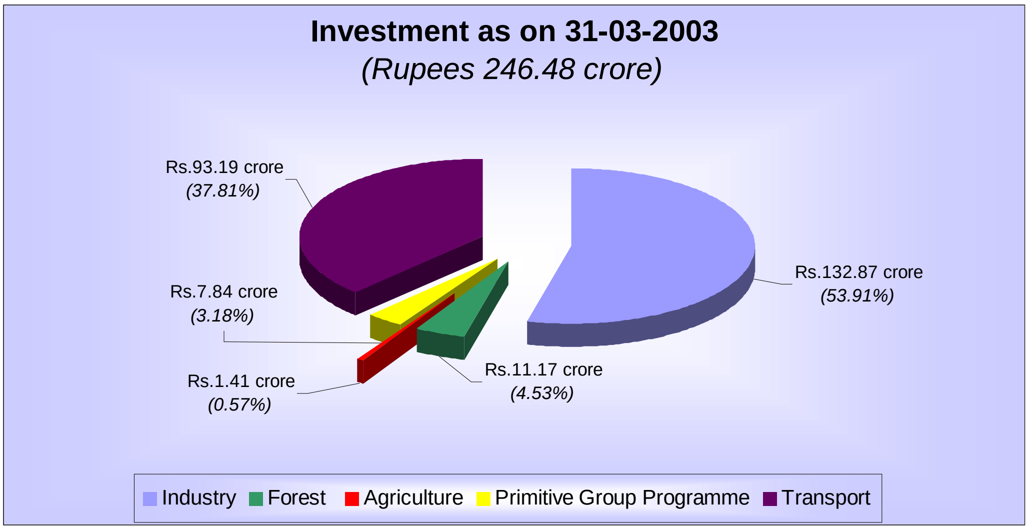
Investment in working PSUs

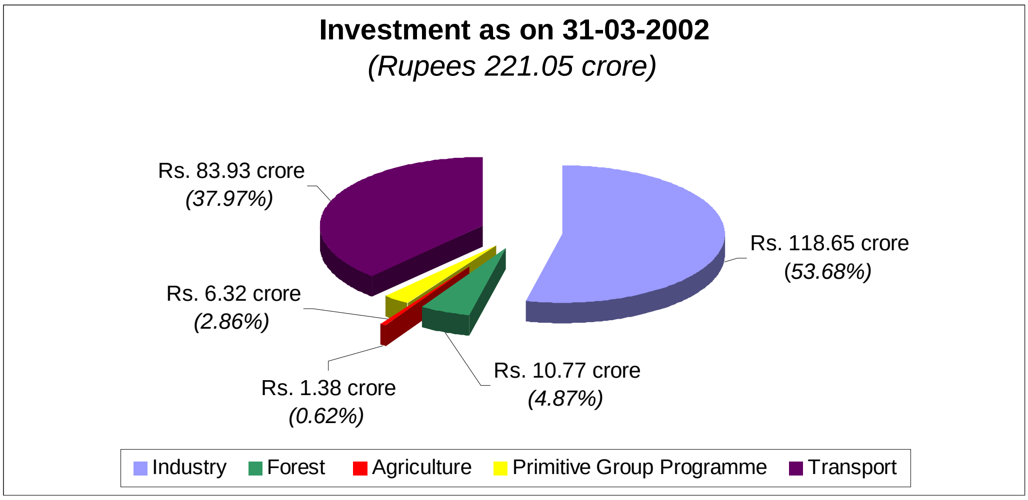
8.1.2 As on 31 March 2003, the total investment in nine working Public Sector Undertakings (eight Government companies and one statutory corporation) was Rs. 246.48 crore (equity : Rs. 232.53 crore; long term loans**:** Rs. 13.95 crore) as against a total investment of Rs. 221.05 crore (equity: Rs.207.88 crore; long term loans : Rs. 13.17 crore) as on 31 March 2002. The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 31 March 2002 are indicated below in the pie-charts :

♣ Non-working company is a company which is under the process of liquidation/closure/merger etc.

Sector-wise investment in working Government companies and statutory corporation





- Sector-wise investment consists of paid-up capital and long term loans
- Figures in brackets indicate the percentage of investment to total investment in PSUs
- Primitive Group Programme consists of schemes for welfare and development of primitive tribes

Working Government companies

8.1.3 As per information furnished by the Management, the total investment in eight working companies as on 31 March 2003 was Rs. 153.28 crore (equity: Rs. 139.47 crore and long term loans : Rs. 13.81 crore) as against total investment of Rs. 137.12 crore (equity : Rs. 123.95 crore and long term loans : Rs. 13.17 crore) as on 31 March 2002 in eight working Government companies. Out of eight working Government companies, one (Tripura Jute Mills Ltd., serial number A-6 of **Appendix - XIX**) has been referred to Bureau of Industrial and Financial Reconstruction (BIFR).

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Appendix- XIX** . As on 31 March 2003, the total investment in working Government companies comprised 91 *per cent* of equity capital and nine *per cent* of loans as compared to 90 and 10 *per cent* respectively, as on 31 march 2002. Increase in the total investment was mainly due to fresh investment in Agriculture, Forest and Industry sectors and decrease in long term loans in Industries sector only.

Working statutory corporation

8.1.4 The total investment in Tripura Road Transport Corporation at the end of March 2003 and March 2002 was Rs. 93.19 crore (equity: Rs. 93.06 crore plus long term loan: Rs. 0.13 crore) and Rs. 83.93 crore (equity : Rs. 83.93 crore) respectively.

The summarised statement of Government investment in Tripura Road Transport Corporation in the form of equity and loans is detailed in **Appendix- XIX .**

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

8.1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and statutory corporation are given in **Appendices – XIX and XXI** .

As per information furnished by the Management, the budgetary outgo in the form of equity capital, loans and subsidies from the State Government to working Government companies and working statutory corporation during 2000-03 are given below :

(Rupees in crore)

	2000-01				2001-02				2002-03			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital	6	9.38	1	11.06	6	14.54	1	10.79	7	15.53	Nil	Nil
Loans	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	1	9.13
Subsidy	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total outgo	6♣	9.38	1	11.06	6♣	14.54	1	10.79	7♣	15.53	1	9.13

During the year 2002-03, no guarantee was given. At the end of the year, guarantees amounting to Rs. 2.18 crore against one Government company were outstanding.

♣ These are the actual number of companies which received budgetary support in the form of equity/loan and subsidy from the State/Central Government and other sources during the respective years.

Finalisation of accounts by working PSUs

8.1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under sections 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. Similarly, in case of statutory corporation, the accounts are finalised, audited and presented to the Legislature as per the provision of the Act.

However, as could be noticed from **Appendix– XX**, none of the eight working Government companies and one statutory corporation finalised their accounts for the year 2002-03 within the stipulated period. During the period from October 2002 to September 2003, eight working Government companies finalised their accounts relating to the previous years.

The accounts of all the working Government companies and lone statutory corporation were in arrears for periods ranging from two to 12 years as on 30 September 2003 as detailed below :

Sl. No.	Number of working companies/corporation		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl. No. of Appendix – XX	
	Government companies	Statutory corporation			Government companies	Statutory corporation
1.	2	-	1991-92 to 2002-03	12	3(i), 3(iii)	-
2.	2	-	1993-94 to 2002-03	10	3(iv), 3(v)	-
3.	1	-	1995-96 to 2002-03	8	2(i)	-
4.	1	-	1997-98 to 2002-03	6	3(ii)	-
5.	1	-	1998-99 to 2002-03	5	1(i)	-
6.	1	-	2001-02 and 2002-03	2	4(i)	-
7.	-	1	2000-01 to 2002-03	3	-	5(i)

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. The concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts. The Commissioner, Finance, convened meeting of Managing Directors of the concerned companies in April and July 2003 and stressed on the need for clearing the arrears in finalisation and adoption of accounts. As a result of arrears in accounts, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

8.1.7 The summarised financial results of working PSUs (Government companies and statutory corporation) as per their latest finalised accounts are given in **Appendix – XX** . Besides, financial position and working results of the statutory corporation for the latest three years of which accounts only for 1999-2000 are finalised are indicated in **Appendices– XXII and XXIII** respectively.

According to the latest finalised accounts of eight working Government companies and one working statutory corporation, eight companies and the corporation had incurred an aggregate loss of Rs. 8.90 crore and Rs. 10.52 crore respectively.

Working Government companies

Loss incurring working Government companies

8.1.8 Out of the eight loss incurring working Government companies, two companies[♠] had accumulated loss aggregating Rs. 38.81 crore which exceeded their paid-up capital of Rs. 19.92 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to the companies in the form of contribution towards equity, etc. According to available information, the total financial support so provided by the State Government by way of equity during 2002-03 amounted to Rs. 9.70 crore to the said companies.

Working statutory corporation

Loss incurring statutory corporation

8.1.9 The only statutory corporation (Tripura Road Transport Corporation) had accumulated loss aggregating Rs. 90.33 crore till 1999-2000 (up to which the accounts were finalised) which exceeded its paid-up capital of Rs. 62.08 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to this statutory corporation in the form of contribution towards equity. According to available information, the total financial support provided by the State Government by way of loan during 2002-03 to this corporation amounted to Rs. 9.13 crore.

Operational performance of working statutory corporation

8.1.10 The operational performance of the working statutory corporation (Tripura Road Transport Corporation) is given in **Appendix– XXIV.** Following are the important observations on operational performance of the corporation.

- Percentage of utilisation of bus increased from 49 in 2000-01 to 56 in 2001-02 and 61 in 2002-03.
- Operating revenue per kilometre (Rs. 10.16) was too little in comparison to average expenditure per kilometre (Rs. 42.83) incurred thereagainst. As a result, the corporation had to incur losses by Rs. 32.67 per kilometre during 2002-03 in operating the buses on road.
- Similarly, the corporation had also incurred loss of Rs. 31.86 per kilometre in operating the trucks on road during 2002-03.

[♠] Tripura Small Industries Corporation Limited and Tripura Jute Mills Limited.

Return on capital employed

8.1.11 According to the latest finalised accounts (up to September 2003), the capital employed worked out to Rs. 36.61 crore in eight working companies and total return thereon amounted to (-) Rs. 6.20 crore as compared to total return of (-) Rs. 2.33 crore on capital employed of Rs. 41.30 crore in the previous year. Similarly, the capital employed and total return thereon in case of working statutory corporation as per the latest finalised accounts (1999-2000) worked out to (-) Rs. 25.89 crore and (-) Rs. 6.89 crore respectively against the total return of (-) Rs. 6.42 crore in the previous year (1998-99). The details of capital employed and total return on capital employed in case of working Government companies and statutory corporation is given in **Appendix– XX.**

Non-working PSUs

Investment in non-working PSUs

8.1.12 There was only one company *viz.* Tripura State Bank Ltd., which was non-working for about 33 years and under process of liquidation under Section 560 of the Companies Act, 1956. As on 31 March 2003, the total investment in this company in the form of equity was Rs. 4 lakh. Effective steps need to be taken for its expeditious liquidation.

The matter was taken up (August 2003) with the Commissioner, Finance, to ascertain the present status of this non-working company; the reply was awaited (September 2003).

Status of placement of Separate Audit Reports of statutory corporation in Legislature

8.1.13 The following table indicates the status of placement of Separate Audit Reports (SARs) on the accounts of statutory corporation issued so far (September 2003) by the Comptroller and Auditor General of India in the Legislature by the Government:

Sl. No.	Name of the statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in the Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Tripura Road Transport Corporation	1992-93	1993-94 to 1997-98 1998-99 1999-2000	13.6.2000 11.3.2002 14.3.2002	The Government has not furnished any reasons for delay.

Due to delay in presentation of SARs by the Government in the Legislature, the activities relating to the accounts of the corporation for the years 1993-94 to 1999-2000 were left outside the scope of legislative scrutiny.

Disinvestment, privatisation and restructuring of PSUs

8.1.14 During the year 2002-03, there was no case of disinvestment, privatisation and restructuring including merger and closure of State PSUs by the State Government.

Internal Audit

8.1.15 No internal audit arrangement had so far been made in any of the PSUs as of September 2003.

Results of audit on accounts of PSUs by the Comptroller and Auditor General of India

8.1.16 During October 2002 to September 2003, 11 (eleven) accounts of six working Government companies were selected for review. The net impact of the important audit observations as a result of such review of the accounts of these PSUs was increase in loss by Rs.4.38 crore:

None of the companies had either introduced regular internal audit control system or prescribed internal audit standard by issue of appropriate manual.

Errors and omissions noticed in case of Government companies

8.1.17 Some of the major errors and omissions noticed in the course of review of annual accounts of the above companies are mentioned below:

(a) Tripura Jute Mills Limited (1990-91)

(i) Non-consideration of negotiated settlement with Financial Institutions resulted in overstatement of secured loan and loss equally by Rs. 1.56 crore.

(ii) Non-provision of interest due on unsecured loan payable to the Government of Tripura has resulted in understatement of loss by Rs. 44.59 lakh.

(b) Tripura Jute Mills Limited (1991-92)

(i) Non-provision of interest on unsecured loan payable to the Government of Tripura has resulted in understatement of loss by Rs. 53.85 lakh.

(ii) Non-provision of penal damage for belated payment of Provident Fund Contribution has resulted in understatement of loss by Rs. 1.14 crore.

(c) Tripura Forest Development and Plantation Corporation Limited (1994-95)

(i) Non-adjustment of subsidy of Rs. 1.04 crore received from Rubber Board resulted in understatement of loss to the same extent.

(d) Tripura Industrial Development Corporation Limited (1996-97)

(i) Non-provision of interest accrued but not due on loan resulted in understatement of loss by Rs. 12.48 lakh.

(ii) Non-provision of Rs. 57.83 lakh in respect of loss of assets as per RBI guidelines resulted in understatement of loss to that extent.

Recommendations

8.1.18 Of the nine PSUs, one working Government company (Tripura Jute Mills Ltd.) and one working statutory corporation (Tripura Road Transport Corporation) had been incurring losses for seven consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may attempt to improve the performance of these two PSUs to avoid further losses.

Response to Inspection Reports, paragraphs and reviews

8.1.19 Audit observations raised during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through Inspection Reports. The Government had prescribed that the first reply to the Inspection Reports should be furnished by the heads of PSUs through respective heads of departments within a period of one month from the date of their receipt. Inspection Reports issued up to March 2003 pertaining to nine PSUs disclosed that 230 paragraphs relating to 53 Inspection Reports remained outstanding at the end of September 2003. Of these, Inspection Reports containing 96 paragraphs had not been replied to for more than one year. Department-wise break-up of Inspection Reports and paragraphs issued up to 31 March 2003 and outstanding as on 30 September 2003 are given in **Appendix – XXV.**

Similarly draft paragraphs and reviews are forwarded to the 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 out of five draft paragraphs and one draft review forwarded to the various departments during March – June 2003 replies in respect of four draft paragraphs were not received as of September 2003, as detailed in **Appendix – XXVI.**

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

Position of discussion of Commercial Chapter of Audit Reports by the Committee on Public Undertakings (COPU)/Public Accounts Committee (PAC)

8.1.20 The table given below indicates the position of discussion of reviews and paragraphs (Chapter VIII titled 'Government Commercial and Trading Activities') of Audit Reports (Civil) by COPU/PAC, as on 30 September 2003.

Period of Audit Report	Total number of reviews/paragraphs which appeared in Chapter VIII of Audit Report (Civil)		Number of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1997-98	1	2	-	1
1999-2000	1	1	1	1
2000-01	1	-	-	-
2001-02	1	4	1	4

619-B companies

8.1.21 Some non-Government companies are deemed to be Government companies under Section 619-B of the Companies Act, 1956 for the limited purpose of extending to them the provision relating to audit of Government companies contained in Section 619 of the Act. There was only one company coming under Section 619-B of the Companies Act, 1956. The table given below indicates the details of paid-up capital, investment by way of equity and summarised working results of the company based on the latest available accounts:

(Rupees in lakh)

Name of the company	Year of accounts	Paid-up capital	Investment by			Profit(+)/ loss(-)	Accumu-lated loss
			State Government	Government companies*	Others		
Tripura Natural Gas Company	1999-2000	53.65	NIL	53.65	NIL	(+) 9.73	7.65

* Two Government companies *viz.* Tripura Industrial Development Corporation Limited and Assam Gas Company Limited.

SECTION - A

Tribal Rehabilitation in Plantation and Primitive Group Programme Department

8.2 Working of the Tripura Rehabilitation Plantation Corporation Limited

Highlights

The Tripura Rehabilitation Plantation Corporation Limited was incorporated on 3 February 1983 as a wholly owned Government Company with the object of rehabilitating landless tribal *jhumias* and other landless people of the State through rubber and other plantations.

(Paragraph 8.2.1)

The Company had finalised the accounts up to 2000-01. The accounts depicted accumulated loss of Rs. 2.88 crore.

(Paragraphs 8.2.6 and 8.2.7)

The Company had incurred unproductive expenditure of Rs 2.35 crore on rubber plantation originally raised covering 1636.01 hectares but subsequently damaged due to cattle gazing, fire etc., which could have been avoided by taking preventive measures in time.

(Paragraph 8.2.12)

Lower stand per hectare due to underutilisation of land and absence of proper maintenance of plantation deprived the beneficiaries of their potential economic benefit by sale of rubber to the extent of Rs. 22.34 crore.

(Paragraph 8.2.13)

Shortfall in dry rubber production of 2298.25 tonnes valued at Rs. 6.86 crore due to low yield per tree for lack of effective control on tapping operations resulted in potential loss of income of Rs. 6.86 crore to the beneficiaries.

(Paragraph 8.2.14)

The growers of 252 hectares of plantations were deprived of the benefit of cash subsidy of Rs. 0.55 crore which the Rubber Board did not release due to deficiency noticed in raising and maintenance of plantations.

(Paragraph 8.2.15)

The Company failed to secure compensation amounting to Rs. 27.74 lakh from the insurance company in respect of 46 claims due to absence of appropriate insurance coverage of the rubber plantations.

(Paragraph 8.2.16)

Introduction

8.2.1 The Tripura Rehabilitation Plantation Corporation Limited was incorporated on 3 February 1983 as a wholly owned Government Company. The main objectives of the Company are to:

- rehabilitate tribal *jhumias* and other landless people of the State on rubber and other plantations to be raised by the Company or to be acquired from the State Government/other public sector undertakings.
- create employment facilities for the people depending mainly on shifting cultivation so as to wean them away from that uneconomic practice of cultivation to a more profitable land use.

Organisational set up

8.2.2 As on 31 March 2002, there were 16 directors in the Board including the Chairman and the Managing Director. The Managing Director (appointed by the State Government) is the Chief Executive who looks after day to day working of the Company. He is assisted by four Deputy Managers, one Accounts Officer, and one Assistant Manager (Marketing).

The Company supervises plantation programmes through its three zonal offices located in North, West and South Tripura. The North Zone Office located at Kumarghat started functioning in May 1987. The West and South Zone Offices located at Agartala started functioning in August 1987. The South Zone Office was later shifted to Udaipur in September 1994.

Scope of audit

8.2.3 A review on working of the Company during 1983-84 to 1994-95 was incorporated in the Report of the Comptroller and Auditor General of India for the year 1994-95. The review was discussed by the Committee on Public Undertakings (COPU) (April 1999 and March 2000). The recommendations of the Committee have not yet been received. The current review conducted during December 2002 to March 2003 covers the performance of the Company for the period from 1995-96 to 2001-02.

Funding

Share capital

8.2.4 The authorised capital of the Company was Rs. 5 crore consisting of five lakh equity shares of Rs. 100 each. The paid up capital of Rs. 4.58 crore as on 31 March 2002 was wholly subscribed by the State Government.

Borrowings

8.2.5 The Company had borrowed Rs. 0.76 crore up to March 1995 against the sanction of Rs. 0.96 crore by National Bank for Agriculture and Rural Development (NABARD) under its refinance scheme for 709 beneficiaries.

The interest accrued up to 31 March 2000 along with principal totalling Rs. 1.57 crore[⬍] was refunded by the Company during 1995-96 to April 2000.

An amount of Rs. 1.15 crore[♦] was recovered during last seven years ending 31 March 2002 from the beneficiaries on account of principal and interest against an investment of Rs. 0.76 crore. A balance of Rs. 0.35 crore is yet to be recovered.

The Government stated (July 2003) that the balance of Rs. 0.35 crore was being realised and expected to be complete by the end of 2003-04.

In addition, the Company borrowed Rs. 1.73 crore between August and December 2000 from Development Unit (DU) of the World Bank Aided Rubber Project, set up by the State Government, at an annual rate of interest of 12.5 *per cent*, to provide financial assistance to the beneficiaries. Repayment of loan from the beneficiaries would be effected by adjustment against sales of raw latex after the expiry of seven years.

The incidence of the rate of interest on the growers through the Company @ 12.5 *per cent* per annum was constituted as follows:

From	To	Interest rate charged by the lender	Additional increase in incidence borne by the borrower
(1)	**(2)**	**(3)**	**(4)**
1. Government of India(GOI)	NABARD	7.0 % (on NABARD)	NIL
2. NABARD	TSCB*	7.5 %(on TSCB)	0.5 % (borne by TSCB)
3. TSCB	DU	8.5 % (on DU)	1.0 % (borne by DU)
4. DU	Growers (through Company)	12.5 % (on growers through Company)	4.0 % (borne by growers through Company)
Total			**5.5 %**

** Tripura State Co-operative Bank Ltd.*

The above table shows that the growers had to bear an additional interest of 5.5 *per cent* per annum (as would be obtained by addition of items 2, 3, and 4 of col. 4) over the interest which was charged by the GOI. Thus involvement of agencies at items 2 and 3 resulted in simply increased cost of interest to the growers. The Government stated (July 2003) that it was not possible to channelise the money directly from the Government of India to the growers who were widely dispersed in the State. The Government set up Development Unit for monitoring the disbursement, proper utilisation and recovery of loan.

Financial position

8.2.6 The table below summarises the financial position of the Company for the six years up to 2001-02:

[⬍] Of this, Rs. 7.49 lakh borne by the Rubber Board towards subsidy on interest.

[♦] Out of Rs. 1.50 crore.

(Rupees in lakh)

Liabilities	**1996-97**	**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**2001-02 (Provisional)**
Paid-up capital	452.73	452.73	457.73	457.73	457.73	457.73
Share suspense	5.00	5.00	-	-	-	-
Reserve and surplus (funds for plantation)	573.25	635.13	687.18	905.01	1261.23	1508.85
Secured loan	75.66	75.66	75.25	20.65	182.76	204.49
Current liabilities and provision	44.10	39.43	19.89	29.95	27.94	25.06
Funds for 2nd phase project	1.25	1.25	1.25	1.20	1.20	1.20
	1151.99	**1209.20**	**1241.30**	**1414.54**	**1930.86**	**2197.33**

(Rupees in lakh)

Assets	**1996-97**	**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**2001-02 (Provisional)**
Net fixed assets	11.05	9.32	8.15	15.34	31.61	9.68
Development of property and rubber plantation	608.94	683.16	732.36	820.80	952.10	1141.78
Current assets, loans and advances	256.62	241.06	332.49	297.37	659.40	757.97
Accumulated losses (intangible assets)	275.38	275.66	168.30	278.80	287.75	287.90
Capital work-in-progress	-	-	-	2.23	-	-
Total	**1151.99**	**1209.20**	**1241.30**	**1414.54**	**1930.86**	**2197.33**

Net worth	755.60	817.20	976.61	1083.94	1431.21	1678.68
Capital employed	223.57	210.95	320.75	282.76	663.07	742.59
Capital invested	1106.64	1168.52	1220.16	1383.39	1901.72	2171.07

Note:
(1) Net Worth represents paid-up capital *plus* reserves *less* intangible assets/accumulated loss.
(2) Capital employed represents net fixed assets *plus* working capital.
(3) Capital invested represents paid up capital *plus* long term loan *plus* free reserves.

Source: Annual Accounts for the years 1996-97 to 2001-02.

The following observations are made in respect of financial position of the Company:

i) Accumulated losses of Rs. 2.88 crore resulted in erosion of 62.86 *per cent* of the paid-up capital;

ii) Interest bearing secured loans increased to Rs. 2.04 crore in 2001-02 from Rs. 20.65 lakh in 1999-2000; and

iii) Current assets of Rs. 6.59 crore in 2000-01 included loan receivable from beneficiaries to the extent of Rs. 2.39 crore.

Working results

8.2.7 The following table gives the summarised working results of the Company for the six years ending 2001-02:

(Rupees in lakh)

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02 (Provisional)
A. Income						
Miscellaneous receipts	73.18	86.11	105.48	226.58	240.37	274.46
Interest on term deposit	14.37	11.92	6.74	9.73	7.81	13.39
	87.55	**98.03**	**112.22**	**236.31**	**248.18**	**287.85**
B. Expenditure						
Establishment expenses	78.23	90.85	102.11	221.22	242.92	275.90
Administrative expenses	9.38	5.46	10.38	14.80	10.42	10.41
Miscellaneous expenses	2.45	2.00	1.68	1.48	2.94	1.85
	90.06	**98.31**	**114.17**	**237.50**	**256.28**	**288.16**
Loss (B-A)	2.51	0.28	1.95	1.19	8.10	0.31

Source: Annual Accounts for the years 1996-97 to 2001-02.

The following observations are made in respect of working results of the Company:

i) During the last six years up to 2001-02, the Company had incurred cash losses amounting to Rs. 14.34 lakh. The cumulative loss of the Company at the end of 2001-02 stood at Rs. 2.88 crore. The Government stated (July 2003) that accumulated loss was mostly owing to the excess of Establishment and Administrative Expenses over grants-in-aid received from the Government.

ii) Total expenses increased to Rs. 2.88 crore (i.e. 220 *per cent*) in 2001-02 from Rs. 0.90 crore in 1996-97 mainly due to increase in salaries and statutory provisions for the employees.

iii) Miscellaneous receipts have increased from Rs. 0.73 crore in 1996-97 to Rs. 2.74 crore in 2001-02 due to increase in gross sales of Rubber Sheet and grants-in-aid for salary.

Plantation schemes

8.2.8 There were 49,800 tribal *jhumia* families in Tripura according to the Survey Report prepared by Tribal Welfare Department in 1987 (no survey had been conducted thereafter). During 1995-2002, the Company had targeted to provide employment facilities to 2473 families by raising 2483 hectares of rubber plantation. Of this, the Company had raised 1585.92 hectares of rubber plantation (including re-stocking of 106.58 hectares of plantation) for 1443 beneficiaries through the following three schemes during the period as detailed below:

Sl. No.	Name of the scheme	Land to be brought under plantation (in hectares)		Number of beneficiary families		Percentage of shortfall	
		Target	Achievement	Target	Achievement	In raising plantation	In number of beneficiary families covered
1.	Rehabilitation of landless tribal *jhumias* on Government land	809	86.40	809	56	89	93
2.	Rubber plantation on the allotted *jote* land	913	786.82	913	782	14	14
3.	Rubber plantation under World Bank Aided Rubber Project	761	606.12	760	605	20	20
	Total	**2483**	**1479.34**	**2482**	**1443**	**40**	**42**

The above table indicates that the overall targets against the three schemes fell short by 40 and 42 *per cent* respectively in terms of raising plantation and number of families covered.

The table below shows the position of the financial target and funds received for plantation and expenditure incurred thereagainst during 1995-96 to 2001-02.

(Rupees in lakh)

Year	Financial target for plantation	Funds received including subsidy	Expenditure incurred for plantation	Excess (+) / shortages (-) of funds
1995-96	103.27	90.09	65.15	(+) 24.94
1996-97	97.47	85.35	59.50	(+) 25.85
1997-98	147.58	61.89	74.23	(-) 12.34
1998-99	161.43	51.64	49.19	(+) 2.45
1999-2000	197.28	142.58	88.45	(+) 54.13
2000-01	203.38	356.22	135.29	(+) 220.93
2001-02	186.04	247.62	189.69	(+) 57.93
Total	**1096.45**	**1035.39**	**661.50**	**(+) 373.89**

Although the Company received funds for Rs.10.35 crore, it incurred expenditure of Rs.6.61 crore for plantation and the balance funds of Rs.3.74 crore were lying unutilised (Rs.1.75 crore: fixed deposit in UTI bond; Rs.1.00 crore: cash at Bank; and Rs.0.99 crore: cash in hand). The Government stated (July 2003) that availability of appropriate land is the foremost requirement for raising rubber plantation, over which the Company has no control; willingness of the people for taking up the plantation work, and other enabling factors apart from timely placement of funds are required to achieve the targets.

Rehabilitation of landless tribal jhumias on Government khas land

8.2.9 Up to 1994-95, the Company rehabilitated 1576 tribal *jhumia* families under the scheme by raising 2326.50 hectares of rubber plantation.

During 1995-2002, the total plantation raised was 86.40 hectares covering 56 beneficiaries against the target of 809 hectares and also 809 beneficiaries. The achievement was only 11 *per cent* of targeted plantation. The year-wise actual plantation ranged from zero to 47 *per cent* of the target as detailed below:

Year	Rubber plantation targeted to be raised	Plantation actually raised	Number of beneficiary families		Percentage of achievement to target	
	(in hectares)		Target	Achievement	Plantation	Beneficiary families
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1995-96	100	46.77	100	30	47	30
1996-97	50	4.15	50	3	8	6
1997-98	72	22.38	72	15	31	21
1998-99	50	13.10	50	8	26	16
1999-2000	200	-	200	-	-	-
2000-01	337	-	337	-	-	-
2001-02	-	-	-	-	-	-
Total	**809**	**86.40**	**809**	**56**	**11**	**7**

It would be evident from the above table that the Company discontinued raising rubber plantation under the scheme from 1999-2000 onwards, although targets were continued to be fixed up to 2000-01. The Company rehabilitated only 56 tribal *jhumia* families during four years ending 1998-99 against the target of 809 set for seven years ending 2001-02 and could achieve only seven *per cent* in terms of beneficiary families.

The Company could not achieve the target in any of the years due to the following:

a) The Company could not raise plantation in protected forest as the permission from the Government of India was not obtained.

b) The required land to achieve the target was not available. The Company fixed the target without considering the availability of required land.

Rubber plantation on the allotted jote land

8.2.10 The scheme was started in 1986-87. Up to 1994-95, 358.40 hectares of rubber plantation was raised for 350 families. During 1995-2002, the Company raised 786.82 hectares of rubber plantation under this scheme as against the target of 913 hectares, achieving 86 *per cent* of the target as detailed below in respect of 782 beneficiary families as against the target of 913:

Year	Rubber plantation (in hectares)			Number of beneficiary families		
	Target	Plantation actually raised	Percentage of achievement to target	Target	Actual	Percentage of achievement to target
1995-96	20	31.10	156	20	31	155
1996-97	25	10.65	43	25	10	40
1997-98	20	61.79	309	20	60	300
1998-99	20	12.54	63	20	12	60
1999-2000	200	196.49	98	200	196	98
2000-01	53	152.62	288	53	152	287
2001-02	575	321.63	56	575	321	56
Total	**913**	**786.82**	**86**	**913**	**782**	**86**

The target fixed by the Company for the years 1995-96 to 2000-01 was very low in comparison to that fixed for the year 1999-2000 and 2001-02, reasons for which were not furnished. Thus, it is evident from the above table that there was no coherent plan for raising rubber plantation on the allotted *jote* land, affecting adversely the sustainable socio-economic upliftment of the tribal people of the State, despite the fact that the Company was having fixed deposits ranging from Rs. 50.40 lakh to Rs. 2.08 crore for raising plantation during the period.

The Company could not achieve the target due to the following reasons:

- **a)** There was no co-ordinated action plan.
- **b)** Pay and allowances of the employees are to be met from grants-in-aid for salary received from the Government. But it was observed in audit that funds of Rs. 30 lakh (in addition to grants-in-aid of Rs. 92 lakh received from the Government for salary) were diverted unauthorisedly every year from the Plantation Fund of the Company for paying salary as grants-in-aid for salary was not enough. Diversion of Plantation Fund for payment of salary adversely affected achievement of the plantation target.

The Government stated (July 2003) that during the period, the Company concentrated on implementing the World Bank Aided Rubber Project. With limited infrastructure and other constraints it was not possible to adhere to the targets of other schemes.

Rubber Plantation under World Bank Aided Rubber Project

8.2.11 Under the World Bank Aided Rubber Project, the Company set the target of raising 1000 hectares of rubber plantation during 1993-2000 for economic resettlement of scheduled tribe families through rubber plantation on their allotted *jote* land. The scheme was to be implemented partly with the funds to be received from the Rubber Board as subsidy against the plantation and partly with the bulk funds received as loan from the bank. In 1996, the World Bank was requested to explore the feasibility of setting up a revolving fund for development of rubber plantation in Tripura. As a result, a loan of Rs.1.73 crore was sanctioned in 2000-01 in two instalments with the following objectives:

- **a)** Expanding and strengthening the rubber sub-sector;
- **b)** Increasing rubber production by small holders; and
- **c)** Generating rural employment by engaging beneficiaries in various plantation activities during the period before the tapping starts.

Under the scheme, a total of 763.46 hectares of rubber plantation was raised up to 2001-02. A balance of 236.54 hectares was yet to be raised to achieve the final target.

The year-wise target and achievement under this scheme during the period 1995-96 to 2001-02 as furnished by the Company is given below:

	Rubber plantation (in hectares)			**Number of beneficiary families**		
	Target	**Achievement**	**Percentage of achievement to target**	**Target**	**Achievement**	**Percentage of achievement to target**
Up to 1994-95	239	157.34	65.83	239	157	66
1995-96	150	104.50	69.67	150	104	69
1996-97	150	67.05	44.70	150	67	45
1997-98	211	132.73	62.91	211	132	63
1998-99	200	42.08	21.04	200	42	21
1999-2000	50	29.25	58.50	50	30	60
2000-01	-	174.51	-	-	174	-
2001-02	-	56.00	-	-	56	-
Total	**1000**	**763.46**	**76.35**	**1000**	**762**	**76**

It was seen in audit that a bulk portion of the funds received from the World Bank was kept in fixed deposit and the funds were not utilised to raise plantation as per target in any of the years.

The Government stated (July 2003) that the plantation expenditure in the initial stage was met from the Company's own resources and Rubber Board subsidies. Subsequently, on receipt of loan from Development Unit, the expenditure had been set off against the funds received. Maintenance of the plantation was continuing with the funds received.

Maintenance of rubber plantation

Unsuccessful rubber plantation

8.2.12 Out of a total area of 3591.70 hectares of rubber plantation originally raised during 1984-85 to 1999-2000, 1636.01 hectares got damaged in different years due to cattle gazing, fire etc., which could have been avoided by taking preventive measures in time. The preventive measures are strong and effective fencing, arrangement of constant watch over the plantations, measures against damage of plants due to sun scorch and damage by diseases and pests. The expenditure incurred on such unsuccessful plantation representing 45.55 *per cent* of the plantation originally raised worked out to Rs. 2.35 crore.

Despite the facts already mentioned in the Report of the Comptroller and Auditor General of India for the year 1994-95, the Company did not make any further progress in restocking from the level achieved up to 1994-95.

The Government stated (July 2003) that initially all the plantations were taken up in interior areas. The activity was new for the beneficiaries. Long gestation period of rubber trees before giving returns caused indifference and negative attitude on the part of the beneficiaries. Prevailing atmosphere of insurgency in the State also acted to a great extent for this scenario as it adversely affected supervisory work. However, the Company had submitted a comprehensive proposal for rejuvenating the damaged plantations.

Stand of plants

8.2.13 As per the Rubber Board's recommendation, initial stand[♣] of 420 to 445 buds grafted and 445 to 520 poly-clonal plants per hectare would have to be thinned out to a minimum stand of 380 plants per hectare under healthy and uniform growth condition in the seventh year. But the stand of trees per hectare in the plantation raised by the Company during 1995-96 to 2001-02 ranged between 178 and 246 as against the norm of 380 plants fixed by the Company. Reasons for shortfall in stand per hectare are (a) non-initiation in gap-fillings within one year from the year of actual plantation raised; (b) lack of infrastructural facilities; (c) lack of adequate technical manpower; (d) lack of proper supervision.

[♣] Stand of plants means density of minimum 380 rubber plants per hectare in the seventh year.

This lower stand deprived the beneficiaries of potential earnings from sale of rubber of 6672.35 tonnes valued at Rs. 22.34 crore as would be evident from the following table:

Year	Plantation to be matured as per norm (in hectares)	Stand as per norm (in number of plants) (col. 2 x 380)	Actual stand (in number of plants)	Shortfall (in number of plants) (col. 3 – col. 4)	Average stand per hectare (col. 4/ col. 2)	Average yield of dry rubber per tree per annum as per norm of the Company (in Kg) (1000 Kg /380 trees per ha)	Loss of potential production (in tonnes) (col. 5x col. 7/1000)	Prevalent rate of dry rubber per Kg (*in Rupees*)	Total potential loss due to less production (*Rs. in crore*)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1995-96	1059.00	402420	189892	212528	179	2.63	558.95	57.00	3.19
1996-97	1398.50	531430	269656	261774	193	2.63	688.47	48.21	3.32
1997-98	2123.00	806740	384260	422480	181	2.63	1111.12	34.92	3.88
1998-99	2183.50	829730	389661	440069	178	2.63	1157.38	26.22	3.03
1999-2000	2185.50	830490	390614	439876	179	2.63	1156.87	28.37	3.28
2000-01	2315.50	879890	443567	436323	192	2.63	1147.53	27.62	3.17
2001-02	2413.10	916978	593011	323967	246	2.63	852.03	29.00	2.47
Total							**6672.35**		**22.34**

The Government stated (July 2003) that the shortfall of trees was mainly due to natural calamities. It was, however, observed in audit that the norm of 380 tappable trees were fixed by the Company considering that there would be casualties and some trees would not attain tappable size by the end of seventh year of raising plantation.

Productivity of plantation

Low yield per tree

8.2.14 Latex is being collected from the rubber plantation by the tappers on alternate days. Audit analysis of yearwise yield of latex from tappable trees indicates that failure to chalk out any time schedule for engagement of tappers to collect latex from the plantation and lack of sound planning in this connection resulted in scattered stand. During the period of six years up to 2001-02, dry rubber[?] ranging from 18.20 gms to 22.20 gms per tree per tapping day was obtained as against the norm of 43 gms fixed by the Rubber Board. As a consequence, there was a shortfall in the dry rubber production by 2298.25 tonnes during the above period resulting in potential loss of income to the beneficiaries working out to Rs. 6.86 crore, as shown in the following table:

[?] Latex converted into rubber sheet.

Year	Total produc-tion (in tonnes)	Number of blocks[O]	Total number of trees tapped (numbers in lakh) (No. of blocks x 300)	Average tapping days utilised per tree	Production of dry rubber per tree per tapping day (in gms) (col. 2/4x5)	Norm for production as fixed by Rubber Board (in gms)	Shortfall in production (in tonnes) [cols.(7-6)x(5x4)]	Rate per Kg. of dry rubber (*in rupees*)	Potential loss of income (*Rs. in crore*) (cols. 8x 9)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1996-97	112.22	145.00	0.44	140	18.20	43	152.77	48.21	0.74
1997-98	190.53	205.85	0.62	140	22.00	43	182.28	34.92	0.64
1998-99	325.00	370.50	1.11	140	20.90	43	343.43	26.22	0.90
1999-2000	426.19	457.44	1.37	140	22.20	43	398.94	28.37	1.13
2000-2001	485.59	579.05	1.74	140	19.90	43	562.72	27.62	1.55
2001-02	593.01	694.65	2.08	140	20.40	43	658.11	29.00	1.90
Total	**2132.54**		**7.36**		**20.70**		**2298.25**		**6.86**

The Government stated (July 2003) that reasons for low rubber production per hectare compared to the Rubber Board norms were (i) the ownership of the plantations was vested with the beneficiaries who were reluctant to carry out maintenance of the plantations; (ii) in some cases the beneficiaries had been disposing of materials of their own, which was not reflected in the accounts.

Cash subsidy

8.2.15 To encourage the production of rubber in the State, the Rubber Board provided, *inter alia*, financial assistance in the form of cash subsidy to the growers provided the Board had issued permit for the period from 1995-96 to 2001-02 for their plantations. The main conditions for issue of permits as fixed by the Rubber Board was that the Company should ensure (a) removal of non-rubber trees in excess of the permissible numbers; (b) weeding, circle weeding or strip weeding; (c) adequate manuring to be done as per Board's recommendations; (d) establishment of leguminous cover crops in the entire area; (e) minimum stand per hectare should be 420; (f) fencing around the plantation to be done; (g) boundary fire belt to be provided around the plantation. The Rubber Board paid cash subsidy in six to seven instalments at the rate of Rs. 8000 per hectare to small growers (a small grower would not have plantation exceeding 20 hectares) during 1995-2002. The rate of subsidy was enhanced to Rs. 18,000 from 1997. From 1998 onwards the rate was further increased to Rs. 22,000 per hectare. For being eligible for subsidy, the permit holders were to achieve, *inter alia*, the standard girth of trees and prescribed stand per hectare. The year-wise details of actual plantation raised and permits obtained thereagainst for getting financial assistance in the form of subsidy from the Rubber Board for the period from 1998-99 to 2001-02 are given below:

[O] One block means the density of 300 tappable trees.

Year	Actual plantation raised during the year *(In hectares)*	Plantation for which permit was obtained from Rubber Board to receive subsidy *(In hectares)*	Plantation for which permit was not obtained from Rubber Board to receive subsidy *(in hectares)* (Col. 2 – Col. 3)	Admissible rate of subsidy per hectare to be received from Rubber Board *(in Rupees)*	Potential loss of financial assistance in the form of subsidy due to failure to fulfil the conditions *(Rupees in lakh)* (Col. 4 X Col. 5)
(1)	(2)	(3)	(4)	(5)	(6)
1998-99	67.72	66.58	1.14	22000	0.25
1999-2000	225.74	115.14	110.60	22000	24.33
2000-01	327.13	216.70	110.43	22000	24.29
2001-02	377.63	347.80	29.83	22000	6.56
	998.22	**746.22**	**252.00**		**55.43**

Scrutiny of records disclosed that the Company could obtain permits in respect of 746.22 hectares only out of 998.22 hectares raised by it for 1443 growers.

Thus, the Company could not obtain for the growers cash subsidy of Rs. 0.55 crore for not getting permit for 252 hectares of plantations due to non-fulfilment of eligibility conditions. The plantations were not considered to be eligible due to (a) damage to the plantations, (b) lack of minimum stand in the plantations and (c) non-attainment of required minimum girth by trees as a result of poor manuring and other cultural operations.

The Government stated (July 2003) that (i) in some cases permits were not issued by the Rubber Board due to non-fulfilment of norms; (ii) some plantations were damaged in the first year itself due to natural calamity and fire incident; (iii) visit by Rubber Board could not be arranged in the first year in many of the plantations. The Government is taking necessary measures in this regard.

Insurance of rubber plantation

8.2.16 The National Insurance Company Limited started, in collaboration with the Rubber Board, a comprehensive scheme for insurance of immature rubber plantations aged up to seven years against natural calamities. The insurance premium payable by the growers was to be deducted from the subsidy released by the Rubber Board.

The Company approached from time to time for bringing 2474.40 hectares of rubber plantations created from inception up to 2001-02 under insurance coverage, against which insurance for only 90.24 hectares of plantations was agreed to by the Insurance Company and the request for insurance in respect of remaining plantations was rejected due to non-obtaining permits and non-achievement of the required stand.

Records revealed that 1636.01 hectares of rubber plantation got damaged due to cattle grazing, fire etc., for which the Company lodged claims for compensation to the insurer during the period from inception to 2001-02. The basis on which claim was lodged for 1636.01 hectares is not clear when only 90.24 hectares of plantation was insured by the Insurance Company. The Company was able to recover only Rs. 7.09 lakh from the insurer from inception, as of May 2003. The Insurance Company was not in a position to settle 46 outstanding claims for Rs. 27.74 lakh lodged by the Company due to non-renewal of insurance policy, non-achievement of required stand, etc. All of these were specific instances of mismanagement on the part of the Company.

The Government stated (July 2003) that there was no provision of insurance coverage of plantations beyond seventh year of plantation under the scheme. The delay in settlement of claims was due to the fact that the Insurance Company had settled claims only after inspection by the Rubber Board and Insurance Company. The surveyors from Insurance Company come from outside the State and this often leads to delays. Further, due to insurgency problem timely inspections by Rubber Board are not feasible. Insurance claim was also not accepted for plantations damaged by miscreants.

Marketing strategy

8.2.17 The Company had not set up a full-fledged marketing department. In reply, the management stated (May 2003) that the disposal of materials was done by the marketing cell after collecting all the relevant information from internet and the prevailing Kottayam price constituting the benchmark. The reply is not acceptable, because, the Company, while fixing the rates of raw latex, did not compare it with the market rate for the product. As a result, a section of the beneficiaries did not sell their latex to the Company, as the price of latex was fixed by the Company unrealistically at a lower side compared to the prevailing market rate. On the other hand, the Company did not initiate any cost analysis before fixing the selling price of dry rubber. The existing marketing cell, therefore, needs to be strengthened to handle the required job for building up a sound marketing system.

The Government stated (July 2003) that total staff strength of the Company is about 150 spread over three zones and 50 centres and having a low turn over. In this perspective, the Company did not consider it feasible to set up a full-fledged marketing department.

Outcome of rehabilitation

8.2.18 The target of the Company in rehabilitating tribal families was to provide an income of Rs. 5000 per month (at 1997-98 price level) to each beneficiary from 1997-98 onwards by collection, processing and marketing of latex by them when the plantations came under tapping.

But the Company could not furnish any information indicating the number of beneficiary families who could earn the targeted income of Rs. 5000 per month during the period under review.

The Government stated (July 2003) that the monthly income ranged from Rs. 2500 to Rs. 5000 per month per individual 'in large number of cases'. It furnished an indicative list of 45 beneficiaries who were getting regular income of Rs. 2500 – Rs. 5000 per month from sale of latex. Audit, however, observed that, out of 45 beneficiaries, only three beneficiaries constituting 6.66 *per cent* only had attained the targeted income of Rs. 5000 per month.

Management information system

8.2.19 The Company had not devised any management information system (MIS) so as to exercise control over vital areas such as performance of nurseries, maintenance of plantation, generation of employment opportunities, utilisation of manure, submission of claims for subsidies, development of infrastructure, etc. In reply (May 2003), the management stated that the MIS would be introduced.

Accounting manual and internal audit

8.2.20 Although non-preparation of accounting manual and absence of internal audit were commented upon in the Report of the Comptroller and Auditor General of India for 1994-95, the Company neither prepared nor adopted any accounting manual of its own. The Company did not also develop any internal audit wing, as of May 2003.

Physical verification of assets

8.2.21 Although it was commented upon in the Report of the Comptroller and Auditor General of India for 1994-95, the Company did not devise a system of physical verification of its fixed and current assets periodically. The Company had never conducted the physical verification of assets created by it so far (May 2003).

Non-maintenance of records

8.2.22 The Company did not maintain at its Head Office any register of rubber plantations showing therein the number and varieties of trees planted, mortality, vacancy filling and conditions of stocking etc. No register of rubber nurseries was also maintained. The Company did not also maintain a register of other fixed assets such as buildings, roads, water reservoirs, vehicles etc.

The management stated (May 2003) that they did not maintain it in the Head Office, but periodical information was being collected from the zonal offices. This indicates that the management was not aware of the updated information on the range of assets created by it so far, and gathers information on an *ad hoc* basis whenever required, which was not conducive to sound planning and its execution.

Conclusion

8.2.23 The Company was formed with the main objectives of rehabilitating tribal *jhumias* on rubber/ other plantations and creating employment facilities for them so as to wean them away from the uneconomic practice of *jhum* cultivation. The Company could not achieve the objective as it failed to extend the intended benefits to the target group as envisaged mainly due to inadequate infrastructure, unscientific planting and lack of proper monitoring and supervision of raising and maintenance of the plantations. The Company could not provide the targeted income of Rs. 5000 per month (at 1997-98 price level) to the owner of plantation nor could it involve the beneficiary families in diverse range of activities for sustainable socio-economic upliftment of the tribal people of the State.

SECTION – B

INDUSTRIES AND COMMERCE DEPARTMENT

Tripura Jute Mills Limited

8.3 Loss due to non-adherence to provision of the agreement

Failure of the Government as well as the Company to go in for arbitration as per provision of the agreement resulted in loss of Rs. 1.39 crore.

To remove the financial constraints and improve on poor capacity utilisation of the installed plant and machinery, the State-owned Tripura Jute Mills Limited was in search of a financier having experience in Jute Industry and prepared to invest large funds for running the Company so that the existing employees of the mills would not be rendered jobless. Accordingly, Tripura Jute Mills Limited executed (July 1994) an agreement with M/s Raj International, a Kolkata based firm for handing over the management of the Company for a period of five years. The agreement provided, *inter alia,* that

- The firm would act as a financier who would invest funds for operation/production, payment of monthly salary/wages including allowances, taxes, staff welfare expenses etc.
- Either party would serve three months' notice in case of cancellation/termination of the agreement.
- The Company would hand over the mills along with its plant and machinery and the firm would take over the management of mills with effect from 16 September 1994.
- All resulting products would belong to the firm.
- In case of differences and dispute, the matter should be referred by the either party to the sole arbitration of a Single Arbitrator who was to be appointed by the Government.

However, the firm could not take over the management of the Mills on 16 September 1994 as the work of repair and renovation of machinery could not be carried out by the said firm due to non-release of required funds by the Government. However, the firm took over the management on 1 November 1994 but they left the premises of the mills on 2 December 1994 without paying salaries/wages of the employees and fixed and variable costs of the mills. Moreover, three months' notice pertaining to termination/ cancellation of the agreement was also not served by the firm.

The management decided on 20 January 1995 to lodge a claim with the firm towards the cost of salaries, wages and other fixed and variable costs etc. for the period from 16 September 1994 to 20 January 1995. The loss sustained by the Company on above items during the period was Rs. 1.39 crore, as calculated in Audit. But it was noticed in audit that the Company did not lodge any claim till date (August 2003). On the contrary, it approached the

Government in October 1995 to appoint an Arbitrator. The Government asked the Company in October 1995 to furnish some basic information. But the Company had not yet complied with the above instructions till the date of audit, reasons for which were not on record. The Government also did not take any action even after a lapse of eight years. In the meantime, the claim became time-barred for arbitration.

The Government stated (July 2003) that to lodge claim with M/s Raj International and to refer the matter to the Arbitrator, a chartered firm was appointed (August 1996) to assess the actual loss. But since there was some omission in the report (August 1997) of the said firm, it was asked to submit a supplementary report. The revised report submitted by the firm was misplaced and later traced after Audit raised the issue. The report was stated to be misplaced due to the absence of regular Financial Controller/Accounts Officer in the Company since 1996 and also due to seizure of the file by the vigilance department. The Company, however, decided (August 2003) to approach the Government to get legal opinion for recovery of claim against M/s Raj International. An arbitrator was appointed by the Government in September 2003.

Thus, failure of the management as well as the Government to take appropriate action in time for arbitration, the Company sustained a loss of Rs. 1.39 crore.

TRANSPORT DEPARTMENT

Tripura Road Transport Corporation

8.4 Avoidable expenditure on penal damages for belated payment of subscriptions and contributions towards Employees Provident Fund

Delayed payment of subscriptions and contributions towards Employees Provident Fund by the Tripura Road Transport Corporation led to avoidable expenditure on penal damages of Rs. 29.54 lakh.

Section 14 -B of the Employees Provident Fund and Miscellaneous Provisions (EPFMP) Act, 1952, requires the employers to deposit contributions (both employees' subscriptions and employer's contributions) towards Employees Provident Fund (EPF) to the Regional Provident Fund Commissioner (RPFC) within 15 days from the date of closure of the month to which contribution relates, failing which the employer would be liable to pay damage for belated payment for the amount not exceeding the arrears of contributions.

Test-check (February to April 2002) of records of the Tripura Road Transport Corporation (TRTC), Agartala revealed that employees' subscriptions and employers' contributions due for the period from August 1982 to May 1993 were not deposited with the RPFC within the specified time limit. As a result, RPFC issued (December 1999) a demand notice to the TRTC after levying penal damages amounting to Rs. 29.54 lakh for default in payment of arrear of EPF contributions and the Corporation had paid the whole amount in January 2003.

Thus, delayed deposit of EPF contributions resulted in avoidable payment of penal damages of Rs. 29.54 lakh.

Further scrutiny (June 2003) of records revealed that delayed deposit of EPF contributions is still continuing. A notice of demand for Rs. 1.73 crore has been issued (April 2003) by the RPFC on penal damages for belated payment of EPF contributions for the period from June 1993 to February 2000. The Corporation did not make any payment (August 2003). The Managing Director, TRTC, stated (June 2003) that due to non-receipt of adequate funds required for payment of salary of the staff from the Government, the management could not make payment of the contributions towards Employees Provident Fund in time.

The matter was reported to the Government in June 2003; reply had not been received (September 2003).

POWER DEPARTMENT

8.5 Non-realisation of energy charge and surcharge on belated payment against power supplied to Mizoram

The Executive Engineer, Gas Thermal Electrical Division, Rokhia, failed to realise energy charges of Rs. 7.13 crore due from Mizoram Government and also did not levy surcharge of Rs. 0.90 crore for belated payment of energy charges.

The second phase (units 5 and 6) of the Rokhia Gas Thermal Power Project was financed by North Eastern Council (NEC) to mitigate power shortage in Tripura and Mizoram, to be shared on 50:50 basis. Accordingly, 50 *per cent* of power generated through phase II of the project was supplied to Mizoram for which monthly bill was raised by the Executive Engineer, Gas Thermal Electrical Division (EE, GTED), Rokhia♣, against Mizoram Government, as per tariff fixed by the NEC. Mizoram Government was to pay the bill within 30 days from the date of presentation of bill failing which a surcharge @ 1.5 *per cent* per month would be levied.

Test-check (January 2002) of record of the EE, GTED, Rokhia, revealed that the Division raised monthly bills for Rs. 18.36 crore against Mizoram Government for the period from February 1998 to September 2002. The Mizoram Government paid Rs. 4.90 crore for 16 monthly bills in July 1999 (Rs.1.40 crore), March 2000 (Rs. 2.31 crore), August 2000 (Rs.31.40 lakh) and July 2002 (Rs.0.88 crore) after lapse of a period ranging from one to 18

♣ Afterwards, the Executive Engineer, Division – IX, Agartala has been entrusted with the work of raising the bills since 1 June 2002.

months from the date of presentation of the respective bills. In addition, the Government of Mizoram paid a lump sum amount of Rs. 6.33 crore (in March 2002: Rs. 5.33 crore; in August 2002: Rs. 1 crore) without indicating the months against which the lump sum payment had been made. Further, for belated payment of 16 bills, surcharge of Rs. 0.90 crore was not levied.

Thus, due to inadequate Government initiative to settle the outstanding energy bills with Mizoram, energy charges of Rs.8.03 crore remained unrealised including surcharge (Rs. 0.90 crore) not levied for belated payment of bills, there was shortfall in resources to the State exchequer to that extent.

The matter was reported to the Government in March 2003; reply had not been received (September 2003).

8.6 Loss due to unauthorised allowance of rebate

Inadmissible allowance of rebate to 395 consumers in 468 bills resulted in loss of revenue of Rs. 10.43 lakh to the Power Department.

In terms of clause 17 (c) of the Tripura Electric Supply Conditions, 1985, rebate is not admissible to a consumer if the bill is not paid within fifteen days from the date of its presentation.

Test-check (December 2001 to October 2002) of records maintained by 12 Electrical sub-divisions relating to the accounts for the period from June 2000 to September 2002 revealed that the rebate was allowed to 395 consumers in 468 cases against the bills raised for consumption of electrical energy between March 1994 and August 2002, even though the payments were not made within the stipulated period. This inadmissible allowance of rebate resulted in loss of revenue of Rs. 10.43 lakh.

On this being pointed out in audit, two Electrical sub-divisions (Khayerpur and GB Complex) realised Rs. 0.32 lakh (Khayerpur: Rs. 0.27 lakh; GB Complex: Rs. 0.05 lakh) on presentation of supplementary bills for Rs. 4.15 lakh (Khayerpur: Rs. 0.49 lakh; GB Complex: Rs. 3.66 lakh) and Electrical Sub-Division No. I, Agartala and Boxanagar raised (November and February 2003 respectively) supplementary bills for the amount of Rs. 1 lakh and Rs. 0.68 lakh but realisation was awaited (September 2003).

The matter was reported to the Government in March 2003; reply had not been received (September 2003).

8.7 Loss of revenue due to non-imposition of penalty

Non-imposition of penalty for delayed payment of energy charges by consumers resulted in loss of revenue of Rs. 54.53 lakh.

The clauses (a) and (b) of Condition 28 of the Tripura Electric Supply Conditions, 1985 stipulate imposition of penalty for not making payment of electricity consumption bill within 30 days from the due date (which is calculated to fall on a date 15 days after the date of presentation of the bill), at the rate of 10 paise per unit per 30 days or part thereof, from the day following the due date of payment.

During December 2001 to October 2002, test check of records maintained by 13 Electrical sub-divisions relating to the accounts for the period from July 1999 to September 2002 was conducted. It was noticed in test check that though the payment by 559 consumers in respect of 858 bills for consumption of electrical energy between March 1989 and June 2002 was made beyond the stipulated period, penalty leviable as per the above conditions was not imposed and realised from them. This resulted in loss of revenue to the extent of Rs. 54.53 lakh.

On this being pointed out in audit, two Electrical sub-divisions (Khayerpur and G.B. Complex) realised Rs. 1.86 lakh (Khayerpur: Rs. 1.76 lakh; GB Complex: Rs. 0.10 lakh) on presentation of supplementary bills for Rs. 25.57 lakh (Khayerpur: Rs. 3.33 lakh; GB Complex: Rs. 22.24 lakh) and Electrical Sub-division No. I, Agartala raised (November 2002) supplementary bills for Rs. 6.24 lakh but realisation was awaited (September 2003). Other Electrical sub-divisions had not yet responded (September 2003)

The matter was reported to the Government in March 2003; reply had not been received (September 2003).