CHAPTER VI: GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6.1 Overview of Government companies and Statutory corporation

Introduction

6.1.1 As on 31 March 2005, there were ten[∇] Government companies (nine working companies and one non-working company[♣]) and one working Statutory corporation as against nine Government Companies (eight working companies and one non-working company) and one Statutory corporation as on 31 March 2004 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 2005, the total investment in ten working PSUs (nine Government companies and one Statutory corporation) was Rs. 287.11 crore[2] (equity: Rs. 278.08 crore; long term loans**:** Rs. 9.03 crore[∇]) as against a total investment of Rs. 265.21 crore (equity: Rs. 255.09 crore; long term loans: Rs. 10.12 crore) as on 31 March 2004. The analysis of investment in working PSUs is given in the following paragraphs.

Sector-wise investment in working Government companies and Statutory corporation

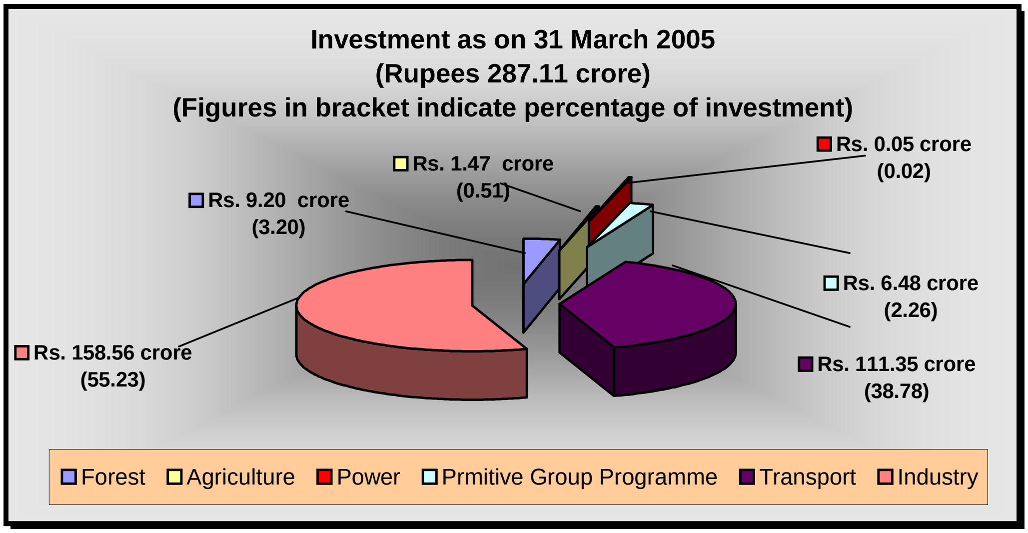
6.1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2004 is indicated below in the pie-charts:

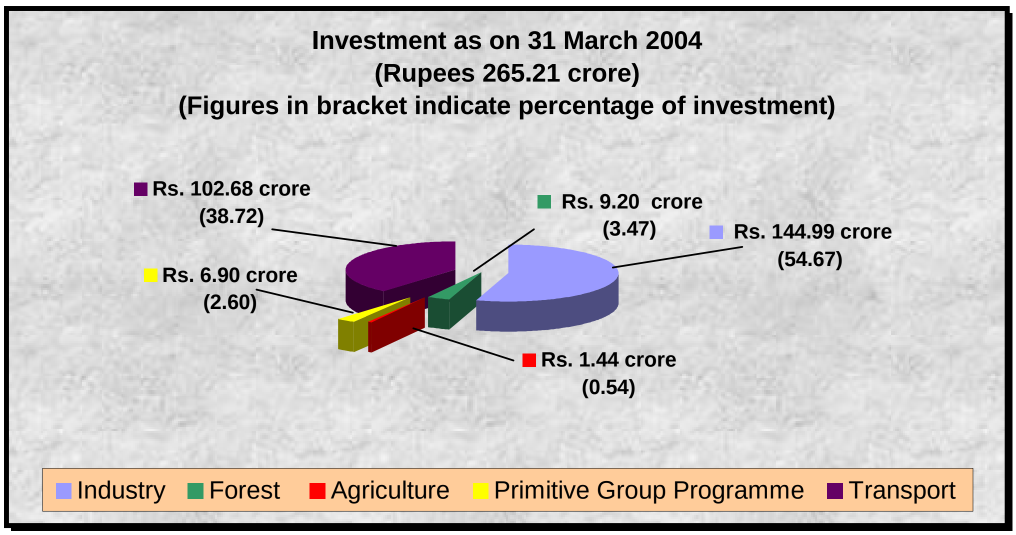
∇ The Power Department of the State has been registered as Tripura State Electricity Corporation Limited in June 2004 under Companies' Act, 1956.

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

2 State Government's investment was Rs. 275.62 crore (Others Rs. 11.49 crore). The figure as per Finance Accounts is Rs. 272.04 crore. The difference is under reconciliation.

∇ Long term loans mentioned in paragraphs 1.2,1.3,1.4 & 1.5 are excluding interest accrued and due on such loans.





Working Government companies

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

Year	Number of working Government Companies	Equity	Share application money	Long term loans	Total
(Rs. in crore)					
2003-04	8	152.79	-	9.73	162.52
2004-05	9[❅]	166.98	-	8.78	175.76

Increase in the total investment was mainly due to equity received by the Industries Sector.

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

[❅] Out of nine working Government Companies, one company (Tripura Jute Mills Limited, Sl. No. A-6 of Appendix XXIV) has been referred to Bureau of Industrial and Financial Reconstruction (BIFR).

As on 31 March 2005, the total investment in working Government companies comprised 95 *per cent* of equity capital and five *per cent* of loans as compared to 94 *per cent* of equity capital and six *per cent* of loans as on 31 March 2004.

Working Statutory corporation

6.1.5 The total investment in one working Statutory Corporation at the end of March 2004 and March 2005 was as follows:

Name of the Corporation	2003-04 (Provisional)		2004-05 (Provisional)	
	Capital	Loan	Capital	Loan
	(Rupees in crore)			
Tripura Road Transport Corporation	102.30	0.38	111.10	0.25
Total	**102.30**	**0.38**	**111.10**	**0.25**

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

As on 31 March 2005, the total investment in working statutory corporation comprised 99.77 *per cent* of equity capital and 0.23 *per cent* of loans as compared to 99.63 *per cent* and 0.37 *per cent* respectively as on 31 March 2004.

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 XXIV and XXVI**.

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 2005 is given below:

(Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital	7	15.53	Nil	Nil	4	9.11	1	9.24	7	14.19	1	8.80
Loans	Nil	Nil	1	9.13	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Subsidy	Nil	Nil	Nil	Nil	2	0.94	Nil	Nil	Nil	Nil	Nil	Nil
Total outgo	7	15.53	1	9.13	6	10.05	1	9.24	7	14.19	1	8.80

During the year 2004-05, no guarantee was given.

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 respective Act.

None of the 10 working PSU, (nine working Government companies and one statutory corporation), had finalized their accounts for the year 2004-05 up to 30 September 2005 as could be noticed from **Appendix XXV.** During the period from October 2004 to 30 September 2005, 8 working Government companies finalized 12 accounts for previous years. During this period, however, no accounts for previous years of the statutory corporation have been finalized.

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 30 September 2005 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 -XXV	
	Government companies	Statutory corporation			Government companies	Statutory corporation
1.	1	-	1993-94 to 2004-05	12	5	-
2.	1	-	1995-96 to 2004-05	10	3	-
4.	1	-	1997-98 to 2004-05	8	2	-
5.	2	-	1998-99 to 2004-05	7	6 and7	-
6.	2	-	2000-01 to 2004-05	5	1 and 4	-
7.	-	1	2001-02 to 2004-05	4	-	1
8.	2	-	2004-05	1	8 and 9	-

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 XXV.** 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 XXVII** and **XXVIII** respectively.

According to the latest finalised accounts of eight working Government companies and one working statutory corporation, five companies and the corporation had incurred an aggregate loss of Rs. 7.35 crore and Rs. 13.42 crore respectively. Three companies earned an aggregate profit of Rs.1.78 crore. One company has been registered as Government Company during the year, but had not finalised its accounts so far.

Working Government companies

Profit earning working companies and dividend

6.1.9 Out of eight companies which finalised their accounts upto 30 September 2005, three Government companies[Ψ] earned a profit of Rs. 1.78 crore. These companies did not declare any dividend.

Loss incurring Companies

6.1.10 Of the five loss making companies, three companies[☼] had accumulated loss aggregating Rs. 66.02 crore which exceeded their paid-up capital by Rs. 17.09 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 2004-05 amounted to Rs. 11.93 crore.

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 (year 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. The total financial support provided by the State Government by way of equity during 2004-05 to this corporation was Rs. 8.80 crore.

Operational performance of the working statutory corporation

6.1.12 The operational performance of the working statutory corporation (Tripura Road Transport Corporation) is given in **Appendix XXIX**. The important observations on its operational performance are given below:

- Percentage of utilisation of buses increased from 54.08 in 2003-04 to 61.05 in 2004-05. Percentage of utilisation of trucks remained the same (50 *per cent*) in 2004-05, compared to 2003-04.
- Operating revenue earned per kilometre (Rs. 11.53) in 2004-05 was very low in comparison to average expenditure per kilometre (Rs. 41.78) incurred thereagainst during the year 2004-05. As a result, the Corporation had to incur loss of Rs. 30.25 per kilometre during 2004-05 in operating the buses.

[Ψ] Tripura Forest Development and Plantation Corporation Limited, Tripura Rehabilitation and Plantation Corporation Ltd. and Tripura Tea Development Corporation.

[☼] Tripura Jute Mills Limited, Tripura Small Industries Corporation Limited, and Tripura Handloom and Handicraft Development Corporation Ltd.

- Similarly, the Corporation had also incurred loss of Rs. 69.13 per kilometre in operating the trucks during 2004-05.

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 XXV.** According to the latest finalised accounts (up to September 2005), the capital employed[♣] worked out to Rs. 49.99 crore in eight working companies and total return[🔑] thereon amounted to (-) Rs. 5.81 crore as compared to total return of (-) Rs. 3.60 crore in the previous year (accounts finalised upto September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporation according to the latest finalised accounts (2000-01) worked out to (-) Rs. 22.43 crore and (-) Rs. 5.09 crore respectively against the total return of (-) Rs. 6.89 crore in the previous year, accounts finalized up to September 2005.

Power Sector Reforms

6.1.14 The Power Department of the State has been registered as Tripura State Electricity Corporation Limited in June 2004 under Companies' Act, 1956 and started functioning with effect from 1 January 2005. To reduce the transmission and distribution loss, the following steps were to be taken as per the MOU signed in August 2003 between the State Government and the Ministry of Power, Government of India:

- Installation of meters on 11 KV feeders by 31 December 2003.
- 100 *per cent* metering on the LT side of distributive transformer.
- 100 *per cent* metering of all consumers by 31 December 2003.
- Development of Distribution Management Information System.

Though the Power Department stated in August 2004 that works for installation of meters in 11 KV feeders were completed, the Tripura State Electricity Corporation Limited stated (August 2005) that 89.19 *per cent* of the works were completed (198 meters installed out of 222 feeders). The discrepancy has not been clarified (September 2005).

Against 100 *per cent* metering of all consumers by December 2003 as indicated in the process indicator on Mid Term Fiscal Reforms Programme, only 84 *per cent* has been completed as of June 2005.

As of March 2005, an amount of Rs. 19.94 crore being revenue realization against supply of power, was outstanding. Of this, an amount of Rs. 16.66 crore was outstanding against Government Departments/PSUs.

[♣] Capital employed represents net fixed assets (including capital work 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 Public Sector Undertakings (PSUs)

Investment in non-working PSUs

6.1.15 There was only one company (Tripura State Bank Ltd.) which had been non-working for about 35 years and under process of liquidation under Section 560 of the Companies Act, 1956. As on 31 March 2005, 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 2005).

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

6.1.16 The following table indicates the status of placement (August 2004) in the Legislature of the Separate Audit Reports (SARs) issued by the Comptroller and Auditor General of India on the accounts of the Statutory corporation:

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	2000-01	Nil	NIL	NIL

Disinvestment, privatisation and restructuring of PSUs

6.1.17 During the year 2004-05, there was no case of disinvestment and privatisation including merger and closure of State PSUs by the State Government. The Power Department of the State has been restructured and registered as Tripura State Electricity Corporation under the Companies' Act, 1956. The Corporation has started functioning with effect from 1 January 2005.

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

6.1.18 During September 2004 to July 2005, five 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.1.82 crore.

6.1.19 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 Small Industries Corporation Limited (1993-94)

- Non-adjustment of liabilities resulted in overstatement of secured loans, understatement of expenses for the year by 1.30 crore. Consequently loss for the year was also overstated to the above extent.
- Non-provision for bad debts resulted in understatement of provision for bad debts, overstatement of sundry debtors by Rs. 58.62 lakh. Consequently loss for the year was understated to the above extent.

(b) Tripura Industrial Development Corporation Limited (1999-2000)

- Non-provision of the doubtful advance resulted in overstatement of loans and advances and understatement of loss for the year by Rs. 20 lakh.

(c) Tripura Jute Mills Limited (1997-98)

- Non-compliance of AS-15 resulted in understatement of current liabilities (provisions for retirement benefits) as well as loss for the year to the extent of liability to be assessed by the Company.

Internal Audit

6.1.20 No internal audit arrangement had so far been made in any of the PSUs as of August 2005. None of the companies had introduced regular internal audit control systems or prescribed internal audit standards by issue of appropriate manuals.

Recommendation for closure of PSUs.

6.1.21 Of the ten working PSUs, one working Government company (Tripura Jute Mills Limited) and one working Statutory corporation (Tripura Road Transport Corporation) had been incurring losses for ten and eight consecutive years respectively (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 or consider their closure to avoid further losses.

Response to Inspection Reports, paragraphs and reviews

6.1.22 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 2005 pertaining to eight PSUs disclosed that 152 paragraphs relating to 39 Inspection Reports remained outstanding at the end of July 2005. Of these, Inspection Reports containing 47 paragraphs had not been replied to for more than a year. Department-wise break-up of Inspection Reports and paragraphs issued upto 31 March 2005 and outstanding as on 31 August 2005 are given in **Appendix XXX.**

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 May 2005, replies in respect of two draft paragraphs under Department of Power have not been received as detailed in **Appendix XXXI.**

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)

6.1.23 Out of 19 reviews and 76 paragraphs appeared in Commercial Chapter (titled 'Government Commercial and Trading Activities') of the Audit Reports for 1988-89 to 2003-04, three reviews and 42 paragraphs were pending for discussion by COPU (two reviews and two paragraphs) and PAC[♦] (one review and 40 paragraphs) as at the end of August 2005.

Against 13 reviews and 26 paragraphs already discussed in the Committee on Public Undertakings, reports containing the recommendations in respect of four reviews and 12 paragraphs relating to four Audit Reports were published. Action taken notes on these recommendations have been received and also discussed by the Committee on Public Undertakings.

Against three reviews and eight paragraphs (relating to the Power Department) already discussed by the PAC, action taken notes on the recommendations of the PAC in respect of two reviews and five paragraphs were yet to be received (August 2005).

619-B Companies

6.1.24 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 were discussed by the Public Accounts Committee.

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

SECTION - A

INDUSTRIES AND COMMERCE DEPARTMENT
Tripura Jute Mills Limited

6.2 Increasing cost of sales of jute products in Tripura Jute Mills Limited

The Company set up with the main objective of manufacturing finished goods from raw jute, could not achieve the targets fixed as per the MOU. The low capacity utilization, non operation of large number of looms, failure of the Company to initiate action to repair plant and machinery including looms, low yield of finished product of jute and excess deployment of labour contributed to the increase in the cost of sales.

Highlights

The production targets fixed against the installed capacity of 12,000 MT, ranged between 1800 MT (15 per cent) and 5400 MT (45 per cent) against which capacity utilization ranged between 1120 MT (9 per cent) and 2209 MT(18 per cent) during 2000-2005. Out of 158 looms installed, only 40 looms were in working condition while 68 were lying idle for want of major repair and the balance 50 for minor repair.

(Paragraphs 6.2.6 and 6.2.7)

According to the JMDC norms, with the total consumption of 9211 MT of raw jute during 2000-05, 9428 MT of jute bags were required to be produced, against which the Company manufactured 8667 MT of jute bags. The value of the shortfall in production (761 MT of jute bags) was Rs. 1.62 crore.

(Para 6.2.9)

The Management utilised 3,46,933 (2002-03) to 4,12,865 (2000-01) mandays in excess of the JMDC norms indicating poor personnel management.

(Paragraph 6.2.8)

Management spent Rs. 6.51 crore (2002-03) to Rs. 6.73 crore (2001-02) per year towards direct labour of which 87.89 per cent to 96.59 per cent were on idle labour. While the cost of sales ranged between Rs. 42,301 and Rs. 92,938 the selling price of finished jute products ranged between Rs. 10,866 and Rs. 28,423.

(Paragraph 6.2.8)

Introduction

6.2.1 Tripura Jute Mills Limited (TJML) was incorporated in October 1974 under the Companies Act, 1956, with the main objective of manufacturing finished goods from raw jute.

The Company procures raw jute from local farmers, Tripura Co-operative Society and Jute Corporation of India (JCI) to manufacture jute bags.

The Management of the Company is run by a Board of Directors comprising 10 Directors including the Chairman and the Managing Director. The Managing Director is assisted by a Mill Manager, Production Manager and Accounts Officer. During the last ten years ending 31 March 2005, out of nine Managing Directors appointed, only one continued in the office for more than three years. The frequent transfers of the chief executive weakened the managerial control over the working of the Mill and was reflected in the form of low operational performance during the period.

The working of the company was last reviewed in audit covering the period from 1974-75 to 1983-84 and was included in the Report of the Comptroller & Auditor General of India for the year ended 31 March 1985. The review was discussed by the Committee on Public Sector Undertakings (COPU) which in its 22nd Report (December 1992) recommended that ways and means to prevent continuous losses of the company be found so as to make it viable.

Scope of Audit

6.2.2 The present performance review of "Increasing cost of sales of jute products" for the period from 2000-01 to 2004-05 was conducted between April and May 2005.

Audit objectives

6.2.3 The performance review was conducted with the following objectives:

- to examine the physical performance of the Company to ascertain whether the available resources have been optimally utilised, and
- to analyse the internal targets set and efforts made to achieve them with reference to the objectives of the Company economically, efficiently and effectively.

Audit criteria

6.2.4 Audit adopted the following criteria:

- whether MOU targets set by the Department of Industries and Commerce (DI&C) were achieved,
- whether daily production reports of the weaving section to assess the capacity of the looms installed and its utilization, were prepared,
- whether excise records to assess production *vis-à-vis* sales of jute products were maintained by the Company,
- whether records relating to purchase of raw materials, spares and contracts to assess economy and efficiency of purchase functions as also effectiveness of the internal control system were maintained,
- whether the recommendations of the restructuring study report on TJML submitted by a private firm Ahmed Management Technologies Private limited, Kolkata, appointed by the State Government to make the mill viable were followed.

Audit methodology

6.2.5 Data/evidence were obtained from the Memorandum of Understanding (MOU) entered between the Company and DI&C, Agenda and Minutes of Board meetings, provisional annual accounts, production registers, sales records, excise records, files relating to purchase of raw materials and spares, contracts, consumption of raw jute and various direct materials, idle manpower, various statutory payments and restructuring report on TJML. The data collected were processed, analysed and discussion papers were prepared and issued to the Management, for discussing in the exit conference.

Audit findings

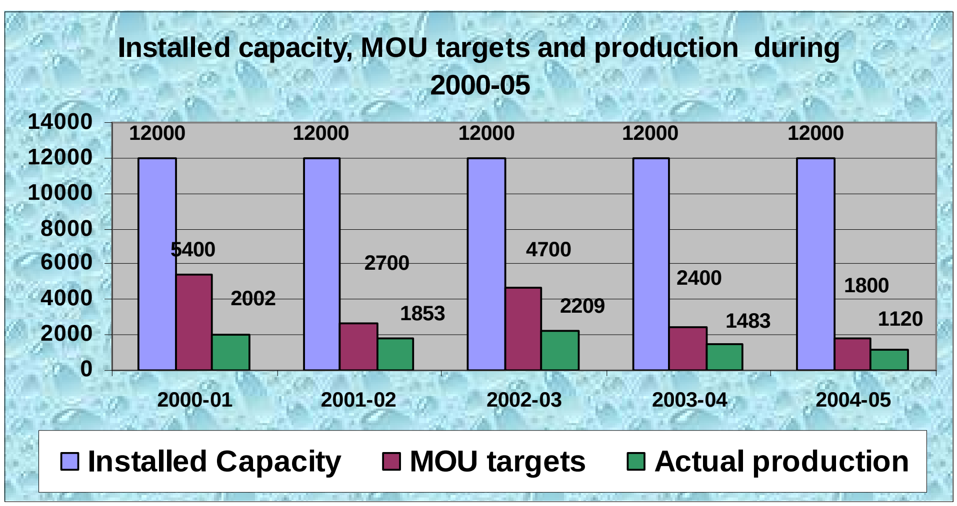
Audit findings are discussed in the succeeding paragraphs.

Operational performance

Physical targets as fixed by the MOU

6.2.6 The Management and the DI&C evolved a plan of action to promote industrialization in the State through commercial operations in the jute sector. In order to improve productivity, control overhead expenses, reduce losses and minimize statutory liabilities, the DI&C entered into MOU (1997) with the Company. According to the MOU, the DI&C was to fix annual physical and financial targets and review the quarterly performance of the Company. It was noticed that against the installed capacity of 12000 MT per annum, the production targets fixed ranged between 1800 MT (15 *per cent*) and 5400 (45 *per cent*) only during the period from 2000-01 to 2004-05. The low capacity utilization (ranging between 9 and 18 *per cent*) resulted in increase in the cost of sales during the period:

Chart No. 1



The Government stated (August 2005) that the MOU targets could not be achieved due to decrease in workers' capabilities owing to their advancing age, absence of scope of managerial control over the work force due to Government policy and non-availability of quality raw jute. It further stated that due to shortage of working capital, the Company could not procure jute in sufficient quantities for processing and maintain looms, plant and machinery.

The reply is not tenable as the Management did not initiate action even after recommendations made by COPU to reduce the excess workforce and to find out ways and means to make the mill viable.

Physical performance

6.2.7 The performance of the Company against different parameters relating to production was as under:

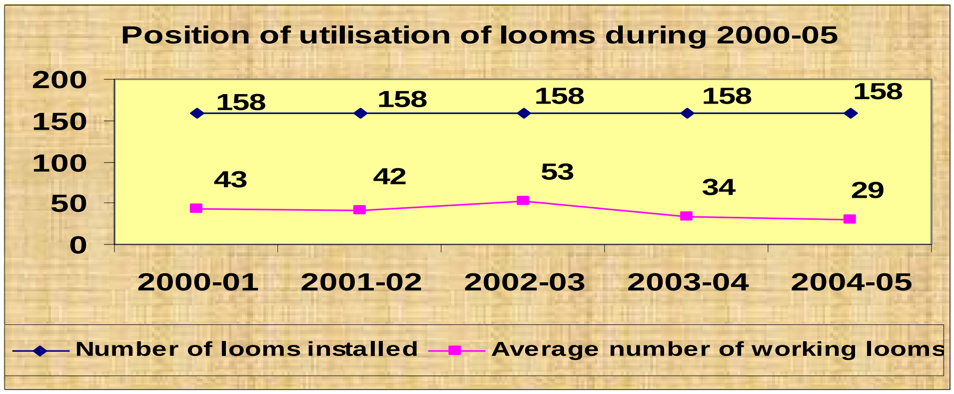
Table No. 6.1

Sl. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Number of looms installed	158	158	158	158	158
2.	Average number of working looms	43	42	53	34	29
3.	Installed capacity per annum (MT)	12000	12000	12000	12000	12000
4.	No. of Working days (MOU)	286	286	284	300	NI
5.	No. of Working Days (Actual)	286	286	294	288	288
6.	Annual Production Targets fixed under MOU (MT)	5400	2700	4700	2400	1800
7.	Actual Annual Production (MT)	2002	1853	2209	1483	1120
8.	Percentage of MOU targets to the installed capacity	45.00	22.50	39.17	20.00	15.00
9.	Percentage of actual production to installed capacity	16.68	15.44	18.41	12.36	9.33
10.	Percentage of actual production to targets fixed under MOU	37.07	68.63	47.00	61.79	62.22

NI – Not indicated in MOU

The above table indicates that the percentage of actual production to MOU targets ranged between 37.07 (2000-01) and 68.63 (2001-02) during the five years ending 31 March 2005. Out of the 158 looms installed, the annual average number of looms that actually functioned ranged between 29 and 53.

Chart No. 2

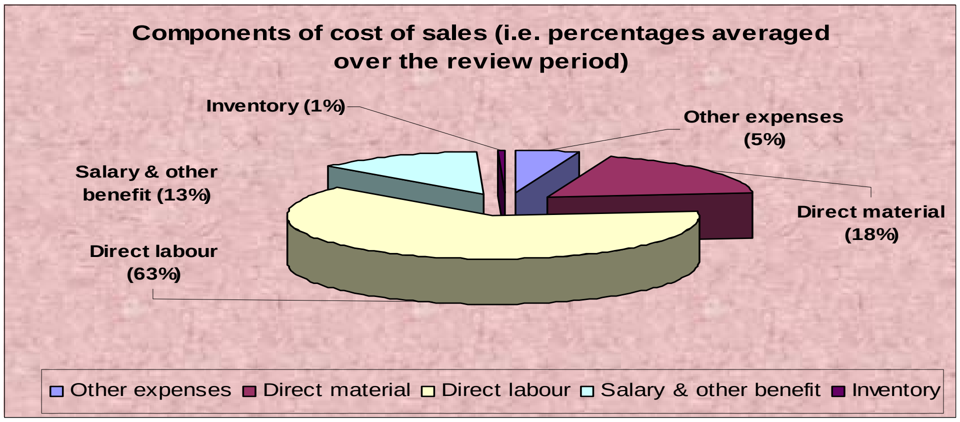


It was further noticed in audit that as on 31 March 2005, only 40 looms (25 *per cent*) were in working condition while 68 were lying idle for want of major repairs and the balance 50 for minor repairs. The Management stated (June 2005) that heavy absenteeism of workers in the spinning section resulted in low production of yarn and consequent low operation of looms. Besides, supervisory staff and officers were sent on deputation which adversely affected the production due to lack of supervision. Thus, non-operation of a large number of looms resulted in low production, increase in idle labourers and consequent increase in cost of sales due to under absorption of fixed expenses.

High cost of sales

6.2.8 The different components of cost of sales during 2000-05 were direct labour, direct materials, salary and other benefits, inventory and other expenses as depicted below:

Chart No. 3



According to the norms prescribed by the Jute Manufacturer Development Council (JMDC), 40.67 mandays were required for manufacture of one MT of B-Twill Jute bags by operation of 100 looms. The number of looms available, workers on rolls, mandays required, idle labour and cost of idle labour during 2004-05 were as under:

Table No. 6.2

Sl. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Average number of working looms	43	42	53	34	29
2.	Production (MT)	2002	1853	2209	1483	1120
3.	Mandays norm for production of one MT with 100 looms	40.67	40.67	40.67	40.67	40.67
4.	Mandays actually required as per norm **(1 / 100 × 3 × 2)**	35011	31652	47615	20507	13210
5.	Number of workers as per rolls.	1566	1471	1342	1309	1277
6.	Number of working days as per record.	286	286	294	288	288
7.	Total mandays available **(5 × 6)**	447876	420706	394548	376992	367776
8.	Idle mandays **(7 – 4)**	412865	389054	346933	356485	354566
9.	Expenditure on direct labour as per Accounts (Rs. In lakh)	657.71	672.90	651.29	658.21	664.41
10.	Expenditure per mandays (Rs.) **(9/7)**	147	160	165	175	181
11.	Expenditure on idle mandays (Rs. in lakh) **(8 × 10)**	606.91	622.49	572.44	623.85	641.76
12.	Percentage of expenditure on idle mandays **(11 ÷ 9) × 100**	92.28	92.51	87.89	94.78	96.59
13.	Direct labour per MT **(Rs.) (9/2)**	32853	36314	29483	44384	59322
14.	Cost of sales per MT **(Rs.) (Table 6.4)**	55955	60972	42301	67964	92938
15.	Average selling price per MT **(Rs.)**	22358	19289	10866	24267	28423

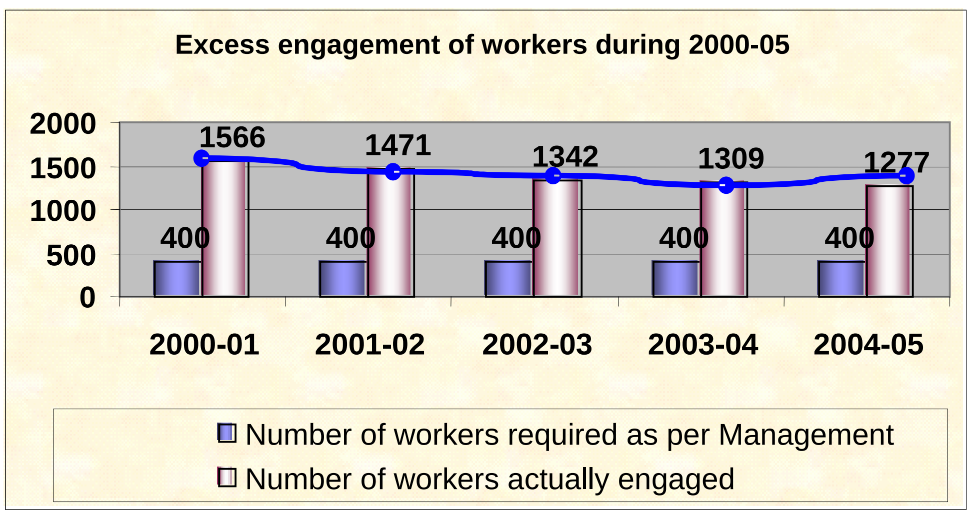
Source: Information furnished by Management.

The above table shows that according to JMDC norms, mandays actually required ranged between 13,210 (2004-05) and 47,615 (2003-04) against which the Management utilised were 3,67,776 (2004-05) to 4,47,876 (2000-01) mandays, indicating poor manpower management. This resulted in idling of labour from 3,46,933 (2002-03) to 4,12,865 (2000-01) mandays during the five years ending 31 March 2005. The Management spent Rs.651.29 lakh (2002-03) to Rs.672.90 lakh (2001-02) per year towards direct labour of which Rs.572.44 lakh (87.89 *per cent*) to Rs. 641.76 lakh (96.59 *per cent*) were spent on idle labour.

While the cost of sales ranged between Rs.42,301 (2002-03) and Rs.92,938 (2004-05), the average selling price of finished jute products ranged between Rs.10,866 and Rs.28,423 per MT during the five years ending 31 March 2005.

Excess deployment of labour was the main factor for high cost of sales. The Management stated that as per the JMDC norms, which were being followed by the Mill, 400 workers were required to keep 10 MT per day with 60 looms. Audit analysis revealed that the maximum production achieved by the Mill was 7.5 MT or less per day during the period under review. According to this production data, engagement of workers which ranged between 1277 (2004-05) and 1566 (2000-01) was in excess of JMDC norms. It was also noticed that the excess engagement of workers in different sections ranged between 31 (electrical) and 276 (spinning).

Chart No. 4



All these factors indicated poor manpower management in the Company and led to increasing cost of sales. Despite sustaining loss due to idle labour, the Management did not initiate action for repair and maintenance of plant and machinery, including looms, to keep them in working condition and thus enable utilisation of the idle manpower.

The Government, while admitting the facts, stated (August 2005) that the root cause of the problems indicated in the performance audit has been long term unviable operation of the TJML since inception. This had been because of very high overheads, mainly its labour force which was in excess of actual requirements. It further stated that possibility of introducing VRS applicable to State PSUs was being explored.

Shortfall in production due to lower yield

6.2.9 According to JMDC norms, 977 kg of raw jute is required to produce 1000 kg of B-Twill jute bags.

Quantity of raw jute (raw jute and *mesta*) consumed, actual production of B-Twill jute bags, shortfall in production *vis-à-vis* norms and its value during 2000-2005 were as under:

Table No. 6.3

Sl. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	Total
1.	Total consumption of raw jute (MT)	2042	1948	2462	1385	1374	9211
2.	Production of jute (MT)	2002	1853	2209	1483	1120	8667
3.	Average sale price per MT	22358	19289	10866	24267	28423	NA
4.	Production as per Standard yield **(1 / 0.977)**	2090	1994	2520	1418	1406	9428
5.	Shortfall in production (MT) **(4 - 2)**	88	141	311	-	286	761
6.	Value of shortfall (Rs. in lakh) **(3*5)**	19.67	27.20	33.79	0	81.29	161.95

NA – Not applicable

The above table indicates that against the total consumption of 9,211 MT of raw jute, 9,428 MT of B-Twill jute bags were required to be produced during 2000-05 as per norm; against which the Company manufactured 8,667 MT of B-Twill jute bags only.

The shortfall in production of jute bags except during 2003-04 ranged between 88 MT (2000-01) and 311 MT (2002-03) and aggregated to 761 MT, worth Rs.1.62 crore, during the period.

The yield of jute products depends on quality of raw jute and batch mixing in the optimal ratio of raw jute (70 *per cent*) and *mesta* (30 *per cent*). The percentages of batch mixing during the period of review ranged between 61.44:38.56 (2000-01) and 77.83:22.17 (2002-03). Though the actual batch mixing was above[ϒ] the standard mix during the year 2002-03, the actual yield was below the norms due to poor quality of raw jute. The Company had been processing raw jute for more than two decades, but it had not created a facility for testing quality of raw jute being procured by it.

Management stated (June 2005) that due to non-availability of the facilities to test quality of raw jute, the Company had been accepting the grade as fixed by the supplier. In the absence of a facility for assessing the quality of raw jute, possibility of procuring low quality raw jute at higher price could not be ruled out. Poor maintenance of the plant & machinery was another factor contributing to low yield of finished jute-products. Agenda and minutes of Board Meetings indicated that though the Board of Directors had been insisting on increasing production, the issue of low production due to low yield had never been discussed.

[ϒ] Utilisation of raw jute more than 70 *per cent*.

The Management further stated that the Company could not acquire the necessary facilities for controlling quality of raw jute, proper batch mixing and maintenance of plant and machinery due to lack of working capital. The Government had, however, been moved to provide lump sum working capital for this purpose.

Financial performance

6.2.10 On the basis of the provisional accounts prepared by the Company the working results against different financial parameters of the Company during the last five years ending 31 March 2005 were as under:

Table No. 6.4

(Rupees in lakh)

Sl. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	Total
A	**Income**						
1.	Sales	447.83	357.43	240.03	359.88	279.40	1684.57
2.	Miscellaneous Receipt	5.82	57.14	0.78	2.33	1.51	67.58
3.	Accretion (+) / Depletion (–) of stores	-4.72	-23.60	24.97	-2.59	39.15	33.21
4.	**Total income**	**448.93**	**390.97**	**265.78**	**359.62**	**320.06**	**1785.36**
B	**Expenditure**						
5.	Direct Materials	276.26	258.32	79.66	179.68	167.17	961.09
6.	Direct Labour (fixed)	657.70	672.90	651.29	658.21	664.41	3304.51
7.	Salary and benefits (fixed)	135.19	150.55	143.65	129.36	117.08	675.83
8.	Other expenses	55.79	71.65	34.85	43.25	53.10	258.64
9.	**Total expenditure**	**1124.94**	**1153.42**	**909.45**	**1010.50**	**1001.76**	**5200.07**
10.	**Loss for the year**	**-676.01**	**-762.45**	**-643.67**	**-650.88**	**-681.70**	**-3414.71**
11.	Cost of sales (9+3)	1120.22	1129.82	934.42	1007.91	1040.91	5233.28
12.	Production (MT)	2002	1853	2209	1483	1120	8667
13.	Cost of sales per MT (Rs.) (11/12)	55955	60972	42301	67964	92938	60382
14.	Gross margin (1+3–5)	166.85	75.51	185.34	177.61	151.38	756.69
15.	Quantity sold (MT)	2003	1853	2209	1483	983	8531
16.	Average gross margin per MT (Rs.) (14/15)	8330	4075	8390	11976	15400	8870
17.	Average selling price per MT (Rs.) (1/15)	22358	19289	10866	24267	28423	19746

Source: Based on the provisional accounts.

The above table indicates that out of the total cost of sales amounting to Rs. 52.33 crore for the period of five years ending March 2005, the expenditure on direct wages was Rs. 33.05 crore (63 *per cent*), direct material Rs. 9.61 crore (19 *per cent*), administrative expenses Rs. 6.76 crore (13 *per cent*) and other expenses Rs. 2.59 crore (5 *per cent*).

Loss of conversion charges on lease agreement

6.2.11 The Company entered (December 2001) into a contract with Collin Traders Pvt. Ltd. (CTPL) hereinafter called Converter for operation of the mill under conversion system for a period of 60 months. According to the terms of the contract, the Converter had to supply raw jute and take delivery of converted jute products by paying the conversion charges (towards services of staff, labourers, plant and machinery utilised for conversion).

Clause 21 of the agreement provided that the agreement may be terminated only after one year by serving notice of six months on the other party. The Converter started operation from 16 December 2001 but stopped supply of raw jute after 31 December 2002 without serving the notice of six months to the Company. As a result, the production in the mill came to a halt. The reasons stated by the Converter for this were non-renovation of the plant and machinery and looms, non-supply of spares by the Company for maintenance, and lack of administrative control over absenteeism of labourers.

As the Converter’s stoppage of work was in violation of Clause 21 of the agreement, the Company referred the case to the Arbitrator and claimed conversion charges of Rs. 2.12 crore from CTPL. The arbitration award (September 2003) was for Rs. 74.02 lakh only in favour of the Company, as the Arbitrator restricted the committed production on pro rata basis to the extent of looms made available by the Company and thus deducted the conversion charges by Rs. 39.32 lakh.

As regards the balance amount of claim i.e. Rs. 98.35 lakh, the Company failed to present its case effectively before the Arbitrator. The Company had no intention to terminate the contract. Despite this, the Arbitrator recorded in the proceedings of the second hearing (May 2003) that both the parties had intention to terminate the contract which the Company failed to contest. Thus, failure to present its case properly before the Arbitrator resulted in loss of Rs.98.35 lakh. No appeal in this regard in the higher court was also made.

The Government stated (August 2005) that the Company did not insist for six months notice period to be served by the CTPL to avoid litigation as it was badly in need of funds. It was, however, observed in audit that the Company’s decision to change its stand on notice period was not got approved by the Board of Directors.

Avoidable expenditure of Rs. 56.97 lakh on electricity charges

6.2.12 The jute mill remained closed for two and half years from April 1992 to October 1994. The Company which had taken a bulk power supply connection of 1700 KVA, however, applied for reduction of maximum demand from 1700 KVA to 425 KVA only in August 1992. The Power Department accordingly revised the minimum charges from Rs. 51,000 to Rs. 18,000 per month with effect from August 1992. The mill was reopened in December 1995. On reopening of the mill, the Power Department restored the original maximum demand to 1700 KVA and levied minimum charges of Rs.1 lakh per month according to the revised tariff. The company did not contest (December 1995) the restoration of original maximum demand to 1700 KVA by the Power Department. The Company stopped payment of electricity charges from February 1996 and contested for revision of minimum charges only in February 1998. The electricity charges accumulated to Rs.78.38 lakh as on 31 March 2000. The Power Department levied a penalty of Rs.85.70

lakh for non-payment of electricity bills (April 2002). At the intervention of the Commissioner in the Finance Department, the Company agreed to pay Rs.2 lakh per month to clear the arrear amount of the electricity charges (April 2002). The Company applied for reduction of demand for power supply from 1700 KVA to 950 KVA only in April 2002 and this was accepted by the Power Department.

Thus, delay in applying for reduction of maximum demand resulted in avoidable expenditure of Rs.56.97 lakh[❅]. Since the expenditure on electricity charges forms part of the cost of sales, the avoidable expenditure on electricity charges also increased the cost of sales.

Government stated (August 2005) that the Company did not apply for reduction of maximum demand as operation of the mill was in transition stage after reopening of the mill in November 1995.

Avoidable expenditure on purchase of raw jute

6.2.13 Records indicated that due to paucity of funds the Company had to divert its raw jute procurement source to the private parties who were ready to supply it on credit basis as procurement from JCI necessitated advance payment. The Company procured 2001.41 MT of raw jute from 5 private parties on credit basis during 2000-01 at an average rate of Rs. 10453 per MT against the JCI jute rate of Rs. 9430 per MT. Thus due to lack of working capital the Company had incurred avoidable excess expenditure of Rs.20.47 lakh on purchase of raw jute.

It was further noticed that during 1997-99 the Apex Marketing Cooperative Society, Agartala claimed interest of Rs. 16.10 lakh as the Company failed to clear the payments within one month of the supply of raw jute to it. The Company had paid Rs. 6.34 lakh and the balance of Rs. 9.76 lakh remained unpaid for want of funds.

Thus, lack of working capital resulted in avoidable expenditure of Rs. 36.57 lakh which consequently increased cost of sales.

Government while accepting the audit observations stated (August 2005) that shortage of working capital prohibited TJML from procuring jute in adequate volumes for processing.

Avoidable expenditure

6.2.14 Sales conditions of Jute Corporation of India (JCI), provide that the buyer should lift the raw jute within the specified period and that payment should be made on the date specified by the JCI. In case of default, the buyer is liable to pay @ Rs.25/- per quintal per month as carrying cost for the period of delay. Due to delay in lifting of raw jute and making delayed payments, JCI

[❅] December 1995 to February 1999 @Rs. 44,117 pm × 39 months = Rs.17.21 lakh
{Rs.1,00,000 (for 1,700 KVA) – Rs 55,883(for 950 KVA)}
March 1999 to July 2001 @Rs.92,400 pm × 29 months = Rs. 26.80 lakh
{Rs.2,09,440 (for 1,700 KVA) – Rs. 1,17,040(for 950 KVA)}
August 2001 to April 2002 @Rs.1,44,000 pm × 9 months= Rs. 12.96 lakh
{Rs.3,26,400 (for 1,700 KVA) – Rs.1,82,400(for 950 KVA)}
Total= Rs. 56.97 lakh

raised a claim of Rs.7.38 lakh towards carrying cost (February 2003 to December 2004) of which Rs. 1.42 lakh had been paid to JCI and payment of the balance amount of Rs. 5.96 lakh was pending.

The Government stated (August 2005) that delay in making payment was due to paucity of funds.

Thus, lack of working capital resulted in avoidable expenditure of Rs. 7.38 lakh which consequently increased cost of sales.

Internal Controls

6.2.15 Internal control system is an integral part of the process designed and effected by the Management of an organization to achieve its specified objectives ethically, efficiently, economically and effectively. It helps in creating reliable financial and administrative controls.

Important controls like budgeting, periodical verification of assets, control over workers absenteeism and internal audit were required to reduce the cost of sales. There was neither any budgeting system to exercise control over expenses nor were any internal audit arrangements in place. No system to assess the material requirements and ensure timely procurement of stores and spares and their periodical verification was in place. There was little control over workers absenteeism. Thus, internal controls were very weak in the Company, and resulted in increasing cost of sales.

Conclusion

The Company set up with the main objective of manufacturing finished goods from raw jute could not achieve the targets fixed as per the MOU. The low capacity utilization, non operation of large number of looms, failure to initiate action for repair of plant and machinery including looms, low yield of finished products of jute and excess deployment of labourers contributed to increase in the cost of sales. Internal control systems for budgeting, internal audit, assessing material requirements as well as control over workers absenteeism were deficient.

Recommendations

- The Company should ensure the optimal utilization of the installed capacity of the mill as well as the timely repairs of the looms so that the targets set under the MOU are achieved. The working capital required for maintenance of plant and machinery and other operations should also be ensured.
- The Company should ensure the availability of the facilities to test the quality of raw jute to obtain optimal ratio of raw jute.
- The Company should explore ways and means of downsizing the excess work force.
- Internal controls especially covering material management, personnel management, budgeting system as well as internal audit should be strengthened.

SECTION - B

INDUSTRIES AND COMMERCE DEPARTMENT
Tripura Small Industries Corporation Limited

6.3 Expenditure on idle staff

Tripura Small Industries Corporation (TSIC) had incurred unproductive expenditure of Rs. 75.23 lakh during 2001-05 on salaries of idle staff of a Pharmaceutical Unit.

The Company had set up a Pharmaceutical Unit (PU) with three sections (*viz* Bottling Section, Ampoule Section and Capsule Section) in 1971, with the objective to cater to the need of the State Health Department for some life saving drugs.

Mention was made in Para 8.2.7.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 that production activities of these three sections were stopped from January 1995 due to shortage of funds and non-availability of water, but payment of wages / salaries to the idle staff continued. It was also mentioned that for revival of the PU as profit-earning, its Pharmaceutical and Consultancy Division had suggested (April 1997) to modernise the unit at a cost of Rs. 37 lakh. The revival of the unit had, however, not been taken up as of July 2005, reportedly due to financial constraints. The matter was discussed by the Committee on Public Undertakings (COPU) also on 29 January 2002. The recommendations of the Committee were awaited (July 2005).

Scrutiny (January – February 2005) of records of the PU revealed that as against seven employees required for its running, the actual men-in-position ranged between 22 (2005) and 44 (2001). The unit incurred an expenditure of Rs.75.23 lakh on salaries of the idle staff during the period from 2000-01 to 2004-05.

On this being pointed out (April 2005), the Managing Director (MD) admitted the facts and stated (April 2005) that to avoid expenditure on idle staff, a Memorandum of Understanding (MOU) was entered into with the Industries and Commerce Department where-in transfer of the idle staff to other Government Departments was proposed. But transfer of staff from the PU to other Government departments had not been made as of July 2005.

Thus, the TSIC continued to incur expenditure on wages and salaries on the idle staff but could not arrange funds to make the PU viable.

The Government stated (August 2005) that inadequacy of funds to reinvest in modernisation of its equipment and machineries had resulted in the Company's incurring continuous losses in its operation. It further stated that TSIC could not retrench idle staff as it was not within the scope of Government policy, and that options for redeployment of idle staff on deputation to other departments or possibility of introducing VRS applicable to State Government PSUs were being explored.

6.4 Excess expenditure on consumption of coal

Extra expenditure of Rs. 30.45 lakh was incurred on consumption of 1129.10 metric ton (MT) coal in excess of the norms for burning 219.88 lakh green bricks.

The Company runs brick kilns in the State for production and supply of bricks to various construction works. Coal is used in the kilns for burning of green bricks. According to norms adopted (August 2003) by the Company, 17 to 20 MT coal was required to burn one lakh bricks.

Test-check (January-February 2005) of records revealed that 219.88 lakh green bricks, loaded for burning in 12 kilns during 2003-04, consumed 5526.70 MT coal against the prescribed (by the Company) norms of 4397.60 MT taking into consideration the maximum quantity of 20 MT coal required for burning of one lakh bricks. Thus, there was excess consumption of 1129.10 MT valued at Rs. 30.45☛ lakh.

On this being pointed out in audit, the Managing Director admitted the facts and stated (April 2005) that excess consumption of coal against the prescribed norms was due to (a) supply of poor quality of coal by the suppliers; (b) use of different kinds of soil at different kilns for manufacturing of green bricks; (c) green bricks could not be loaded to the full extent into the kilns for burning for shortage of labourers; and (d) lack of supervision as most of the kilns were situated in remote localities. Besides the Company did not keep any record indicating the quantity of bad coal received by it. The Company officials were not aware of the various aspects that need to be looked into before entering into coal contract.

The reasons given by the Management for excess consumption of coal were controllable and, had the Management exercised better control, the loss due to excess consumption of coal could have been minimized/avoided.

Government stated (August 2005) that 254.06 lakh bricks were burnt and not 219.88 lakh as stated by Audit. The reply is not tenable as damaged green bricks which were not loaded for burning had also been taken into account. Government further stated that consumption of coal depends upon quality of coal, quality of soil, climatic conditions, skill of workers and design of kiln, and the feasibility of arriving at a norm for consumption of coal in brick field operation was being explored by the Company.

☛ Cost of 1,129.08 MT coal was Rs. 30.45 lakh at rates varied between Rs. 2,200 and Rs. 2,950 per MT coal.

Tripura Handlooms and Handicraft Development Corporation Limited

6.5 Avoidable expenditure on penal damages

Delayed payment of subscription and contribution towards Employees' Provident Fund (EPF) led to avoidable expenditure on penal damages and interest of Rs. 16.59 lakh.

Section 14-B of the Employees Provident Fund and Miscellaneous Provisions (EPFMP) Act, 1952, requires the employers to deposit contributions (both employees' subscription and employer's contribution) towards EPF to the Regional Provident Fund Commissioner (RPFC) within 15 days from the date of close 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 (April 2004) of records revealed that employees' subscription and employer's contribution were not deposited with the RPFC within the specified time limit. As a result, the RPFC issued (April 2000, June 2001 and October 2002) orders for depositing the amount of subscription and employer's contribution together with interest thereon and penal damages. The interest and penal damages amounted to Rs. 16.59 lakh[☛]. The Management paid only Rs. 2.45 lakh in December 2000. Subsequently, the RPFC recovered the balance amount of Rs. 14.14 lakh (November 2002) by bank attachments.

Thus, delayed deposit of EPF subscription and contribution resulted in avoidable payment of penal damages and interest of Rs. 16.59 lakh. On this being pointed out, the Managing Director while admitting the facts stated (April 2004) that due to financial stringency (constraints) the Company could not remit the aforesaid amount in time. The reply is not tenable, because the financial stringency or shortage of funds could not be a valid ground for committing default in payment of statutory dues and at least employees' contribution should have been deposited when the employees' contributions were regularly deducted from their salaries.

The Government stated (August 2005) that inadequacy of funds had resulted in continuous losses to the Corporation. THHDC could manage funds for payment of net salaries only. It did not have enough funds to meet EPF subscriptions and contributions. THHDC had since taken steps to ensure meeting EPF liabilities on current basis.

☛

1985-1995	:	Rs. 2,45,371.00
April 1998 to February 2000	:	Rs. 9,39,278.00
May 2000 to September 2000 and July 2001 to August 2001	:	Rs. 4,74,230.00
TOTAL	**:**	**Rs. 16,58,879.00**

POWER DEPARTMENT

6.6 Loss of revenue

Non-imposition of penalty for delayed payment of energy charges by consumers resulted in loss of revenue of Rs. 79.46 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 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 test-check (February 2004 to February 2005) of records of 18 electrical sub-divisions relating to the accounts from April 1997 to January 2005 it was noticed that though the payment for consumption of electrical energy between October 1997 and November 2004 in respect of 3284 bills was made beyond the stipulated period ranging from 31 to 1909 days by the consumers, penalty of Rs. 79.46 lakh leviable from 1193 consumers as per the above conditions was not imposed and realized from them. This resulted in loss of revenue of Rs. 79.46 lakh.

On this being pointed out in audit the Sub-Divisional Officers stated (March 2004 to February 2005) that the amount outstanding in respect of penalty would be realized by raising supplementary bills. The supplementary bills had, however, not been raised (August 2005).

The matter was reported to the Government in May 2005; reply had not been received (September 2005).

6.7 Loss due to inadmissible rebate

Inadmissible rebate allowed to 707 consumers in 1774 bills resulted in loss of revenue of Rs. 15.57 lakh to the Power Department.

In terms of clause 17 (c) of the Tripura Electric Supply Condition, 1998, rebate is not admissible to a consumer if the bill is not paid within fifteen days from the date of its presentation.

Test-check (February 2004 to February 2005) of records maintained by 18 Electrical Sub-divisions, relating to the accounts for the period from April 1997 to January 2005, revealed that rebate was allowed to 707 consumers in 1774 cases against the bills raised for consumption of electrical energy between October 1997 and November 2004 even when the payments were made beyond the stipulated period. The inadmissible allowance of rebate resulted in loss of revenue of Rs. 15.57 lakh.

On this being pointed out in audit, the Sub-Divisional officers stated (March 2004 to February 2005) that the amount outstanding in this regard would be realized by raising supplementary bills. Further developments are awaited (September 2005).

The matter was reported to the Government in May 2005; reply had not been received (September 2005).