CHAPTER VI: GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6.1 Overview of Government companies and Statutory corporation

Introduction

6.1.1 As on 31 March 2004, 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 Government companies and Statutory corporation as on 31 March 2003 under the control of the State Government. 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 of Tripura Road Transport Corporation (TRTC), the only Statutory corporation, is conducted by the CAG, as sole Auditor, under Section 33 (2) of the Road Transport Corporations Act, 1950.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

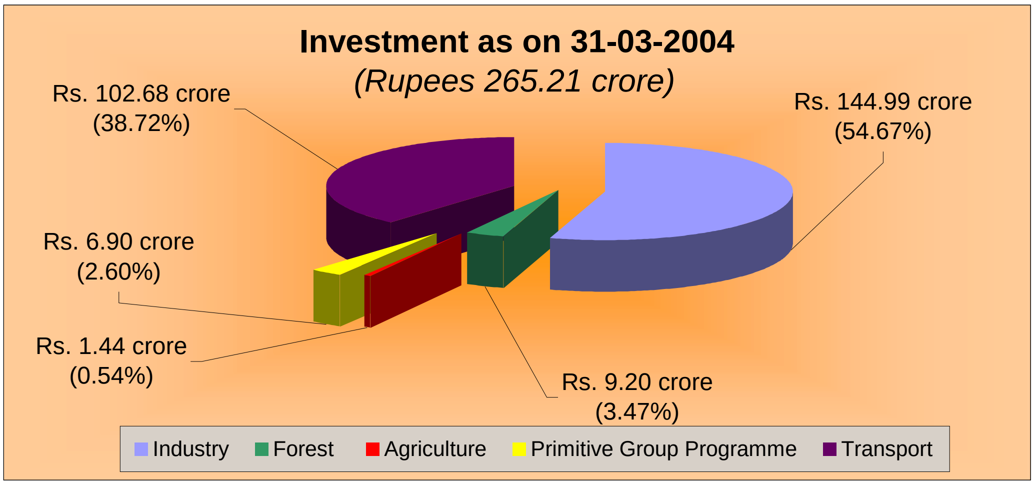
6.1.2 As on 31 March 2004, the total investment in nine working PSUs (eight Government companies and one Statutory corporation) was Rs. 265.21 crore (equity✓: Rs. 255.09 crore; long term loans**:** Rs. 10.12 crore) as against a total investment of Rs. 246.48 crore (equity: Rs.232.53 crore; long term loans: Rs. 13.95 crore) as on 31 March 2003. The analysis of investment in working PSUs is given in the following paragraphs.

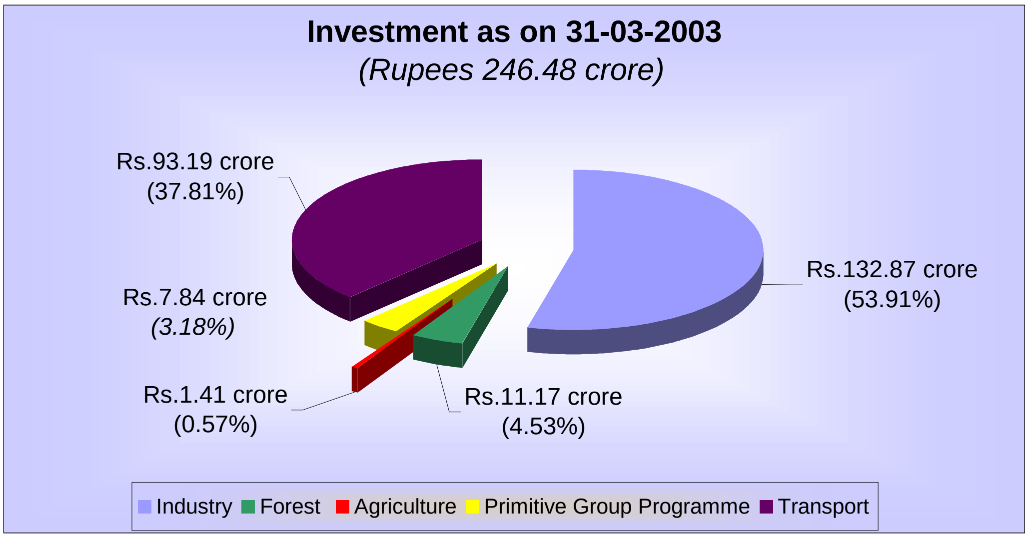
Sector-wise investment in working Government companies and Statutory corporation

6.1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 is indicated below in the pie-charts:

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

✓ The figure as per Finance Accounts is Rs. 248.51 crore, the difference is under reconciliation.





Working Government companies

6.1.4 The total investment in eight working companies as on 31 March 2004 was Rs. 162.52 crore (equity: Rs. 152.79 crore and long term loans : Rs. 9.73 crore) as against total investment of Rs. 153.28 crore (equity : Rs. 139.47 crore and long term loans : Rs. 13.81 crore) as on 31 March 2003 in eight working Government companies. Out of eight working Government companies, one company (Tripura Jute Mills Ltd., serial number A-6 of **Appendix - XV**) 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 - XV**. As on 31 March 2004, the total investment in working Government companies comprised 94 *per cent* of equity capital and six *per cent* of loans as compared to 91 and nine *per cent* respectively, as on 31 March 2003. Increase in the total investment was mainly due to fresh investment in Agriculture and Industry sectors.

Working Statutory corporation

6.1.5 The total investment in Tripura Road Transport Corporation at the end of March 2004 and March 2003 was Rs. 102.68 crore (equity: Rs. 102.30

crore *plus* long term loan: Rs. 0.38 crore) and Rs. 93.19 crore (equity: Rs. 93.06 crore *plus* long term loan: Rs. 0.13 crore) respectively.

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

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

6.1.6 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 – XV and XVII**.

The budgetary outgo in the form of equity capital, loans and subsidies from the State Government to working Government companies and working Statutory corporation for the three years upto 31 March 2004 is given below:

(Rupees in crore)

	2001-02				2002-03				2003-04			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital	6	14.54	1	10.79	7	15.53	Nil	Nil	4	9.11	1	9.24
Loans	Nil	Nil	Nil	Nil	Nil	Nil	1	9.13	Nil	Nil	Nil	Nil
Subsidy	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2	0.94	Nil	Nil
Total outgo	6♣	14.54	1	10.79	7♣	15.53	1	9.13	6♣	10.05	1	9.24

During the year 2003-04, no guarantee was given. At the end of the year, guarantees amounting to Rs. 50 lakh against one Government company were outstanding.

Finalisation of accounts by working PSUs

6.1.7 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 provisions of the Act.

As seen from **Appendix– XVI**, none of the eight working Government companies and one Statutory corporation finalised their accounts for the year 2003-04 within the stipulated period. During the period from October 2003 to August 2004, eight working Government companies and one Statutory corporation finalised their accounts relating to the previous years.

♣ 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.

The accounts of all the working Government companies and one Statutory corporation were in arrears for periods ranging from one to 12 years as on 31 August 2004 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 -XVI	
	Government companies	Statutory corporation			Government companies	Statutory corporation
1.	1	-	1992-93 to 2003-04	12	5	-
2.	1	-	1993-94 to 2003-04	11	3	-
3.	1	-	1995-96 to 2003-04	9	7	-
4.	2	-	1996-97 to 2003-04	8	2, 6	-
5.	2	-	1999-2000 to 2003-04	5	1, 4	-
6.	1	-	2003-04	1	8	-
7.	-	1	2001-02 to 2003-04	3	-	1

It is the responsibility of the administrative departments 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. 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

6.1.8 The summarised financial results of working PSUs (Government companies and Statutory corporation) as per their latest finalised accounts are given in **Appendix – XVI.** Besides, financial position and working results of the Statutory corporation for the last three years as per latest finalised / provisional accounts are indicated in **Appendices– XVIII** and **XIX** 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. 7.17 crore and Rs. 13.42 crore respectively.

Working Government companies

Profit earning working companies and dividend

6.1.9 Out of eight companies which finalised their accounts for previous years by September 2004, one Government company[Ψ] earned a profit of Rs. 1.40 crore. This company did not declare any dividend.

Loss incurring Companies

6.1.10 Of the seven loss making companies, two companies[†] had accumulated loss aggregating Rs. 54.63 crore which exceeded their paid-up capital of Rs. 28.90 crore.

[Ψ] Tripura Forest Development and Plantation Corporation Limited.
[†] Tripura Jute Mills Limited and Tripura Small Industries Corporation Limited.

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 2003-04 amounted to Rs. 6.90 crore to the Tripura Jute Mills Limited.

Working Statutory Corporation

Loss incurring Statutory corporation

6.1.11 The only Statutory corporation (Tripura Road Transport Corporation) had accumulated loss aggregating Rs. 103.74 crore till 2000-01 (up to which the accounts were finalised) which exceeded its paid-up capital of Rs. 73.14 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to the 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 equity during 2003-04 to this Corporation amounted to Rs. 9.24 crore.

Operational performance of working Statutory corporation

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

- Percentage of utilisation of buses decreased from 61 in 2002-03 to 54 in 2003-04. Percentage of utilisation of trucks also decreased from 59 in 2002-03 to 50 in 2003-04.
- Operating revenue per kilometre (Rs. 11.62) was too little in comparison to average expenditure per kilometre (Rs. 41.78) incurred thereagainst during the year 2003-04. As a result, the Corporation had to incur loss of Rs. 30.16 per kilometre during 2003-04 in operating the buses on road.
- Similarly, the Corporation had also incurred loss of Rs. 71.88 per kilometre in operating the trucks on road during 2003-04.

Return on capital employed

6.1.13 The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporation are given in **Appendix– XVI.** According to the latest finalised accounts (up to August 2004), the capital employed[♣] worked out to Rs. 41.71 crore in eight working companies and total return[⚲] thereon amounted to (-) Rs. 3.60 crore as compared to total return of (-) Rs. 6.20 crore in the previous year (accounts finalised upto September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporation as per the latest finalised accounts worked out to (-) Rs. 22.43 crore and (-) Rs. 9.11 crore respectively against the total return of (-) Rs. 6.89 crore in the previous year (accounts finalised upto September 2003).

[♣] Capital employed represents net fixed assets (including capital working in progress) *plus* working capital.

[⚲] 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.

Non-working PSUs

Investment in non-working PSUs

6.1.14 There was only one company (Tripura State Bank Ltd) which had been non-working for about 34 years and under process of liquidation under Section 560 of the Companies Act, 1956. As on 31 March 2004, 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 2004) with the Commissioner-cum-Secretary of the Finance Department to ascertain the present status of this non-working company; the reply was awaited (September 2004).

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

6.1.15 The following table indicates the status of placement of Separate Audit Reports (SARs) on the accounts of Statutory corporation issued so far (August 2004) 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 2000-01	13.6.2000 11.3.2002 14.3.2002 12.11.2003	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 2000-01 were left outside the scope of legislative scrutiny.

Disinvestment, privatisation and restructuring of PSUs

6.1.16 During the year 2003-04, there was no case of disinvestment, privatisation and restructuring including merger and closure of State PSUs by the State Government.

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

6.1.17 During October 2003 to August 2004, 10 accounts of seven 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.5.42 crore.

6.1.18 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 Forest Development and Plantation Corporation Limited (1995-96)

- Non-adjustment of damaged plantation of Rs. 1.87 crore resulted in overstatement of Plantation Assets and profit by Rs. 1.87 crore each.

(b) Tripura Tea Development Corporation Limited (1995-96)

- Non-provision of depreciation chargeable on Central Tea Processing Factory at Durgabari has resulted in understatement of depreciation as well as loss by Rs. 1.25 crore each.
- Non-adjustment of funds in respect of Small Marginal and Tribal Farmers Scheme has resulted in overstatement of Reserves and Surplus as well as loss equally by Rs. 33.59 lakh
- Non-adjustment of fixed assets of Fatikcherra Tea Estate which was already handed over to a private firm has resulted in overstatement of fixed assets and understatement of loss equally by Rs. 36.37 lakh.

(c) Tripura Jute Mills Limited (1994-95)

- Non-provision of outstanding liabilities for payment of penal damages in respect of Provident Fund contribution has resulted in understatement of accumulated loss by Rs. 2.67 crore.
- Short provision of outstanding liabilities in respect of Tripura Sales Tax and Central Sales Tax has resulted in understatement of current liabilities and loss by Rs. 1.96 crore.

Internal Audit

6.1.19 No internal audit arrangement had so far been made in any of the PSUs as of August 2004. None of the companies had either introduced regular internal audit control system or prescribed internal audit standard by issue of appropriate manual.

Recommendation

6.1.20 Of the nine working PSUs, one working Government company (Tripura Jute Mills Limited) and one working Statutory corporation (Tripura Road Transport Corporation) had been incurring losses for eight 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

6.1.21 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. Review of Inspection Reports issued upto March 2004 pertaining to nine PSUs disclosed that 217 paragraphs relating to 64 Inspection Reports remained outstanding at the end of September 2004. Of these, Inspection Reports containing 87 paragraphs had not been replied to for more than one year. Department-wise break-up of Inspection Reports and paragraphs issued upto 31 March 2004 and outstanding as on 31 August 2004 are given in **Appendix – XXI.**

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 four draft paragraphs and one draft review forwarded to the various departments during January–June 2004, replies in respect of three draft paragraphs and one review were not received as of September 2004, as detailed in **Appendix – XXII.**

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)

6.1.22 Out of 18 reviews and 72 paragraphs appeared in Chapter VIII (titled 'Government Commercial and Trading Activities') of the Audit Reports for 1988-89 to 2002-03, three reviews and 40 paragraphs were pending for discussion by COPU (two reviews and three paragraphs) and PAC[♦] (one review and 37 paragraphs) as at the end of September 2004.

Against 12 reviews and 24 paragraphs already discussed in the Committee on Public Undertakings, reports containing the recommendations in respect of four reviews and 12 paragraphs were published. Of these, action taken note in respect of one review was yet to be received as of September 2004.

Against three reviews and eight paragraphs (relating to the Power Department) already discussed in the PAC, action taken notes on the recommendations of the PAC in respect of two reviews and five paragraphs were yet to be received (September 2004).

619-B Companies

6.1.23 There was one company coming under Section 619-B of the Companies Act, 1956. The table given below indicates the details of paid-up capital, 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(-)	Accumulated profit (+)/ loss(-)
			State Government	Government companies[*]	Others		
Tripura Natural Gas Company	2001-02	53.65	NIL	53.65	NIL	12.19	12.27

♦ Reviews and paragraphs relating to the Power Department are discussed by the Public Accounts Committee.

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

SECTION – A

AGRICULTURE DEPARTMENT

6.2 Working of Tripura Horticulture Corporation Limited

Highlights

Accumulated losses of Rs. 41.16 lakh had eroded 29 *per cent* of the capital contribution (Rs. 1.40 crore).

(Paragraph 6.2.6)

Due to low yield of raw cashewnut, the Company suffered a loss of Rs. 2.83 crore.

(Paragraph 6.2.12)

The Company engaged 78 daily rated workers (DRWs) without any sanction. As a result, the amount of Rs. 61.38 lakh spent by the Company towards wages of 78 DRWs during 1998-2003 was unauthorised.

(Paragraph 6.2.15)

Rupees 49.88 lakh were spent by the Company towards idle wages of 67 DRWs during 1998-2003, as there was no plantation activity in 17 orchards.

(Paragraph 6.2.15)

The Company suffered a loss of Rs. 52.02 lakh in operating the cold storage located at Teliamura.

(Paragraph 6.2.16)

Introduction

6.2.1 Tripura Horticulture Corporation Limited (Company) was incorporated on 7 April 1987 under the Companies Act, 1956 as a wholly owned Government company. The main objects of the Company are to:

- raise plantations of economically important species of horticultural and agricultural crops on land acquired by the Company;
- acquire from the State Government existing plantations and orchards created by Government; and
- carry on business of planters, sellers and dealers in horticultural crops and other plantation products.

The Company deviated from plantation activity to other trading activities (*viz.* sale of fertilizers, seeds, power tillers, spare parts etc,) since 1990-91.

Scope of audit

6.2.2 Working of the Company covering the period from 1987-88 to 1994-95 was last reviewed and incorporated in the Report of the Comptroller and Auditor General of India for the year 1995-96. The review was discussed in the Committee of Public Undertakings (COPU) on 8 January 2002. The recommendation of the Committee has not been received (March 2004).

The present review conducted during the period from February to April 2004 covers the performance of the Company for the period from 1998-99 to 2002-03.

Organisational set up

6.2.3 The management of the Company was vested in a Board of Directors consisting of 11 directors, including the Chairman as on 31 March 2004. A Joint Director of Agriculture Department functions as a part time Managing Director of the Company. He is the Chief Executive of the Company and is assisted in his day-to-day functions by three Divisional Managers.

Financial structure

Share capital

6.2.4 The authorised share capital of the Company was Rupees five crore consisting of five lakh equity shares of Rs. 100 each. The paid up share capital of Rs. 1.40 crore as on 31 March 2003 was wholly subscribed by the State Government.

Borrowings

6.2.5 As on 31 March 1999, the secured loans borrowed from various banks by the Company were Rs. 79.64 lakh. The Company further raised secured loan of Rs. 21.04 lakh during 2001-02 and thereby total secured loan to be repaid by the Company was Rs. 100.68 lakh. The Company repaid secured loan (Rs. 92.03 lakh) alongwith the interest (Rs. 0.20 lakh) thereon upto March 2003 and the outstanding secured loan and interest amounting to Rs 8.65 lakh and Rs. 0.73 lakh respectively were yet to be repaid as on 31 March 2003.

Financial position and working results

Financial position

6.2.6 The table below summarises the financial position of the Company for the five years upto 2002-03:

(Rupees in lakh)

	1998-99	**1999-2000**	**2000-01**	**2001-02**	**2002-03**
A. Liabilities		**(Provisional)**			
1. Share capital	135.00	136.00	136.00	137.60	140.10
2. Reserve and surplus	-	2.87	2.86	8.55	8.55
3. Borrowing excluding interest (secured loan)	79.64	26.82	6.04	27.28	8.65
4. Trade dues and other liabilities	540.85	443.21	508.45	490.08	500.22
Total	**755.49**	**608.90**	**653.35**	**663.51**	**657.52**

(Rupees in lakh)

	1998-99	1999-2000	2000-01	2001-02	2002-03
B. Assets		**(Provisional)**			
1. Gross block	107.61	120.70	127.87	132.58	132.94
2. Less: depreciation	9.65	19.78	22.66	26.04	28.63
3. Net block	97.96	100.92	105.21	106.54	104.31
4. Investment	129.88	93.31	93.31	81.75	81.75
5. Current assets, loans and advances	501.15	399.30	420.29	429.70	430.30
6. Accumulated losses	26.50	15.37	34.54	45.52	41.16
Total	**755.49**	**608.90**	**653.35**	**663.51**	**657.52**
Capital employed	**58.26**	**57.01**	**17.05**	**46.16**	**34.39**
Net worth	**108.50**	**123.50**	**104.32**	**100.63**	**107.49**

Note : (1) Capital employed represents net fixed assets plus working capital,
(2) Net worth represents paid–up capital plus free reserve and surplus less intangible assets.

Source: Accounts for 1998-99 and provisional accounts for the years 1999-2000 to 2002-03.

As on 31 March 2004, finalisation of the accounts from the years 1999-2000 onwards was in arrears. On the basis of provisional accounts, the following observations are made in respect of financial position of the Company as on 31 March 2003:

- Accumulated losses of Rs. 41.16 lakh resulted in erosion of 29.37 *per cent* of the paid up capital;
- Current assets of Rs. 4.30 crore in 2002-03 included sundry debtors of Rs. 2.72 crore (i.e. 63.25 *per cent*) which adversely affected the liquidity of the Company;
- Trade dues and other liabilities were always more than that of current assets during the last five years.

Working results

6.2.7 The table below summarises the working position of the Company for the five years upto 2002-03:

(Rupees in lakh)

A. Income	**1998-99**	**1999-2000**	**2000-01**	**2001-02**	**2002-03**
1. Sales	345.39	483.33	475.97	607.96	631.10
2. Miscellaneous income	0.74	1.67	0.89	1.07	11.64
3. Accretion (+) /reduction (-) in stock	(+) 0.13	(-) 1.63	(+) 6.59	(+) 6.82	(-) 2.62
Total	**346.26**	**483.37**	**483.45**	**615.85**	**640.12**
B. Expenditure					
1. Purchase	328.45	446.90	420.31	565.52	580.74
2. Establishment charges	32.99	44.04	41.24	46.56	42.74
3. Administrative, selling and distribution expenses	15.23	15.71	19.96	18.04	21.59
4. Depreciation	2.15	1.46	2.89	3.37	2.59
Total	**378.82**	**508.11**	**484.40**	**633.49**	**647.66**
C. Loss	**32.56**	**24.74**	**0.95**	**17.64**	**7.54**

Source: Accounts for 1998-99 and provisional accounts for the years 1999-2000 to 2002-03.

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

- During the last five years upto 2002-03, the Company had incurred losses of Rs. 83.43 lakh;
- Total expenses increased to Rs. 6.48 crore (i.e. 70.97 *per cent*) in 2002-03 from Rs. 3.79 crore in 1998-99 mainly due to increase in purchase and management expenses;
- Miscellaneous income increased from Rs. 0.74 lakh in 1998-99 to Rs. 11.64 lakh in 2002-03 due to increase in interest on fixed deposit and sale of unusable iron clamp;
- Sales ranging from 0.10 to 0.22 *per cent* of total sales relate to sales of cashewnuts and the remaining sale relates to sales of agricultural inputs (*viz.* fertilizers, seeds, power tillers, spare parts etc). This indicated that the Company deviated from plantation activity to other trading activities since 1990-91.

Sundry debtors

6.2.8 The table below shows the position of sundry debtors at the end of the last five years upto 2002-03:

(Rupees in lakh)

Year	Debtors at the end of the year	Sales during the year	Debtors in terms of months' sales
1998-99	262.23	345.39	9.11
1999-2000	317.65	483.33	7.89
2000-01	220.25	576.02	4.58
2001-02	242.25	606.55	4.79
2002-03	272.30	633.50	5.15

The outstanding balances of sundry debtors were steadily increasing at the end of each year since 2000-01. Debtors in terms of months' sales varied from almost five months to nine months which adversely affected the liquidity of the Company. The Company did not take appropriate follow up measures for realisation of outstanding dues. Adequate steps need to be taken for recovery of these long pending outstanding recoverable from various departments/ individual.

Techno-economic feasibility report

6.2.9 As per techno-economic feasibility report prepared in December 1984 by Agriculture Finance Corporation Limited (AFCL), a land of 8,200 hectares was to be brought under horticulture production. In addition to raising of the plantation, the report also suggested to set up a fruit-processing unit at Kumarghat with an annual production capacity of 1,500 tonnes of fruit juice concentrates, 2,000 tonnes of cashewnuts, 4,000 tonnes of cattle feed and 7.5 tonnes of pineapple fibres. The Board of Directors approved (May 1987) the report for implementation by the Company.

The Company took possession of only 1,715 hectares of land from the Government (1987-88). The entire area so taken over, however, belonged to protected forest area. The Forest (Conservation) Act, 1980 forbids utilisation of forest land for non-forestry purpose without obtaining prior approval from the Government of India, Ministry of Environment and Forest.

The Company raised only 1092.20 hectares (out of 1715 hectares of protected forest land) of various plantations in 17 centres scattered throughout the State at the end of March 2003. The Company did not set up the fruit-processing unit because North Eastern Regional Agriculture Marketing Corporation (NERAMAC), a Government of India Undertaking, had already taken up a similar project at Nalkata.

Project for cashewnut development

6.2.10 Under the project report modified in September 1989 by the National Bank for Agriculture and Rural Development (NABARD), the Company was to raise 3,000 hectares of cashewnut plantations under its refinance programme. Ultimately, the Company utilised only 1,035.70 hectares of protected forest land for raising cashewnut plantation upto 1993-94. No further cashewnut plantations were raised during the last 10 years since 1993-94 to 2003-04 as the bank declined to release loans on the ground that the Company did not possess right and title of land on which the plantations had been raised.

The Government constituted (July 2000) a committee consisting of 10 members headed by Shri K. Arya, Principal Secretary, Forest Department to look into the problems faced by the Company and to suggest remedial measures. The Arya committee identified the constraints, namely, absence of proper supervision as the orchards were mainly located in extremist prone areas, non-availability of adequate share capital, non-availability of working capital, and absence of commercial approach of trading activities in working of the Company.

As regards development of cashewnut plantation, the Arya committee observed (July 2000) that the four orchards *viz* Bastali, South Krishnapur, South Srirampur and Balidhum were located in insurgency free area and suggested for revival of the centres. The Board of Directors also approved (August 2000) the proposal. But revival of the orchards was not effected (April 2004) due to fund constraint. Government decided (June 2004) that the Company would take adequate measures for revival of the orchards.

Stand of plants

6.2.11 AFCL recommended (December 1984) a density of 272 cashewnut plants per hectare of plantation. The stand of plants per hectare (orchard-wise) in the cashewnut plantation raised by the Company during 1998-99 to 2003-04, however, ranged between Nil and 132, as detailed below:

Sl. No.	Name of plantation centre	Area covered under the centre (in hectare)	Plants that should exist as per AFCL norms (Col 3X272)	No. of plants actually existed	Difference	Range of density (i.e. plants per hectare) (Col 5÷3)
1	2	3	4	5	6	7
1	Balidhum	75.00	20,400	1,403	18.977	19
2.	Durgachera	35.00	9,520	840	8,680	24
3.	Dewancherra	50.00	13,600	4,225	9,375	85
4.	Golaghati	13.50	3,672	-	3,672	-
5.	Gokulnagar	44.00	11,968	2,580	9,388	59
6.	Gardhang	175.00	47,600	12,500	35,100	71
7.	Harimangal	30.00	8,160	45	8,115	2
8.	Karaicherra	317.00	86,224	10,132	76,092	32
9.	Manubazar	25.00	6,800	3,308	3,492	132
10.	Latiacherra	29.20	7,942	2,205	5,737	76
11.	South Machmara	80.00	21,760	4,700	17,060	59
12.	South Hichacherra	52.00	14,144	3,305	10,839	64
13.	South Krishnapur	45.00	12,240	1,441	10,799	32
14.	South Srirampur	45.00	12,240	2,322	9,918	52
15.	Bastali	20.00	5,440	1,050	4,390	53
Total		**1035.70**	**2,81,710**	**50,056**	**2,31,634**	**48**

Reasons for shortfall in stand per hectare as analysed by audit were (a) non-initiation in gap-fillings within one year from the year of actual plantation raised, (b) lack of infrastructural facilities; and (c) lack of adequate technical manpower. The Management had not explained the reasons for shortfall though the factors as analysed by Audit were controllable.

Low yield of cashewnut

6.2.12 As per the approved (September 1989) scheme, the cashewnut plantations were to yield from the fifth year of planting at the rate of one kg which were to be increased to eight kg in 10th year. During the period of five years upto 2003-04, raw cashewnut ranging from 32.60 gram to 95.93 gram per tree per year was obtained as against the norm of average 4500 gram per tree fixed by the NABARD. As a consequence, there was a shortfall in raw cashewnut production by 11,11,223 kg during the above period resulting in loss of income of Rs. 2.83 crore to the Company as shown in the following table. The low yield was mainly due to scattered stand of plants, lack of infrastructure and lack of adequate planning.

Years	Total production *(in kg)*	No. of trees existed	Production of raw cashewnut per tree per annum *(in gm)* (Col.2 x 1000/Col.3)	Standard production as per norm fixed by NABARD *(in kg)*	Shortfall in production *(in kg)* (Col.5 – Col.2)	Rate per kg of raw cashewnut *(in Rs.)*	Loss of income (*Rupees in lakh*)
1	2	3	4	5	6	7	8
1999-2000	3731	50056	74.53	2,25,252	2,21,521	28.58	63.31
2000-01	1776	50056	35.48	2,25,252	2,23,476	28.58	63.87
2001-02	3096	50056	61.85	2,25,252	2,22,156	19.50	43.32
2002-03	4802	50056	95.93	2,25,252	2,20,450	20.50	45.19
2003-04	1632	50056	32.60	2,25,252	2,23,620	30.00	67.09
Total	**15,037**			**11,26,260**	**11,11,223**		**282.78**

The Arya committee appointed by the Government observed that lack of motivation and absence of work culture in the Company were the factors for low turnover. While admitting the facts, Government stated (June 2004) that the department would take adequate remedial measures.

Other Plantations

Orange plantation

6.2.13 The Company had 46.5 hectares of area at Sabuwal located in Jampui Hill Range for orange plantation. Out of 46.5 hectares, it had orange plantation in five hectares. The Company framed (August 1999) a project report for the remaining areas wherein a yearly income of Rs 36 lakh with the yield of 300 MT of fruits were projected. The Company raised plantation in another 10 hectares of land incurring an expenditure of Rs. 0.79 lakh during 1988-89 to 2002-2003. The Company earned Rs. 6,000 only as sale proceeds of fruits against the estimated sale of Rs. 36 lakh in 2002-03. Deficiency in upkeep and maintenance of orchards caused the shortfall in production as well as earning of revenue.

Pineapple plantation

6.2.14 The Government provided 15 hectares of land to the Company for pineapple plantation as a captive area cultivation of pineapple juice concentration plant adjacent to NERAMAC factory at Nalkata in 1994. The Company, however prepared (March 1995) a project report for raising plantation on an area of 20 hectares at a cost of Rs. 17.59 lakh. The Company actually raised plantation on 10.5 hectares in 1994-95 and spent Rs. 21.33 lakh, upto 1998-99. The reasons for incurring expenditure of Rs. 21.33 lakh for 10.5 hectares which was not commensurate with the projected expenditure (Rs. 17.59 lakh) for plantation on 20 hectares were not furnished. In 1998, this plantation had totally been damaged for lack of after-care activities. But the Company maintained watch and ward staff against the damaged plantation and spent Rs. 8.18 lakh towards their wages during 1999-2000 to January 2004. The Chief Secretary, Government of Tripura instructed (April 1999) to revive the damaged plantation but no development towards the revival of the damaged plantation has yet (April 2004) been made by the Company. Reasons for not developing the plantation were mainly due to non-availability of adequate working capital and inaccessibility on account of insurgency.

Manpower management

6.2.15 The Company had 110 members of staff of which 27 were regular and 83 were daily rated workers (DRWs). The salaries of eight regular officials (one Managing Director, three Divisional Managers, one Junior Engineer, two Drivers and one Group-D) had been borne by Agriculture Department. Salaries and wages of the remaining 102 staff out of 110 were borne by the Company. There was no sanction for 78 DRWs though the wages of the DRWs constituting 75 *per cent* of the total staff strength were being regularly paid by the Company. This resulted in incurring of unauthorised expenditure of Rs. 61.38 lakh during the last five years from 1998-99 to 2002-03.

The administrative expenses of the Company and expenditure as salaries and wages during the years 1998-99 to 2002-03 are shown below:

(Rupees in lakh)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Salaries and wages	32.99	44.04	41.24	46.56	42.74
Administrative expenses	48.17	57.63	57.75	59.75	53.69
Total expenditure of the Company as per Accounts	50.37	61.21	64.09	67.97	66.92
Percentage of Salaries and wages paid to administrative expenses	68.49	76.42	71.41	77.92	79.61
Percentage of salaries and wages paid to total expenditure	65.50	71.95	64.35	68.50	63.87
Percentage of administrative expenses to total expenditure	95.63	94.15	90.11	87.91	80.23

It would be seen that salaries and wages accounted for 68 to 80 *per cent* of the administrative expenses during 1998-2003 and the percentage of administrative expenses varied from 80 to 96 *per cent* of the total expenditure of the Company during these years. The Company thus, lost the rationale for its existence as a Horticultural Development Agency.

The Company engaged 67 DRWs for maintenance of 17 orchards covering an area of 1035.70 hectares during the period from 1998-99 to 2002-03. Records disclosed that the Company spent Rs. 49.88 lakh towards payment of idle wages of 67 DRWs while there was no plantation activity in the orchards during 1998-2003. The Arya committee appointed by the Government to assess the problems faced by the Company and to suggest remedial measures observed (July 2000) that the expenditure incurred towards the DRWs was infructuous as the Company did not carry out any activity in the orchards. The committee recommended that only 14 workers required for running the four orchards for revival should be maintained and 53 workers in the other orchards should be retrenched. The Company has not taken any action in this regard. The Government asked (June 2004) the Management to move the Finance Department for arranging adequate funds for revival of the orchards. There was no further development as of August 2004.

Other Trading Activities

Operation of cold storage

6.2.16 The Company had been operating two cold storages, one at Baikhora, and other at Teliamura.

The cold storage at Baikhora was constructed in April 2002 by the Agriculture Department with the storing capacity of 2000 MT and handed over to the Company from April 2002.

The cold storage at Teliamura was constructed in May 2002 by the Agriculture Department with storing capacity of 500 MT at a total cost of Rs. 83.15 lakh financed by the North-Eastern Council (NEC) against the administrative approval of Rs. 97.50 lakh. The cold storage was handed over to the Company in May 2002. During the year 2002-03, the Company stored 32 MT of potato seeds and earned Rs.0.30 lakh against the operating expenditure of Rs. 1.26• lakh. During the year 2003-04, the cultivators stored 426 MT potato seeds in Teliamura cold storage and the Company collected rental charges of Rs. 4.05

• Electricity charges: 0.41 lakh, Salaries and wages: Rs. 0.55 lakh, and Insurance premium: Rs. 0.30 lakh.

lakh after incurring operating cost of Rs. 2.59[♣] lakh. It was, however, noticed that the entire quantity of 426 MT of potato seeds stored was completely damaged in October 2003. The Company had to purchase and supply 426 MT of fresh potato seeds worth Rs. 40.84 lakh to cultivators, as compensation for damaged potato seeds.

The Managing Director in his report dated 18 October 2003 stated that non-maintaining of required temperature due to constructional defects of the cold storage building was the main reason of damage of potato seeds. On the other hand, Chief Engineer, Agriculture Department reported (18 October 2003) that due to improper stacking of potato bags during day time without cooling down them in the pre-cooling chamber of the cold storage was the cause of damage. The then Managing Director, one Divisional Manager, one Orchard Assistant and two Junior Engineers of the Agriculture Department were suspended for their negligence in duty and technical defects noticed in the operation of cold storage. No charge sheet was, however, issued against them till April 2004. The Government appointed (November 2003) the Joint Director, Agriculture Department and the Chief Engineer, Agriculture Department to enquire simultaneously into technical aspects of the issue. The reports of the enquiry officers, however, could not be made available to Audit.

Government stated (June 2004) that the Agriculture Department had taken back the custody of the cold storage from the Company in April 2004.

The Company subsequently lodged insurance claim for compensation of the entire damaged stock. The insurance policy itself disclosed that there was no possibility in getting the said compensation from the Insurance Company as the policy was covered only on deterioration of stock due to accidental power failure. The loss worked out (May 2004) by the Management in running the cold storage at Teliamura was Rs.52.02 lakh (compensation: Rs.40.84 lakh, repairs and maintenance: Rs. 5.25 lakh, salaries: Rs. 2.53 lakh and others: Rs. 3.40 lakh).

Inventory control

6.2.17 Inventory control includes control of over all kinds of stores. It is a system which ensures the provision of the required quantity of inventories at the required time with the minimum amount of capital investment and with the primary objective of avoiding excessive investment in inventory. Pursuant to a decision (March 1989) of the Board of Directors, the Management procured essential items of spare parts of power tillers from manufacturers for sale to farmers. The table below shows the position regarding purchase and sales of spare parts of power tillers during the last five years upto 2002-03 and the closing stock at the end of each year:

[♣] Electricity charges: Rs. 1.44 lakh, Salaries and wages: Rs. 0.76 lakh, and Insurance premium: Rs. 0.39 lakh.

(Rupees in lakh)

Year	Opening balance	Purchase	Sales	Closing balance	Closing balance in terms of months' sales
1	**2**	**3**	**4**	**5**	**6**
1998-99	19.04	24.40	23.53	19.91	10.15
1999-2000	19.91	15.98	17.68	18.21	12.39
2000-01	18.21	22.85	18.61	22.45	14.48
2001-02	22.45	28.52	24.95	26.02	12.51
2002-03	26.02	14.02	19.88	20.16	12.14

Thus, the closing stock of spare parts remained high over the years representing 10.15 months' sale (1998-99) to 14.48 months' sale (2000-01) during the years 1998-2003. The Management also did not sort out the obsolete, slow-moving and surplus/non-moving items lying in the store. The Company did not even have a regular system of physical verification of stores and spares. Since the Company finances its trading activities by drawing overdrafts from banks, the Company should have determined a reasonable stock level, but this was not done. The Management did not fix (March 2004) the minimum, maximum and re-ordering level of various spare parts.

The Management stated (June 2004) that the physical verification of stores was taken up in 2002-03; but the physical verification report was yet to be finalised.

Internal control

6.2.18 Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved. The head of organisation must ensure that a proper internal control structure is instituted, reviewed and updated to keep it effective. But the Management had not devised any internal control system so as to exercise control over vital areas such as upkeep of service centre, performance of nurseries, maintenance of plantation, utilisation of stores and stocks, development of infrastructure etc.

Accounting manual and internal audit

6.2.19 The 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 the year 1995-96. The Company neither prepared nor adopted any accounting manual of its own. The Company did not also develop any internal audit wing, as of March 2004.

Conclusion

6.2.20 The Company was formed with the main objective of integrated development of horticulture and processing, storage and marketing of horticulture crops in the State. The Company could not achieve the objectives due to inadequate infrastructure, absence of proper supervision, non-availability of adequate working capital, non-appointment of full-time Managing Director, lack of motivation and absence of commercial approach for trading activities. The plantation did not give the expected yield. Expenditure of the Company constitutes mainly pay and allowances and administrative expenses. The Company thus, has lost its usefulness in development of horticulture in Tripura.

SECTION – B

INDUSTRIES AND COMMERCE DEPARTMENT

Tripura Small Industries Corporation Limited

6.3 Idle investment on poly-pouch plant and equipment

Poly-pouch plant and equipment purchased at a cost of Rs. 12.48 lakh were lying idle, which also led to loss of interest of Rs. 4.05 lakh.

A proposal to supply liquor in poly-pouch was mooted in 1995 by the Management of the Tripura Small Industries Corporation Limited (TSIC) in order to prevent the illicit trade of country liquor. The Board of Directors did not consider (January 1996) it feasible and rejected the proposal. Subsequently, the Revenue (Sales Tax & Excise) Department (now renamed as Finance Excise and Taxation Department) and the Industries and Commerce Department in a joint meeting decided (May 1996) to sell country liquor by TSIC only in packed bottle from 1 November 1996. The meeting also decided to explore the possibility of marketing the same in poly-pack.

Contrary to the above decisions, the TSIC, with the approval of the Chairman, procured (February 2001) a poly-pouch plant along with other required accessories at a total cost of Rs. 12.48 lakh without ascertaining its feasibility. The plant was installed in December 2001. After trial production, the Public Analyst found the sample of 500 ml pouch packet, sent for chemical analysis, not fit for human consumption. As a result the commercial production of the plant was stopped and the plant has since been lying idle as of January 2004.

Thus, the hasty procurement of poly-pouch plant and equipment without ascertaining its feasibility and making other ancillary arrangements resulted in idle investment of Rs. 12.48 lakh besides loss of interest of Rs. 4.05 lakh[•] due to blockage of funds for a period of three years from February 2001 to January 2004.

The Management stated (January 2004) that they could not obtain any feasibility report as the plant was set up on the advice of Excise Department.

The Government stated (July 2004) that it was thinking to utilise the plant for other purpose to make the investment commercially fruitful.

POWER DEPARTMENT

6.4 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 amounting to Rs. 74.76 lakh.

The clauses (a) and (b) of condition 28 of the Tripura Electric Supply Conditions, 1998, 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

[•] Rs. 12.48 lakh × Rate of interest at 10.82 *per cent* p.a. (borrowing rate of 2000-01) × 3 years = Rs. 4.05 lakh.

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.

It was noticed during test-check of records of 20 electrical sub-divisions between September 2002 and January 2004 that though the payment by 1027 consumers in respect of 2079 bills for consumption of electrical energy between April 1998 and November 2003 was made beyond the stipulated period, penalty of Rs. 75.36 lakh leviable as per the above conditions was not imposed and realised from them.

It was, however, noticed that one electrical sub-division (electrical sub-division VI, Agartala), realised Rs. 0.60 lakh out of Rs. 16.83 lakh on presentation of supplementary bills and eight electrical sub-divisions raised supplementary bills but realisation was not yet made. Other electrical sub-divisions had not yet responded (January 2004).

The matter was reported to the Government in March 2004; reply had not been received (September 2004).

6.5 Loss due to unauthorised allowance of rebate

Inadmissible allowance of rebate to 775 consumers in 1640 cases resulted in loss of revenue of Rs. 14.35 lakh to the Power Department.

In terms of clause 17 (c) of the Tripura Electric Supply Conditions, 1985 and 1998, no rebate is admissible to a consumer if the bill is not paid within 15 days from the date of its presentation.

It was noticed during test-check of records of 20 electrical sub-divisions between September 2002 and January 2004 that the rebate was allowed to 775 consumers in 1640 bills for consumption of electric energy between September 1996 and September 2003 even though the payments were not made within the stipulated period, resulting in loss of revenue of Rs. 14.92 lakh.

On this being pointed out in audit, nine electrical sub-divisions stated (between April 2003 and January 2004) that the amount would be realised by preferring supplementary bills. Out of nine sub-divisions, one sub-division (SDO (E) Kumarghat) has intimated (July 2004) that it had realised Rs. 0.57 lakh out of total realisable amount of Rs. 0.61 lakh. Information regarding recoveries from other eight sub-divisions has not been received as of August 2004. Thus, loss of revenue for inadmissible allowance of rebate comes to Rs. 14.35 lakh as of date.

The matter was reported to the Government in June 2004; reply had not been received (September 2004).

6.6 Short realisation of revenue

Erroneous computation of energy charges by the Sub-divisional Officers, Electrical Sub-division No. II, Agartala and Electrical Sub-division, Bordowali, led to short realisation of revenue of Rs. 17.64 lakh.

The Tripura Electric Supply Conditions, 1992, as amended from time to time provides that the electricity tariff to be charged from 1 June 1992 on electrical energy consumed under the category 'bulk supply' shall be as under:

(i) Rs. 1.20 per kWh subject to a monthly minimum charge of Rs. 3,600 where the bulk consumption is at 400 volt LT and maximum demand does not exceed 63 kVA;

(ii) Rs. 1.10 per kWh subject to a monthly minimum charge of Rs. 18,000 where the bulk supply is at 11 kV and the maximum demand is 63 kVA and above but less than 630 kVA; and

(iii) Rs. 1 per kWh subject to a monthly minimum charge of Rs. 1 lakh where the bulk supply is at 33 kV and the maximum demand is 630 kVA and above but less than 4000 kVA.

The above rates, were replaced from 1 April 1999, by a single rate of Rs. 2 per kWh subject to monthly minimum charge to be calculated at the rate of Rs. 154 per kVA of the connected load. From 1 March 2000, the Government decided to collect the monthly minimum charge on the basis of a contracted load, and the contracted load for this purpose shall be 80 *per cent* of the connected load.

Test-check (April-May 2001) of records of two consumer sub-divisions (Electrical Sub-division No. II, Agartala and Electrical Sub-division, Bordowali) and information collected in December 2003 revealed that the bills for the period from February 1997 to June 2000 against nine consumers were not raised according to the rates applicable to them.

Two consumers falling under the category (ii) above were charged at a monthly minimum rate of Rs. 3,600 instead of Rs. 18,000 for the period from 27 February 1997 to 22 February 1999 resulting in short realisation of energy charges of Rs. 6.91 lakh.

Five consumers falling under the category (ii) above were charged on lump sum basis instead of the rates applicable to them. This resulted in short realisation of energy charges of Rs. 3.28 lakh during 27 February 1997 to 30 June 2000.

Two consumers falling under category (iii) above were charged for the billing period from 22 February 1999 to 28 February 2000, at the minimum rate applicable from 1 March 2000 instead of the rates prevailing during that period, resulting in short realisation of Rs.7.45 lakh during that period.

Thus, erroneous computation of energy charges at lower tariff by two electrical sub-divisions, led to short realisation of revenue of Rs. 17.64 lakh.

On this being pointed out in audit both the Sub-divisional Offices (Electrical) issued revised bills and realised Rs. 10.69 lakh as of December 2003.

The matter was reported to Government in March 2004; the reply had not been received (September 2004).

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The **Comptroller and Auditor General of India**