# CHAPTER VII: GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

## 7.1 Overview of Government companies and Statutory Corporation

### 7.1.1 *Introduction*

As on 31 March 2008, there were ten Government companies (nine working and one non-working) and one working Statutory Corporation (**Appendix 7.1**) as against the same number of companies and corporations as on 31 March 2007. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors 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 by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit of the accounts 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)**

### 7.1.2 Investment in the PSUs

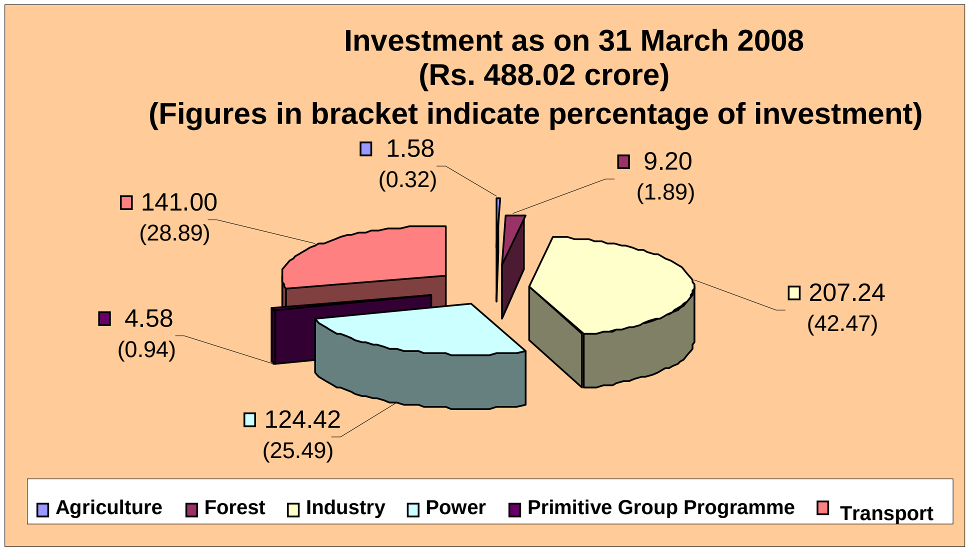
As on 31 March 2008, the total investment in ten working PSUs was Rs. 488.02 crore[1] (equity: Rs. 464.81 crore; long term loans**:** Rs. 23.21 crore[2]), as against Rs. 345.59 crore (equity: Rs. 337.71 crore; long term loans: Rs. 7.88 crore) as on 31 March 2007 (**Appendix 7.1**). The increase was due to increase in investment in PSUs in the power, industry and transport sector.

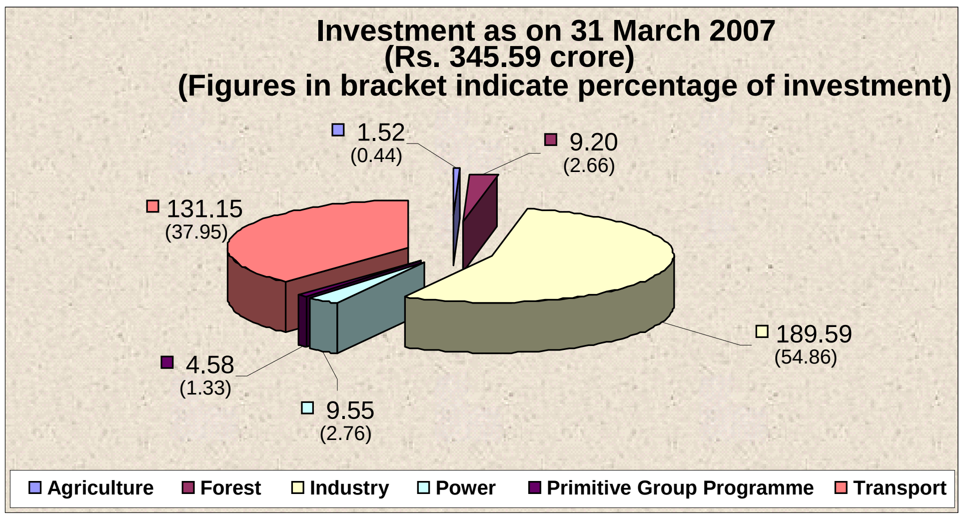
### 7.1.3 *Sector-wise investment*

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 is indicated in the following pie charts:

[1] State Government's investment was Rs. 477.48 crore (Others: Rs. 10.54 crore). The figure as per Finance Accounts is Rs. 471.77 crore. The difference is under reconciliation.

[2] Long term loans mentioned in paragraphs 7.1.2 to 7.1.7 are excluding interest accrued and due on such loans.




### 7.1.4 *Working Government companies*

The total investment in the working Government companies at the end of March 2007 and March 2008 (**Appendix 7.1)** is summarised below:

**Table No. 7.1.1**

| Year | Number of working Government companies | Equity | Long term loans | Total |
|---|---|---|---|---|
| | | *(Rupees in crore)* | | |
| 2006-07 | 9[3] | 206.81 | 7.63 | 214.44 |
| 2007-08 | 9[3] | 324.06 | 22.96 | 347.02 |

The increase in the investment was mainly due to investment made by the Government in the equity capital of Tripura Jute Mills Limited (Rs. 8.85 crore) and Tripura State Electricity Corporation Limited (TSECL) (Rs. 99.74

[3] Out of nine working Government companies, one company (Tripura Jute Mills Limited, Sl. No. A-6 of Appendix-7.1) has been referred to Bureau of Industrial and Financial Reconstruction (BIFR).

crore[4]) during the year. Similarly the increase in loan investment was due to long term loan given to TSECL (Rs. 4.78 crore during the year).

### 7.1.5 *Working Statutory corporation*

The total investment in equity and loans of Tripura Road Transport Corporation (TRTC) at the end of March 2008 was Rs. 140.75 crore equity and Rs. 0.25 crore loan as against Rs. 130.90 crore equity and Rs. 0.25 crore loan as on 31 March 2007. As of 31 March 2008, the total investment in working Statutory Corporation comprised 99.82 *per cent* equity capital and 0.18 *per cent* loans as compared to 99.81 *per cent* and 0.19 *per cent* respectively as on 31 March 2007.

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

The details of budgetary support in the form of equity contribution and loans, grants/subsidies, waiver of dues, conversion of loans into equity and guarantees issued by the State Government to working PSUs are given in **Appendix 7.1** and **7.3** and summarised below:

**Table No. 7.1.2**

***(Rupees in crore)***

| | 2005-06 | | | | 2006-07 | | | | 2007-08 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Companies | | Corporation | | Companies | | Corporation | | Companies | | Corporation | |
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Equity Capital | 6 | 14.11 | 1 | 9.30 | 7 | 25.72 | 1 | 10.50 | 6 | 17.97 | 1 | 11.10 |
| Loans | Nil | Nil | Nil | Nil | 1 | 11.04 | Nil | Nil | 1 | 4.78 | Nil | Nil |
| Subsidy | Nil | Nil | Nil | Nil | 1 | 45.00 | Nil | Nil | 1 | 50.00 | Nil | Nil |
| **Total outgo** | **6** | **14.11** | **1** | **9.30** | **9** | **81.76** | **1** | **10.50** | **8** | **72.75** | **1** | **11.10** |

**Note:-** In the year 2006-07, Tripura State Electricity Corporation Limited received both Equity capital and loan from the State Government.

The Tripura State Electricity Corporation Limited received revenue grant / subsidy of Rs. 50 crore during 2007-08.

### 7.1.7 *Finalisation of accounts by working PSUs*

The accounts of the Government 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. The accounts along with Auditor's Report are to be laid before the State Legislature within nine months from the end of the financial year. As of August 2008, none of the 10 working PSUs had finalised their accounts for the year 2007-08 **(Appendix 7.2).** During the period October 2007 to August 2008, four accounts of four companies were finalised. Accounts of TRTC for 2002-03 were also finalised

[4] During the year 2007-08, TSECL had allotted 99,74,000 Equity share @ Rs. 100 each, fully paid up. This amount is included in the fully paid up capital of Rs. 10,929.01 lakh (**Appendix-7.1**).

during the above period. The arrears in accounts (ranging from 2 to 14 years as on 31 August 2008) are indicated below.

**Table No. 7.1.3**

| Number of working PSUs | Period for which accounts were in arrears | Number of years for which accounts were in arrears | Reference to Sl. No. of Appendix 7.2 |
|---|---|---|---|
| 1 | 1994-95 to 2007-08 | 14 | 5 of A |
| 1 | 1996-97 to 2007-08 | 12 | 3 of A |
| 1 | 1999-00 to 2007-08 | 9 | 2 of A |
| 2 | 2000-01 to 2007-08 | 8 | 1 and 6 of A |
| 2 | 2001-02 to 2007-08 | 7 | 4 and 7 of A |
| 1 | 2003-04 to 2007-08 | 5 | 1 of B |
| 2 | 2006-07 to 2007-08 | 2 | 8 and 9 of A |

### *7.1.8 Investment made by State Government in PSUs whose accounts are in arrears*

The State Government had invested Rs. 364.94 crore (equity: Rs. 266.49 crore, loan: Rs. 8.13 crore, grants: Rs. 90.32 crore ) in 10 PSUs during the years for which accounts have not been finalised as detailed in **Appendix 7.4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed time to time by the Audit, of the arrears in finalisation of accounts, no remedial measures had been taken. As a result of which the net worth of these PSUs could not be assessed in audit.

### *7.1.9 Financial position and working results of the working PSUs*

The summarised financial results of the working PSUs as per their latest finalised accounts are given in **Appendix 7.2.** Besides, the financial position and working results of the Statutory Corporation (TRTC) are indicated in **Appendices 7.5** and **7.6** respectively. According to the latest finalised accounts of nine working companies and one Statutory corporation, seven companies and one working Statutory corporation had incurred an aggregate loss of Rs. 4.81 crore and Rs. 16.41 crore respectively. Two companies *viz.*, Tripura State Electricity Corporation Limited and Tripura Rehabilitation Plantation Corporation Limited had earned profit of Rs. 11.71 crore.

### 7.1.10 *Profit earning companies and dividend*

Out of the four working companies which had finalised their accounts during the period October 2007 to August 2008, two companies[5] had earned a profit of Rs. 11.71 crore. None of the companies had declared dividend in those finalised accounts.

### 7.1.11 *Loss incurring companies*

Of the seven loss making companies, three[6] had accumulated losses of Rs. 77.42 crore which exceeded their aggregate paid-up capital by Rs. 12.50 crore. Despite poor performance and erosion of their paid-up capital, the State Government continued to provide financial support in the form of equity, *etc*. The total equity contribution released to the loss incurring PSUs during 2007-08 amounted to Rs. 17.97 crore.

### 7.1.12 *Loss incurring Statutory corporation*

The only Statutory corporation (TRTC) had accumulated loss of Rs. 133.20 crore as on 31 March 2003 (year up to which the accounts were finalised) which exceeded its aggregate paid-up capital of Rs. 93.06 crore by Rs. 40.14 crore. The State Government continued to provide financial support, which was Rs. 11.10 crore in 2007-08, in the form of contribution towards equity.

### *7.1.13 Operational performance of the TRTC*

The following are the highlights of the operational performance of the TRTC (**Appendix 7.7)**.

- While the percentage of utilisation of buses increased from 37.36 in 2006-07 to 51.58 in 2007-08, the percentage of utilisation of trucks decreased to 50 *per cent* in 2007-08 as compared to 70 *per cent* in 2006-07.
- Operating revenue per kilometre (Rs. 18.00) from the buses was very low in comparison to average expenditure per kilometre (Rs. 68.00) resulting in loss of Rs. 50.00 per kilometre in 2007-08.
- The corporation incurred loss of Rs. 62.49 per kilometre in operating the trucks during 2007-08 as compared to Rs. 22.53 per kilometre during 2006-07. Reduction in operating revenue per kilometre from trucks by 38.41 *per cent* and increase in average expenditure per kilometre by 50.66 *per cent* over the revenue and expenditure respectively of previous year contributed to significant increase in loss.

### *7.1.14 Return on capital employed (ROCE)*

The details of capital employed and total return on capital employed in case of working Government companies and the Statutory corporation are given in **Appendix 7.2**. According to the latest finalised accounts (up to August 2008),

---

[5] Tripura State Electricity Corporation Ltd and Tripura Rehabilitation Plantation Corporation Ltd.

[6] Tripura Small Industries Corporation Limited, Tripura Handloom and Handicrafts Development Corporation Limited and Tripura Jute Mills Limited.

the capital employed worked out to Rs. 34.14 crore in seven loss making companies and total return thereon amounted to (-) Rs. 4.10 crore as compared to total return of (-) Rs. 2.61 crore in the previous year. In respect of the two profit making PSUs *viz.* Tripura State Electricity Corporation Limited (TSECL) and Tripura Rehabilitation Plantation Corporation Limited (TRPCL), the capital employed worked out to Rs. 787.81 crore and the return on capital employed was Rs. 11.72 crore in the year for which the accounts were finalised.

Similarly the capital employed and total return thereon in case of the working Statutory corporation according to the latest finalised accounts (for the year 2002-03) worked out to (-) Rs. 32.11 crore and (-) Rs. 10.86 crore respectively against the total return of (-) Rs. 8.08 crore in the previous year.

### *7.1.15 Power Sector Reforms*

The Tripura State Electricity Corporation Limited (TSECL) was set up in June 2004 under the Companies Act, 1956 and the generation and distribution of electricity were transferred from the Power Department to the TSECL, which started functioning with effect from 1 January 2005. To reduce transmission and distribution losses, the following steps were to be taken as per the MOU signed in August 2003 between the State Government and the Union Ministry of Power:

- Installation of meters on 11 KV feeders by 31 December 2003;
- 100 *per cent* metering on the LT side of distribution transformers;
- 100 *per cent* metering of all consumers by 31 December 2003;

Status of progress achieved by TSECL against the above targets as of July 2008 was as under:

- Metering of all the 11 KV feeders (310 Nos.) had been completed.
- Out of 6,829 Nos. of LT side distribution transformers, 113 Nos. were metered (work was in progress for 2,730 Nos.) indicating insignificant progress in metering of distribution transformers.
- Against the target of 100 *per cent* metering of all consumers, 90.74 *per cent* domestic consumers and 83.62 *per cent* rural consumers have been metered as of July 2008.

### *7.1.16 Investment in non-working PSUs*

There was only one company (Tripura State Bank Ltd) which had been non-functional for about 37 years and was under liquidation under Section 560 of the Companies Act, 1956. As on 31 March 2008, the total investment in this company in the form of equity was Rs. 4 lakh only.

### *7.1.17 Status of placement of Separate Audit Reports of Statutory corporation in Legislature*

The Separate Audit Report (SAR) issued (February 2008) by the Comptroller and Auditor General of India on the accounts of TRTC for 2002-03 had not been placed (August 2008) in the legislature.

### *7.1.18 Disinvestment, privatisation and restructuring of PSUs*

There was no case of disinvestment, privatisation, merger or closure of any State PSUs during 2007-08.

### *7.1.19 Results of audit of accounts of State PSUs by the Comptroller and Auditor General of India (CAG)*

During October 2007 to August 2008, accounts of three Government companies *viz*. Tripura Jute Mills Limited, Tripura Forest Development and Plantation Corporation Limited and Tripura State Electricity Corporation Limited were selected for supplementary audit. The net impact of the audit observations was increase in loss by Rs. 3.16 crore of these PSUs.

Some of the major errors and omissions noticed during the audit of the annual accounts of the above companies are mentioned below:

***(I) Tripura Jute Mills Limited (2000-01)***

***(a) Important comments offered by the CAG***

- Non-adjustment of staff salaries, wages, leave encashment payable, etc amounting to Rs. 1.06 crore had resulted in overstatement of Suspense Account as well as other liabilities by similar amount.

- Non-compliance with Accounting Standard–15 (Accounting for retirement benefits) resulted in understatement of Current Liabilities as well as loss by Rs. 2.39 crore.

***(II) Tripura Forest Development and Plantation Corporation Limited (1998-99)***

***(a) Important comments offered by the Statutory Auditor***

- Subsidy of Rs. 1.14 crore received from the State Government (Rs. 5.75 lakh) and Rubber Board (Rs. 1.08 crore) during 1993-94 was not adjusted against the assets created resulting in overstatement of Fixed Assets and Capital Reserve.

- Non-adjustment of funds of Rs. 10.25 lakh received for Training School building resulted in understatement of assets and loss to the extent of Rs. 10.25 lakh.

***(b) Important comments offered by the CAG***

- Non-adjustment of subsidy against the expenditure of Rs. 1.24 crore received ten years back for various projects even after completion of the projects resulted in understatement of Reserves and Surplus and accumulated loss to the same extent.

***(III) Tripura State Electricity Corporation Limited (2005-06)***

***(a) Important comments offered by the CAG***

- Sundry Creditors did not include Rs. 39.66 lakh payable to the suppliers for equipment supplied during 2005-06 resulting in understatement of Sundry Creditors and Capital Work-in-progress to the same extent.

### *7.1.20 Internal Audit*

No internal audit was being conducted in any of the PSUs as of August 2008. None of the companies had introduced regular internal audit systems.

### *7.1.21 Recommendations for the PSUs*

In view of the poor operating and financial performance of most of the PSUs, the following recommendations are made:

- Government should institute a system of corporate governance in the PSUs with clear lines of responsibility and accountability.

- PSUs should be asked to prepare their pending accounts in a time bound programme so that their correct financial position is established and accountability determined.

- Further financial assistance from the Government should be linked to clearly established performance milestones, in accordance with a clearly established corporate plan, so that the PSUs stop being a drain on scarce public resources.

### *7.1.22 Response to Inspection Reports, paragraphs and reviews*

Audit observations raised during audit and not settled on the spot are communicated to the heads of PSUs and the departments concerned 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 one month from the date of their receipt. Review of Inspection Reports issued up to March 2008 to eight PSUs disclosed that replies to 195 paragraphs of 46 Inspection Reports remained outstanding at the end of August 2008. Of these, 45 Inspection Reports containing 194 paragraphs had not been replied to for more than a year. The department-wise break-up of Inspection Reports and paragraphs issued up to 31 March 2008 and outstanding as on 31 August 2008 is given in **Appendix 7.8**.

Similarly, draft paragraphs and reviews are forwarded to the Secretary of the concerned administrative department seeking confirmation of facts and figures and comments within six weeks. Out of four draft paragraphs and two draft reviews forwarded to the Government between May 2008 and August 2008, replies in respect of one draft paragraph from the Transport Department and one draft review from the Power Department had not been received (September 2008).

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

### *7.1.23 Position of ATNs in respect of recommendations of the COPU / PAC on paragraphs / reviews contained in the CAG's Audit Report – Commercial Chapter*

Out of 23 reviews and 86 paragraphs that appeared in the Commercial Chapter (titled 'Government Commercial and Trading Activities') of the Audit Reports for 1988-89 to 2006-07, 16 reviews and 31 paragraphs had been discussed by COPU and 3 reviews and 22 paragraphs by the PAC (August 2008).

Of the 16 reviews and 31 paragraphs discussed by the COPU, reports containing the recommendations in respect of 4 reviews and 14 paragraphs relating to 7 Audit Reports had been published. Action taken notes on these recommendations had been received and discussed by the COPU.

Against 3 reviews and 22 paragraphs (relating to the Power Department) discussed by the PAC, action taken notes on the recommendations of the PAC in respect of 3 reviews and 8 paragraphs had been received and discussed by the PAC (August 2008).

### *7.1.24 Section 619-B Companies*

Only one company *viz*. the Tripura Natural Gas Company Limited (TNGC) comes within the purview of Section 619-B of the Companies Act, 1956. The TNGC had paid-up capital of Rs. 53.65 lakh[7]. Its accounts upto 2002-03 had been finalised, according to which the TNGC earned a profit of Rs. 14.86 lakh during the year.

[7] Contributed by two Government companies *viz.* Tripura Industrial Development Corporation Limited and Assam Gas Company Limited.

# SECTION – A

# FOREST DEPARTMENT

## (Tripura Forest Development and Plantation Corporation Limited)

## 7.2 Internal control mechanism

**Highlights**

**The Company did not prepare detailed estimates of receipts and expenditure for each unit of appropriation nor did it make sub allocation of funds to the divisional levels. This rendered difficulties in financial and budgetary control.**

**(Paragraph 7.2.6.2)**

**Physical verification of cash book was not done during 2003-04 to 2007-08 by the heads of offices in contravention of the rules.**

**(Paragraph 7.2.6.8)**

**The Company had not prepared a Manual detailing the duties and responsibilities of various cadres, due to which the staff and officers did not have their duties and responsibilities defined precisely.**

**(Paragraph 7.2.7)**

**Absenteeism of tappers translated into a shortfall in production of 1225.224 MT of rubber worth Rs. 8.20 crore which resulted in loss of revenue amounting to Rs. 4.65 crore during the period 2003-04 to 2007-08.**

**(Paragraph 7.2.8.4)**

**Due to inadequate maintenance and damage to plants by natural calamities and fire the Company sustained a potential loss of revenue of Rs. 104.91 crore.**

**(Paragraph 7.2.8.6)**

**The yield from the Company's plantations was extremely low per hectare, against the State average. The corresponding potential loss of 25,623.313 MT during the five years from 2003-04 to 2007-08 translated into a loss of potential revenue of Rs. 79.73 crore**

**(Paragraph 7.2.8.7)**

**The Company did not have any Internal Audit Wing nor did it engage any outside agency to conduct the internal audit of its activities, hence important tool of Internal Control was missing.**

**(Paragraph 7.2.10)**

### 7.2.1 Introduction

Internal control is an integral part of an organisation's operations. Internal control systems provide a tool for the management to ensure economic, efficient and effective utilisation of resources and achievement of the organisation's objectives. They also ensure that financial interests and resources are safeguarded and reliable information is available to the stakeholders.

Tripura Forest Development and Plantation Corporation Limited (Company) was incorporated in March 1976 as a Government company to acquire rubber and other plantations in the State and to develop and carry on the business of rubber, citronella and bamboo produces. The main activities of the Company are as under:

- Raising of the commercial plantations of rubber along with production of raw rubber produces;
- Value addition to raw rubber by producing Centrifuged latex, Crepe rubber etc;
- Training of prospective entrepreneurs for setting up rubber based industries in Tripura;
- Value addition to raw rubber wood in Timber Treatment Plant.

The Company is managed by a Board of Directors appointed by the Governor. The present Board consists of 11 Directors including the Chairman. The Managing Director (MD) is the Chief Executive Officer who is assisted by a Company Secretary (CS), an Executive Director, a Chief Accounts Officer, four Divisional Managers[8] (DM) (at the district level) and one General Manager (GM) at the Company's Industrial Estate.

### 7.2.2 Audit coverage

The Performance audit of the internal control mechanism including internal audit arrangements in the Company was conducted during March to June 2008 by examination of records for the period 2003-04 to 2007-08 at the Company's Headquarters at Agartala; three divisions located at Agartala, Kumarghat and Santirbazar; the factory division at Takmacherra; and the Industrial Estate at Nagicherra.

### 7.2.3 Audit objectives

Performance audit of internal controls in respect of activities in the Company was conducted with a view to assess whether:-

- the budget prepared served as a tool of financial control;
- programme management and manpower management controls were effective;
- proper system of inventory control was being followed;

[8] Sadar Division, Agartala; South–I Division; Santirbazar; South–II Division, Sabroom and Northern Division, Kumarghat.

- internal audit was conducted as per guidelines formulated; audit coverage was adequate and commensurate with the size and activities of the institution; and
- system of inspection and vigilance mechanism was effective.

### 7.2.4 Audit criteria

The following audit criteria were used:

- Targets set out in the Annual Plan and Resource forecasts and Budget Estimates;
- Provisions of Functional/Operational manuals;
- Provisions of the General Financial Rules (GFRs);
- Orders/instructions issued by the State Government and
- Procedures prescribed for inspection and vigilance mechanism.

### 7.2.5 Audit methodology

Before taking up the review of internal control mechanism in March 2008, the audit objectives and audit criteria were discussed with the Managing Director of the Company, in an entry conference on 28 March 2008. Information furnished by the Company and collected through questionnaires and replies to audit memos have been used as evidence.

### 7.2.6 Audit Findings

The audit findings were reported (July 2008) to the State Government / Management and discussed (30 July 2008) at the meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) where the Government / Management was represented by the Chief Secretary to the Government and MD of the Company.

The review was finalised after considering views of the Government / Management. Management's replies received (August 2008) have been incorporated in the reports wherever appropriate.

The audit findings are discussed in the succeeding paragraphs.

#### 7.2.6.1 Financial and budgetary control

The Company follows the GFRs and the Accounts Code for the Forest Department. Audit revealed weak financial and budgetary control, as discussed below.

#### 7.2.6.2 Preparation of budget

Timely preparation of budget and analysis of the variations strengthen internal control by indicating gaps and lacunae in financial planning. The GFRs require preparation of detailed estimates of receipts and expenditure, explaining any major variations with past actual or / and budget estimates with cogent reasons.

It was noticed that the Company did not prepare detailed estimates of receipts and expenditure for each unit of appropriation nor did it make sub allocation of funds to the divisional levels. This rendered difficulties in financial and budgetary control. The annual budget was stated to have been prepared on the basis of annual plan duly approved by the Board of Directors, but no such plan could be produced to Audit, indicating absence of an institutionalised arrangement whereby the budgeting process would flow from a Board approved work plan, which would serve as an important control in ensuring responsibility and accountability in the achievement of the work plans.

Management stated (August 2008) that necessary step would be taken for preparation of annual plan from the next year.

### 7.2.6.3 Budget provision and expenditure

An analysis of the budget provision and expenditure for the five years (2003-04 to 2007-08), as shown in Table No. 7.2.1, showed substantial savings ranging from 11 to 28 *per cent*.

**Table No. 7.2.1**

***(Rupees in crore)***

| Year | Budget provision | Expenditure | Savings | Percentage of savings |
|---|---|---|---|---|
| 2003-04 | 14.76 | 12.78 | 1.98 | 13 |
| 2004-05 | 17.72 | 13.48 | 4.24 | 24 |
| 2005-06 | 18.61 | 16.52 | 2.09 | 11 |
| 2006-07 | 26.55 | 19.08 | 7.47 | 28 |
| 2007-08 | 29.66 | 26.22 | 3.44 | 12 |
| **Total** | **107.30** | **88.08** | **19.22** | **18** |

**Source**: Budget Booklet and expenditure figures furnished by the Company.

The savings were mainly due to partial implementation of schemes *viz*, creation and maintenance of rubber plantation, resettlement schemes for tribals and setting up of a factory for commercial utilisation of rubber wood. There was no evidence of any systematic review of this trend, which indicated that little or no use was made of the budgeting process as a tool of financial control. Other instances of control failures are as follows:

### 7.2.6.4 Expenditure without budget provision

Rupees 98.85 lakh[9] was spent for (i) Rubber plantation on degraded land on Indo-Bangla Border (ii) Process cum Product Development Centre and (iii) Infrastructure Development Scheme during 2005-06 and 2007-08 respectively. The expenditure was sanctioned by Competent Authority without having any budget provision.

9

*(Rs. in lakh)*

| | | 2005-06 | 2007-08 | Total |
|---|---|---|---|---|
| (i) | Rubber plantation on degraded land on Indo-Bangla border | 7.08 | - | 7.08 |
| (ii) | Process cum Product Development Centre | 11.63 | - | 11.63 |
| (iii) | Infrastructure Development Scheme | - | 80.14 | 80.14 |
| | **Total** | **18.71** | **80.14** | **98.85** |

While admitting the facts the management stated (August 2008) that necessary budget provision had been made during 2008-09.

#### 7.2.6.5 Excess over budget provision

Rupees 6.64 crore was spent in excess of the budget provision against the schemes (i) First Phase plantation (ii) Latex centrifuging factory at Takmacherra (iii) Process cum Product Development Centre (iv) Timber Treatment Plant and marketing of timber (v) Resettlement of ST families (vi) Raising of Plantation on degraded land on Indo-Bangla border (vii) Tapping and Processing at Sepahijala (viii) Infrastructure Development Scheme (ix) Setting up of common facility centre at Annandanagar **(Appendix-7.9)** during 2003-04 to 2007-08 by diverting funds from other schemes, without the approval of the Board of Directors.

Management stated (August 2008) that the excess expenditure would be placed in the next Board meeting for approval.

#### 7.2.6.6 Expenditure incurred without sanction

In 3 Divisions[10], expenditure of Rs. 24.92 lakh was incurred for plantation purposes (April 2008) without sanction of the Managing Director and the expenditure remained unaccounted for (May 2008). It was seen that the financial power in respect of implementation of plantation programmes was vested in the Managing Director without any delegation to the Divisional Managers.

Management stated (August 2008) that expenditure was incurred by the Divisions to accomplish to the seasonal tasks within the specified period.

### Irregularities in cash book

#### 7.2.6.7 Cash book in arrears

Article 256 of the Account Code Volume III of the Forest Accounting Procedure prescribes maintenance of Cash Book in which all monetary transactions should be entered. Test check (May 2008) of the cash books of the Office of the Managing Director at the Company Headquarters, the General Manager Office at the Industrial Estate and two Divisional offices[11]revealed that monetary transactions were not recorded into the cash book on the date on which they occurred, the entries being made after a lapse of one to two months. These carry the risk of misappropriations of cash.

Management stated (August 2008) that the matter was taken up with utmost priority and cash books had since been updated.

#### 7.2.6.8 Physical verification not done

Article 265 of the Code *ibid* states that cash book should be closed monthly and the balance at the close of the month should be checked with the actual

[10] Sadar Division at Agartala, South-I Division at Santirbazar and Northern Division at Kumarghat.
[11] Sadar Division at Agartala and South –I Division at Santirbazar.

cash balance verified by actual count. It was noticed (May 2008) that physical verification of cash book was not done during 2003-04 to 2007-08 by the heads of offices in contravention of the rules.

Management stated (August 2008) that all heads of offices had been directed for physical verification of cash books as per the Forest Accounting Procedure.

### 7.2.6.9 Non recording of advance payment

According to the article 250 of the Forest Accounting Procedure a subordinate officer not authorised to draw cheques, is given advances to make cash disbursements. The amount of the advances should be debited in the accounts of the Division as "Forest Advances". The Company made regular advances to different units and Rubber Plantation Centres to defray plantation expenses but the advances were not taken into the cash book on the date of making advances.

Test check in three units[12] revealed that Rs. 1.50 crore were advanced during April 2008 to June 2008 in 42 occasions without entering the amounts in the cash book.

Management stated (August 2008) that all the concerned officers had been instructed to maintain the cash book up to date as per the Account Code.

### 7.2.6.10 Penalty due to non-filing of Income Tax return

The Company did not file income tax return since inception till the assessment year 2000-2001, and subsequently filed incorrect return for the assessment year 2002-03. On this account, the Company had incurred total liability of Rs. 2.17 crore[13] towards penalty and interest for undisclosed income, non-filing of return and non-payment of advance tax for the period 2002-03 to 2005-06, against which Rs. 1.42 crore had already been paid. This indicated a major control failure subjecting the Company to heavy financial liability.

Management stated (August 2008) that this happened due to huge losses, ignorance and absence of expert personnel to deal with the Income Tax related matters and the Company filed an appeal to the Commissioner of Income Tax, proceedings of which were in progress.

### 7.2.7 Manpower management and control

Against the total sanctioned strength of 353 staff and officers in 42 cadres, there were 220 men-in-position (62 *per cent*) as on June 2008 as detailed in **Appendix-7.10.** There were no men-in-position against 44 posts in 20 cadres. The basis on which these posts were created was not made available.

It was also seen that the posts of Labour Welfare Officer, Production Manager, Supervisors, Corporation Ranger, Project Guard, Machine Operator etc, which

[12] General Manager, Industrial Estate, Arundhutinagar: Rs. 13.22 lakh (4 occasions); Divisional Manager, TFDPC, Sadar Division: Rs. 30.83 lakh (32 occasions) and Managing Director, TFDPC, Agartala: Rs. 106.00 lakh (6 occasions).

[13] Penalty: Rs. 1.60 crore and Interest: Rs. 0.57 crore.

are crucial for effective implementation, coordination and monitoring of programmes for rubber plantation and resettlement, remained vacant to the extent of 18 to 100 *per cent*. As a result, the implementation of the programmes suffered as discussed in paragraph Nos. 7.2.8 to 7.2.8.11.

The Company had not prepared a Manual detailing the duties and responsibilities of various cadres, due to which the staff and officers did not have their duties and responsibilities defined precisely.

Management stated (August 2008) that the Company would take necessary action to prepare work manual for their staff and officers.

### 7.2.8 Programme management and control

Commercial plantation of rubber, production of raw rubber produces and resettlement of Scheduled Castes and Scheduled Tribes families through rubber plantation projects were the thrust areas of the activities of the Company. Scrutiny of records revealed weak programme management controls resulting in low productivity, low efficiency and high losses, as discussed in paragraph Nos. 7.2.8.1 to 7.2.8.4.

#### 7.2.8.1 Targets for plantation not achieved

The table 7.2.2 below indicates target and achievement of the Company plantation and resettlement plantation during the five years 2003-04 to 2007-08:

**Table No. 7.2.2**

***(In hectares)***

| Year | Company plantation | | Resettlement plantation | |
|---|---|---|---|---|
| | Target | Achievement | Target | Achievement |
| 2003-04 | 100.00 | 120.50 (121) | 155.00 | 164.50 (106) |
| 2004-05 | 137.00 | 141.00 (103) | 129.96 | 99.25 (76) |
| 2005-06 | 174.00 | 165.80 (95) | 100.00 | 21.15 (21) |
| 2006-07 | 615.00 | 353.55 (57) | 300.00 | 247.00 (82) |
| 2007-08 | 850.00 | 406.15 (48) | 300.00 | 98.00 (33) |
| **Total** | **1876.00** | **1187.00 (63)** | **984.96** | **629.90 (64)** |

**Source**: Budget Booklet for the year 2003-04 to 2008-09.
Figures in bracket indicate percentage of achievement.

It can be seen from the Table No. 7.2.2 that the achievement in plantation witnessed a sharp decline in the last three years (2005-06 to 2007-08), the shortfall ranged from 5 *per cent* (2005-06) to 52 *per cent* (2007-08) in respect of Company plantation and from 18 *per cent* (2006-07) to 79 *per cent* (2005-06) in resettlement plantation.

The persistent shortfall and lack of any evidence to analyse the reasons and take corrective measures indicated absence of effective controls at all levels, which hampered the achievement of the Company's objectives.

The management stated (August 2008) that the non achievement of target had been caused by the encroachment of the land and the local resistance against the handing over the land. The management also stated that the target was always fixed on the higher side to achieve best possible result from the available resources. The fact remains that the best possible results were not achieved.

### 7.2.8.2 Plantation in border areas without security clearance

The Company had taken up the plantation along Indo-Bangladesh border, under a project approved (June 2005) by GOI on the condition that before taking up the plantations clearances from security agencies would be obtained. It was seen that plantation in 663 hectares had been completed in 2006-07 and 2007-08 but the Company had not obtained any security clearance.

The management stated (August 2008) that the matter had already been taken up for obtaining the clearance from the security agency concerned.

### 7.2.8.3 Shortfall in rubber production

Table No. 7.2.3 below shows the rubber production targets and achievement thereagainst.

**Table No. 7.2.3**

| Year | Target (in MT) | Achievement (in MT) | Shortfall (in MT) | Shortfall (per cent) |
|---|---|---|---|---|
| 2003-04 | 3850.000 | 2725.901 | 1124.099 | 29 |
| 2004-05 | 3700.000 | 2829.675 | 870.325 | 24 |
| 2005-06 | 3741.000 | 3330.910 | 410.090 | 11 |
| 2006-07 | 4035.000 | 3253.973 | 781.027 | 19 |
| 2007-08 | 4321.260 | 3000.229 | 1321.031 | 31 |

**Source:** Departmental figures and production register.

It can be seen that targets could not be achieved in all the years and shortfall ranged from 11 to 31 *per cent* during 2003-04 to 2007-08. There was no analysis of the persistent under-achievement and the shortfall was attributed partly to increase in number of rainy days, which hampered the tapping. However, review in audit disclosed that the shortfall was also due to inadequate application of fertiliser and absenteeism of tappers as discussed in paragraph Nos. 7.2.8.4 and 7.2.8.5.

While admitting the facts, the management stated (August 2008) that production declined since most of the plantation under the Company are in the age group of above 20 years. The reply is not acceptable as age group of plantations was known to the Company while fixing the target.

### 7.2.8.4 Loss due to absenteeism of tappers

Test check of records of three rubber producing divisions[14] of the Company revealed that 9.46 *per cent* blocks remained untapped throughout the year due to absenteeism of tappers[15], which translated into a shortfall in production of 1225.224 MT worth Rs. 8.20 crore which resulted in loss of revenue amounting to Rs. 4.65 crore during the period 2003-04 to 2007-08 (**Appendix-7.11).**

[14] Sadar Division at Agartala, South-I Division at Santirbazar and Northern Division at Kumarghat.
[15] Tapper:- The person who extracts and collects latex from the rubber tree.

The management stated (August 2008) that the absenteeism was mainly due to (i) self engagement of tappers in paddy farming, (ii) festivals, social functions or other issues especially in tribal areas, (iii) sickness of the tappers and (iv) rainy days. The management further stated that the trend of absenteeism had been gradually brought down to the current level by paying higher wages, incentives and providing of substitute tappers etc.

### 7.2.8.5 Inadequate application of fertiliser

Test check of records of 29 out of 35 plantations owned by the Company revealed that the application of fertiliser (Urea, Rock Phosphate and Muriate of Potash) was much below the norms prescribed by the Rubber Board. The shortfall ranged from 39 to 58 *per cent* (Urea), 39 to 87 *per cent* (Rock Phosphate) and 48 to 86 *per cent* (Muriate of Potash) during 2003-04 to 2007-08, as detailed in **Appendix-7.12.**

It was also seen that no fertiliser was applied in Ratacherra plantation under Northern Division during 2006-07 and 2007-08 and in Sovapur and Bankumari plantations under Sadar Division during 2004-05 and 2005-06, as a result the average production of rubber per tree in these plantations declined from 1.81 to 1.66, 2.90 to 2.71 and 3.90 to 3.52 kg respectively during these years. The Company did not undertake soil and leaf analysis method for determination of requirement of fertiliser for its rubber plantations, as recommended by the Rubber Board.

### 7.2.8.6 Low average of tappable trees

The average number of rubber trees in the tappable age in the plantations of the Company was 133 to 135 trees per hectare, against the norm of 420 to 520 trees fixed by the Rubber Board. **Appendix-7.13** shows that the achievement was only 32 *per cent* of the norm because of inadequate maintenance and damage to plants by natural calamities and fire. As a result, the Company sustained a potential loss of revenue of Rs. 104.91 crore.

Management stated (August 2008) that the Company had already started restocking of plantation after felling down old rubber trees and had deputed protection squad to protect the plantation from damages which were controllable.

### 7.2.8.7 Low yield per hectare

The yield from the Company's plantations was extremely low and ranged from 344 to 419 kg per hectare, against the State average of 964 - 1111 kg per hectare. The corresponding potential loss of 25,623.313 MT during the five years from 2003-04 to 2007-08 translated into a loss of potential revenue of Rs. 79.73 crore (**Appendix-7.14**).

Management stated (August 2008) that production declined since most of the plantations under the Company are in the age group of above 20 years. The reply of the Management is not acceptable as only 866 rubber tree blocks out of 7,017 are at the age group of more than 20 years. Moreover, only seven to 12 *per cent* of the total latex producing rubber trees are more than 20 years old whereas bulk of the production is produced from the rubber trees at the age group of 0-20 years.

### 7.2.8.8 Low yield per tree

The crop production in the Company's plantations during 2003-04 to 2007-08 was only 16.62 grams to 20.61 grams per tree per tapping day, against the norm of 43 grams fixed by the Rubber Board. This translated into a shortfall in production of 19,028.340 MT and loss of potential revenue of Rs. 58.53 crore (**Appendix-7.15**).

Management stated (August 2008) that low yield per tree was attributed mainly to the plantations being selected from seedling origin rather than high breed clone origin. However, the management should have selected trees of high breed clone origin instead of the rubber seedlings to maximise production of crop.

### 7.2.8.9 Damage of plantations

The Company suffered heavy losses due to damage of plantations by natural calamities (storm, gala wind etc) and fire (Table No.7.2.4).

**Table No. 7.2.4**

| Sl No | Year | Damage of plantations (in numbers) | |
|---|---|---|---|
| | | Natural calamity | Fire |
| 1. | 2003-04 | 20,278 | - |
| 2. | 2004-05 | 10,463 | 3,119 |
| 3. | 2005-06 | 1,349 | - |
| 4. | 2006-07 | NA | 1,418 |
| 5. | 2007-08 | NA | 3,018 |
| **Total** | | **32,090** | **7,555** |

**Source**: Records provided by the office of the Managing Director and Northern Division, Kumarghat.

However, there was no evidence of control measures adopted by the Company like controlled burning of dry leaf fallen under the trees or insurance against the hazards, even though there was loss of huge potential revenue.

Management stated (August 2008) that the Company would explore the possibilities for insuring the rubber trees against losses on account of natural calamities like fire, if it is proved economical.

### 7.2.8.10 Rubber processing

The Company has established a Centrifuging Factory and Crepe Mill, which started commercial production in 1993-94. The capacity of the factory was doubled in March 2000 by introducing a new centrifuging machine at a cost of Rs. 43.04 lakh. However, effective measures were not taken to ensure that the capacity utilisation justified this expansion, as discussed in paragraph No. 7.2.8.11.

### 7.2.8.11 Low capacity utilisation

The field latex collected from the rubber tree is centrifuged and converted into Cenex. During this conversion skim lump[16] is obtained as a by-product, which

[16] Skim lump is a by-product of Cenex.

is converted into skim crepe[17]. **Appendix-7.16** indicates that the capacity utilisation was only 47 to 66 *per cent*, which translated into a loss of production of 1689.851 MT during 2003-04 to 2007-08.

Since there was adequate production of field latex and adequate demand for Cenex from the buyers, the shortfall in capacity utilisation indicated management failure to plan and organise the production in accordance with the available capacity.

The management stated (August 2008) that seasonal variation in production of field latex was the main reason for underutilisation of centrifuging machines.

The reply is not acceptable as there was sufficient production of field latex from the Company's plantations which was utilised otherwise than production of Cenex.

### 7.2.9 Inventory Control

#### 7.2.9.1 Non verification of stores and stock

Rubber sheets and Scrap produced at different rubber plantation centres (RPCs) are collected in Central Store at Agartala from where these are sold, while the Cenex is produced and sold from Centrifuging Factory at Takmacharra.

According to Rule 192 of the GFRs, physical verification of the fixed assets as well as consumable goods and materials should be done at least once in a year and discrepancies, if any, promptly investigated and brought to account.

It was noticed that the Company had not undertaken any physical verification of stores and stocks during the period covered under audit. The Executive Director of the Company made a surprise verification of stock of scrap rubber at the Central Store in November 2006 and found 3998 Kg of scrap lying in the store but not accounted for. The stock entry was made on the subsequent day but the Company did not institutionalise the system of periodic surprise checks and proper maintenance of the stores and stock accounts.

The management stated (August 2008) that necessary steps would be taken to institutionalise the mechanism of periodical inspection of office and verification of stores.

#### 7.2.9.2 Undue advantage extended to contractors

The Company introduced (June 2007) public-private partnership model for its furniture business. A memorandum of understanding was signed with two local firms allowing them the benefit of furniture making shed and use of sophisticated machinery on payment of rent fixed by the Company.

The Company could not furnish details of how these agencies were selected or the records of inviting expression of interest, indicating that transparency was not maintained in the selection procedure.

[17] Skim crepe: a type of rubber produced from Skim lump.

The management stated (August 2008) considering the factors that the firms were the bulk purchasers of treated Rubber Wood from the Company and having wide experience in manufacturing of furniture from Rubber Wood, agreements were signed with the approval of the Board.

### 7.2.10 Internal Audit

**The Company did not have any Internal Audit Wing nor did it engage any outside agency to conduct the internal audit of its activities, hence important tool of Internal Control is missing.**

### 7.2.11 Vigilance and Inspection Mechanism

The Company did not have any vigilance wing. Inspection of stores and stock was stated to have been conducted by superior officers and report thereof submitted to the Company Headquarter from time to time. However the system of periodical inspection did not exist.

The management stated (August 2008) that they would take action to institutionalise the mechanism of periodical inspection of offices and stores.

### 7.2.12 Conclusion

The Internal Control Mechanism in the Company was found deficient in respect of financial and budgetary control such as expenditure without budgetary provision; excess of expenditure over budget provision; non recording of advance payment in Cash Book; avoidable expenditure on payment of penalty and interest on income tax etc. There was weakness in manpower management and programme management control which adversely affected the productivity of plantations and rubber production. The Company neither has any internal audit wing to conduct the internal audit of its activities nor vigilance wing to watch the cases of probable fraud and corruption.

### 7.2.13 Recommendations

In order to streamline its financial programme and stores and stock management, it is recommended that the Company may consider the following:

- financial management and budgetary and expenditure control should be strengthened and properly monitored;
- physical verification of cash, cash book and stores and stock should be conducted as prescribed;
- production and productivity norms should be enforced through a properly designed system of communication and performance monitoring;
- manual of Instructions for activities and duties of officers and staff should be put in place; and
- a sound system of internal control including internal audit arrangement should be instituted and periodic review and monitoring of performance at higher management and Board levels should be institutionalised.

# POWER DEPARTMENT

**(Tripura State Electricity Corporation Limited)**

## 7.3 IT Audit of computerisation of Energy Billing System

***To provide better consumer services, to ensure efficiency and transparency in raising bills and collection of revenue, and to generate MIS reports for better revenue management, the computerised Energy Billing System (EBS) was initially implemented (October-December 2004) in six Electrical Sub Divisions under one Electrical Division. As of June 2008, the system has been implemented in 43 Electrical Sub-Divisions (out of 49). An IT Audit of the computerised Energy Billing System brought out the following main points:***

### Highlights

**Lack of validation of data of pre-computerised period resulted in non-accountal of 1,841 consumers and duplication of records in respect of 10,373 consumers.**

**(Paragraph 7.3.7)**

**Lack of processing control led to rebates after due payment date and non-generation of monthly bill.**

**(Paragraphs 7.3.9.2 and 7.3.9.3)**

**Non-updating of Tariff in time resulted in short realisation of Rs. 8.81 lakh.**

**(Paragraph 7.3.9.4(B))**

**Rs. 7.37 crore was outstanding against 49,472 consumers of which 24,708 private consumers were defaulters ranging from 5 to 40 months.**

**(Paragraph 7.3.10.1)**

**Rs. 82.80 lakh was outstanding against installment bills in respect of 3,239 consumers.**

**(Paragraph 7.3.10.2)**

**No bills were generated against 7,299 consumers resulting in non-realisation of Rs. 17.82 lakh.**

**(Paragraphs 7.3.10.3)**

**Meter rent of Rs. 0.86 lakh from 1,581 consumers and fixed charges of Rs. 1.42 lakh from 5,138 consumers were not realised.**

**(Paragraphs 7.3.10.4)**

**Rs. 4.30 crore was outstanding as on 31 March 2008 against bills raised manually before computerisation.**

**(Paragraphs 7.3.13.2)**

### 7.3.1 Introduction

Government of India launched (February 2001) Accelerated Power Development Programme (APDP) to enable distribution reforms in the Power Sector. The APDP was renamed as "Accelerated Power Development and Reforms Programme" (APDRP) in March 2003. One of the components of APDRP is implementation of Computerised Energy Billing System (EBS). The Power Department, Government of Tripura decided (December 2003) to implement the Computerised Energy Billing System (EBS), initially for the consumers of Agartala Municipal Area. Subsequently, it was decided (July 2006) to implement EBS throughout the State and integrate all the Electrical Divisions/ Sub-Divisions.

The work of generation, transmission, distribution, maintenance and supply of electricity, prior to January 2005, was looked after by the Power Department. In January 2005 the Power Department transferred these functions to the Tripura State Electricity Corporation Ltd. (TSECL), a company set up in June 2004 under the Companies Act, 1956.

EBS was developed by NIC using Oracle RDBMS and Windows 2003 Server. Application Modules operate in a LAN (Local Area Network) Environment on Windows Platform. Computer Hardware, Software and other IT related accessories were procured through NICSI[18] at a cost of Rs. 4.91 crore (till January 2008). Preparation of consumer registers and data entries were outsourced to private parties at a cost of Rs. 30 lakh. Project also included a site preparation cost of Rs 65 lakh.

Initially, the IT System was implemented in all six Electrical Sub-Divisions (ESD) under Electrical Division No-1, Agartala during October-December 2004; thereafter it was extended to 37 ESDs during September 2005 to December 2007. The system has been implemented in 43 out of 49 ESDs till June 2008.

The system operates on stand-alone basis and no central data centre either at the Corporate office or at Division offices within the ESDs integrating the databases of the stand-alone servers in the ESDs exists.

### 7.3.2 Objectives of the computerisation

The objectives of the computerisation of Energy Billing System were:

- Providing better consumer services
- Generation of Energy Bills and Collection of Revenues
- Issue of disconnection and re-connection notices
- Generation of MIS reports for Revenue Management

### 7.3.3 Organisational set up

The Chairman-cum-Managing Director (CMD) is responsible for the overall functioning of TSECL. There are 4 (four) Circle Offices, 11 (eleven) Electrical Divisional Offices and 49 (forty nine) Electrical Sub Divisional (ESD) Offices in the State, under the administrative control of Additional

[18] National Informatics Centre Services Incorporated.

General Managers, Deputy General Managers and Senior Managers respectively. An EDP Cell functions in the Corporate office for overall supervision and monitoring of the computerised system.

### 7.3.4 Audit Objectives

The audit objectives were to ascertain whether:

- The system is generating bills and reports accurately and efficiently
- All required controls (General and Application) are implemented
- Database is complete and reliable
- Effective monitoring system exists
- Flexibility and security for changing of tariff rates in EBS is adequate
- IT Security and Business Continuity Planning is adequate.

### 7.3.5 Scope and Methodology of Audit

During May 2008 to July 2008, out of 43 ESDs (which implemented the IT system), 25 ESDs (60 *per cent*) were test checked covering 73 *per cent* of consumers (2.44 lakh out of 3.37 lakh consumers) for the period starting from December 2004 to March 2008. Planning and implementation related documents as well as records relating to procurement of computer hardware, software, site preparation, etc were examined in the Corporate office, Electrical Division No. I and Electrical Division No. III at Agartala. Analytical review of data was carried out using IDEA[19] in respect of test checked ESDs. The results of audit were sent to the Government as well as the Company on 7 August 2008 for confirmation of the facts and figures, with the request to hold exit conference. The reply of the Government/Company on the audit findings is awaited and the exit conference could not be held (September 2008) despite repeated requests of audit.

## Audit findings

### 7.3.6 Inadequate policy framework

Project Proposal, Software Requirement Specification (SRS), and User Manual were prepared by NIC. The Company has not yet prepared any disaster management policy covering aspects like taking regular backups, testing of backup at periodic intervals etc, security policy covering physical access controls, environmental controls, logical access controls, segregation of duties etc, and training policy.

### 7.3.7 Complete switch over to Computerised System before ensuring correctness of data migrated into EBS

Before complete switch over to the computerised system the completeness, accuracy and reliability of data should be ensured. Analysis of the database with the monthly progress reports of the ESDs, revealed that 1,841 consumers

---

[19] Interactive Data Extraction and Analysis package, a computer assisted auditing tool.

in four ESDs were yet to be entered in the computerised system and 10,373 consumers in eight ESDs were entered in excess of actual number of consumers. Details are given at **Appendix-7.17.**

### 7.3.8 Inadequate physical access controls

Physical access controls are specifically aimed at ensuring that only the persons authorised by management have physical access to computer systems especially in the server room. The physical access control was compromised in the 11 ESDs[20] by allowing consumers to enter the server room as no alternative arrangement existed to receive complaints from the consumers.

### 7.3.9 Application Controls

Application controls, either manual or programmed, ensure completeness and accuracy of the records and the validity of the entries made therein. These controls can provide assurance that all transactions are authorised and recorded, processed completely, accurately and on a timely basis.

#### 7.3.9.1 Lack of validation controls leading to duplicate records in the database

Test check of database of four ESDs[21] revealed that in 288 cases consumer's details have been entered twice which resulted in two Consumer IDs for the same consumer against a single service connection. This inflated both the number of consumers in database and the revenue outstanding reports.

#### 7.3.9.2 Lack of processing control led to rebates after due payment date

As per Para 1 under 'Discount for prompt payment' of Tripura Electricity Tariff order dated 30 June 2005, rebate of 10 paise per KWH would be allowed to the consumers for making payments within due dates. After expiry of due date two *per cent* penalty on energy charges is to be imposed per month or part thereof. Scrutiny of the databases, revealed that in 11 ESDs, rebate totaling Rs. 0.67 lakh was allowed in 2,615 cases after lapse of due payment dates.

#### 7.3.9.3 Lack of processing controls led to non-generation of monthly bill

Test check of database revealed that in 1,018 cases of connected consumers in 4 ESDs, no bills were generated even after unit consumption data have been entered. This resulted in non-realisation of monthly meter rent, fixed charge and actual cost of energy units consumed. No provision is available in the system to detect missing bills against a particular consumer. Sr. Manager, ESD, Bishalgarh stated that due to locked houses, bills were generated by entering some units on provisional basis. This may sometimes lead to negative figure in subsequent reading for which no option has been made by the NIC to generate bills for such cases in the EBS. However, as detailed in Table No

[20] Banamalipur ESD-I, Banamalipur ESD-II, Krishnanagar, Durga Chowmuhani, 79 Tilla, Bardowali, Udaipur, Belonia, Sonamura, Khayerpur and Jirania.

[21] Belonia : 116, Bishalgarh : 24, Khowai : 116 and Sonamura : 32.

7.3.1, it was noticed that in 984 instances, no bills were generated for cases other than of locked houses.

**Table No. 7.3.1**

| Sl. No. | Electrical Sub Division | Total No. of bills not generated | No. of bills due to locked houses | No. of bills other than locked houses | Total unit consumption |
|---|---|---|---|---|---|
| 1 | Belonia | 57 | 0 | 57 | 3,675 |
| 2 | Bishalgarh | 557 | 34 | 523 | 30,678 |
| 3 | Sonamura | 348 | 0 | 348 | 30,218 |
| 4 | Udaipur | 56 | 0 | 56 | 4,857 |
| | **Total** | **1,018** | **34** | **984** | **69,428** |

### 7.3.9.4 Master/ Standing Data file controls

Scrutiny of the master table (Tariff_ID) revealed that option to change or update Tariff rate in master table is only vested with the NIC. However, due to non-updating of Tariff ID master table in time by the NIC, the following deficiencies were noticed in the EBS database:

(A) As per revised tariff order (July 2006), consumers covered under various schemes of State or Central Governments with maximum load of 120 watt (60 watt X 2 points) and monthly consumption being limited to 15 units, will come under Kutirjyoti (KJ) category and will be charged at a lump sum rate of Rs. 26/month/connection. In case consumption under KJ category exceeds 15 units per month the consumer will be liable to pay energy charges at the rate of next higher tariff slab including meter rent and fixed rate. Scrutiny of database as detailed in Table No. 7.3.2 revealed that though the units consumed by 4,916 KJ consumers exceeded 15 units per month, the consumers were not charged at the higher appropriate rate leading to short realization of energy charges.

**Table No. 7.3.2**

| Sl. No. | Electrical Sub Division | Total no. of Kutirjyoti Consumers | No. of bills exceeding 15 units per month | Range of energy consumption (units per month) | Short realisation (in Rs) |
|---|---|---|---|---|---|
| 1 | Banamalipur ESD-I | 4 | 35 | 17-49 | 784 |
| 2 | Bishalgarh ESD | 884 | 18 | 21-24 | 225 |
| 3 | Durjaynagar ESD | 545 | 773 | 16-31 | 12,274 |
| 4 | Jirania ESD | 1,550 | 112 | 21-33 | 2,263 |
| 5 | Bardowali ESD-II | 276 | 131 | 16-259 | 5,756 |
| 6 | 79 Tilla ESD | 166 | 106 | 16-23 | 1,654 |
| 7 | Mohanpur ESD | 1,491 | 3,290 | 16-53 | 57,385 |
| | **Total** | **4,916** | **4,465** | | **80,341** |

(B) In Khayerpur ESD database a separate Tariff ID (90100) was created for Industrial consumers using Time of Day (TOD) meter in addition to Industrial Tariff ID (50100 and 50200). Since NIC did not update revised tariff schedule (effective from July 2006) of this category of consumers, despite request from the user department, the monthly bills of this category of consumers were raised by updating "**Bill Update Option**" in EBS package. Due to this manual updating of the bills raised against the consumers energy charge, fixed charge and meter rent were not realised at the appropriate rates which led to short realisation of Rs. 8.81 lakh as detailed in Table No. 7.3.3.

**Table No. 7.3.3**

***(Rupees in lakh)***

| Sl. No. | Name of consumer and Consumer ID | Energy charges | Meter Rent | Fixed Charge | Gross amount due | Rebate | Net amount to be realised | Amount realised | Short Realised |
|---|---|---|---|---|---|---|---|---|---|
| 1 | M/s Tripura Ispat ID: 2032091420817010878 (Bills for the period 05/2006 to 03/2008) | 289.84 | 0.09 | 37.40 | 327.33 | 8.18 | 319.15 | 312.55 | 6.60 |
| 2 | Narayan Kar & Co. ID: 2032061370791308722 (Bills for the period 11/2006 to 02/2008) | 10.73 | 0.06 | 1.06 | 11.85 | 0.28 | 11.57 | 11.39 | 0.18 |
| 3 | Narayan Kar & Co. ID : 2032061360791208721 (Bills for the period 11/2006 to 02/2008) | 22.23 | 0.06 | 9.60 | 31.89 | 0.55 | 31.34 | 29.96 | 1.38 |
| 4 | Narayan Kar & Co. ID : 2032061410778208715 (Bills for the period 11/2006 to 02/2008) | 11.87 | 0.06 | 5.12 | 17.05 | 0.31 | 16.74 | 16.09 | 0.65 |
| | **Total** | **334.67** | **0.27** | **53.18** | **388.12** | **9.32** | **378.8** | **369.99** | **8.81** |

### 7.3.10 Monitoring

#### 7.3.10.1 Outstanding revenue

During scrutiny of the databases of 25 ESDs, it was noticed that as of June 2008, Rs. 7.37 crore was outstanding against 49,472 consumers (Private: Rs. 5.99 crore against 47,895 consumers; Government: Rs. 1.38 crore against 1,577 consumers) relating to the period from December 2004 to March 2008. Further, out of 49,472 consumers, 24,708 active private consumers were defaulters ranging from 5 to 40 months (outstanding revenue: Rs. 3.25 crore) as of May 2008. But their service connections were not disconnected despite provision for disconnection of services after serving due notice of disconnection. Thus the management could not utilise the EBS system in monitoring and serving disconnection notices.

#### 7.3.10.2 Outstanding against installment bills

The application software has a provision for generating two or more bills against any particular bill by splitting up the billed amount for providing facility to the consumers to make payments in installments. However, no provision exists in the system to capture due date(s) for making payment of the installments. Scrutiny of the databases of 23 ESDs revealed that as of June 2008, Rs. 82.80 lakh was outstanding against installment bills in respect 3,239 consumers (Private: Rs. 10.81 lakh against 816 consumers; Government: Rs. 71.99 lakh against 2,423 consumers) relating to the period from April 2005 to March 2008.

#### 7.3.10.3 Non-raising of bills

Scrutiny of the databases revealed that despite entering details of consumers as master data into the system, no bills were generated against 7,299 consumers in 20 ESDs (till May 2008) out of 2,00,199 active consumers. Rs. 17.82 lakh was outstanding up to May 2008 for the meter rent and fixed charges alone. (Meter rent: Rs. 7.18 lakh and fixed charges: Rs. 10.64 lakh).

### 7.3.10.4 Non-realisation of meter rent and fixed charges

In addition to the energy charges, monthly meter rent and monthly fixed charges are to be realised from the consumers at the rate prescribed in Tariff Schedules. The system has also provision to realise the monthly meter rent and fixed charges with some manual option to Administrator to increase/ decrease or ignore the meter rent and fixed charges. Scrutiny of the database of 24 ESDs, revealed that in 2,623 cases, meter rent of Rs. 0.86 lakh from 1,581 consumers and in 6,373 cases, fixed charges of Rs. 1.42 lakh from 5,138 consumers were not realised.

### 7.3.10.5 Changing of Tariff ID

Scrutiny of the databases revealed that Tariff IDs had been changed in the consumer master table by the Administrators resulting in both undercharge and overcharge without recording the authority allowing such changes. The system has no provision for recording information of such changes. Instances indicating number of consumers whose energy charges were calculated after changing the tariff ID, resulting in undercharge of Rs. 4.41 lakh (5,003 bills) and overcharge of Rs. 5.12 lakh (6,652 bills), is detailed in Table No. 7.3.4.

**Table No. 7.3.4**

***(Rupees in lakh)***

| Sl. No. | Electrical Sub Division | No. of consumers whose energy charges were calculated after changing the tariff ID | Amount under charged (No. of bills in bracket) | Amount over charged (No. of bills in bracket) |
|---|---|---|---|---|
| 1 | Bardowali | 438 | 1.76 (2,423) | 2.32 (3,634) |
| 2 | Bishalgarh | 221 | 0.28 (309) | 0.60 (944) |
| 3. | Dharmanagar | 291 | 0.67 (984) | 0.44 (707) |
| 4. | Kailashahar | 252 | 0.94 (466) | 1.21 (838) |
| 5 | Khowai | 193 | 0.30 (273) | 0.05 (137) |
| 6 | Sonamura | 167 | 0.46 (548) | 0.50 (392) |
| | **Total** | **1,562** | **4.41 (5,003)** | **5.12 (6,652)** |

### 7.3.10.6 Allowing inadmissible due periods for payment

15 days' of due period is admissible to private consumers to make payment of bills issued with rebate of 10 paise per unit consumed if bills are paid within the due date. The application software allows changing of due date of payment. Consequently, in 6,605 cases in 10 ESDs, the due dates were extended ranging from 21 days to more than two years from the date of actual generation of bills which resulted in allowing inadmissible rebate of Rs. 1.69 lakh.

### 7.3.11 Deployment of untrained staff

IT staff require adequate skills, experience and training to minimise risk of mistakes while performing their jobs. Unskilled staff may increase the risk of committing mistakes and errors. It was observed that in 15 ESDs, 56 *per cent* (86 out of 153) staff was not trained in usage of EBS though assigned duties that involved working with EBS.

### 7.3.12 Inadequate procedure for regularly taking database backups

Manual records of consumers' details, issue of bills, follow up action (generating defaulters list and issue of demand notices) for recovery of dues and collection of revenues etc have been discontinued in all the 43 ESDs, which have switched over to EBS, from the date of implementation in each sub division. The Company however, has not defined any backup policy. Presently, in-charge of the system (Manager, Revenue) at the ESDs takes the database backup in CDs and stores in the same office building premises. Further, no restoration or testing procedure to check these backup data at periodic intervals is in vogue.

### 7.3.13 Other points of interest

#### 7.3.13.1 Non-functioning of Touch Screen Kiosks

Scrutiny of procurement and installation of computer hardware and software revealed that four Touch Screen Kiosks were procured at a cost of Rs. 4.83 lakh. Out of four Kiosks, two were lying in stock and another two were installed in two ESDs (Banamalipur and Krishnanagar) during November 2004 but were not functioning. Due to non-maintenance of any records, the actual dates were not available since when these Kiosks were not functioning.

#### 7.3.13.2 Outstanding against manual bills

Before switchover to computerised system, energy billing and revenue collection was done manually. Detailed information like category-wise number of consumers, periods of outstanding and the amounts lying outstanding for manual period were not made available to audit. Scrutiny of the database and monthly progress reports of the ESDs revealed that in 13 ESDs, Rs. 4.30 crore (as on 31 March 2008) was lying outstanding against energy bills raised manually before switchover to the computerised system.

#### 7.3.13.3 Non establishment of data centre

Till June 2008, the system has been implemented in 43 out of 49 ESDs. The Company however, has not yet established any data centre at the Corporate office or Division offices for data consolidation and generation of MIS reports. The Company is therefore deprived of the benefit of the IT system for efficient and effective revenue management even after incurring an expenditure of Rs. 5.86 crore.

### 7.3.14 Conclusion

The Company could not achieve the main objectives of EBS due to switch over to computerised system before data validation. This led to non-coverage of 100 *per cent* consumers in the database, existence of duplicate records and non pursuance of energy bills raised manually before computerisation.

The Company has failed to utilise the EBS system in monitoring the realisation of outstanding revenue, serving disconnection notices, ensuring raising of bills against 100 *per cent* consumers and unauthorised changing of Tariff ID.

### 7.3.15 Recommendations

- Validate all master records including pre-computerised period to ensure the completeness, accuracy and reliability of data.
- Adopt proper monitoring system to ensure cent *per cent* issue of bills, realise all outstanding bills and timely and accurate updating of tariff rates.
- Review the application software to allow the system to capture various billing methods, schemes and rebates.
- Establish a central data centre for consolidation of data and achieve one of the objectives of the computerisation i.e. generate MIS reports for revenue management.
- Adopt a backup policy to ensure the recovery of complete data and reduce downtime following a disaster.

# SECTION B

## Transaction Audit Observations

## FOREST DEPARTMENT
**(Tripura Forest Development and Plantation Corporation Limited)**

### 7.4 Loss due to avoidable payment of interest

**Failure of the TFDPC to file timely return of income and to remit the quarterly installments of advance tax resulted in payment of avoidable interest of Rs. 24.13 lakh.**

Section 139 of the Income Tax Act, 1961 lays down that failure to file timely return of income shall attract penal interest in accordance with Section 234 A of the Act. It was noticed that the return of income for the previous year 2002-03 was filed by the Tripura Forest Development and Plantation Corporation Limited (Company) on 20 February 2004 instead of 31 October 2003 resulting in avoidable payment of interest of Rs. 1.74 lakh.

Further, the Company failed to remit the quarterly installments of advance tax for the previous years 2002-03 to 2004-05, except one installment on 15 March 2005, and had to pay interest of Rs. 6.28 lakh under Section 234 C of the Act and Rs. 16.11 lakh under Section 234 B of the Act for non-payment of the advance tax.

Thus, the Company paid total Rs. 24.13 lakh towards interest for non-filing of return of income, and non-payment of advance tax during these years.

The management replied (May 2008) that it did not have a professionally qualified Accountant for eight years to look after the Income Tax matters; however, it had since employed one Tax Auditor to look after its taxation matters. Thus, managerial negligence led to loss of Rs. 24.13 lakh to the Company. Government concurred (September 2008) the views of the management.

# INDUSTRIES AND COMMERCE DEPARTMENT

## (Tripura Tea Development Corporation Limited)

## 7.5 Loss due to excess consumption of green leaves

**Excess consumption of green leaves over the norms entailed a loss of Rs. 41.66 lakh.**

According to the Tea Board, the average percentage of recovery of made tea[22] from the green leaves in Tripura is 22 – 23 *per cent.*

Test check (June 2008) of Made Tea Production Register, Account of Raw Material Components Register and Provisional accounts of the Central Tea Processing Factory (CTPF) of the Tripura Tea Development Corporation Limited for the three years from 2005-06 to 2007-08 revealed that the production was only 20.39 to 20.49 *per cent* of the green leaves processed as shown below:

| Sl. No. | Particulars | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|
| 1 | Green leaves processed (lakh Kg) | 24.57 | 25.92 | 28.00 |
| 2 | Made tea produced (lakh Kg) | 5.03 | 5.31 | 5.71 |
| 3 | Made tea as percentage of green leaves processed | 20.47 | 20.49 | 20.39 |
| 4 | Green leaves required as per norms of 22.50 *per cent* (lakh Kg) | 22.87 | 24.14 | 25.94 |
| 5 | Excess consumption of green leaves (lakh Kg) | 1.71 | 1.78 | 2.05 |
| 6 | Average cost of green leaves (Rs/Kg) | 7.54 | 7.50 | 7.52 |
| | **Loss (Rs in lakh)** | **12.89** | **13.35** | **15.42** |

The excess consumption of green leaves over the norms entailed a loss of Rs.41.66 lakh.

The management stated (August 2008) that the green leaves had to be transported 40 – 50 kms before reaching the factory for which the quality of leaves got damaged and during peak season because of huge supply of green leaves, proper weight of the leaves could not be taken and corrective steps in these regards were being taken. Government also concurred (August 2008) the views of the management. The reply is not acceptable as average percentage of recovery of made tea was considered by the Tea Board specifically for the State of Tripura.

[22] The black tea which is produced after processing the green tea leaves is called made tea.

## (Tripura Jute Mills Limited)

### 7.6 Shortfall in jute production

**Raw material consumption in the Tripura Jute Mills Limited was much above the norm and production of finished goods was much below the norm, leading to a loss of Rs. 39.92 lakh being the value of finished goods less produced during 2005-08.**

According to the recommendations (April 1976) of the Jute Manufacturers Development Council (JMDC), production of 1000 Kg of jute requires raw jute of 977 Kg. It was seen[23] that the raw material consumption in Tripura Jute Mills Limited (TJML) was much above this norm, leading to a loss of Rs. 39.92 lakh representing the value of finished goods lost during the last 3 years as shown below:

| Sl. No. | Particulars | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|
| 1. | Total consumption of raw jute (MT) | 1342.48 | 1186.50 | 1170.27 |
| 2. | Actual production (MT) | 1320.87 | 1118.57 | 1015.59 |
| 3. | Production as per norm (MT) | 1374.08 | 1214.43 | 1197.82 |
| 4. | Shortfall in production (MT) (3-2) | 53.21 | 95.86 | 182.23 |
| 5. | Average sale price (excluding variable costs) per MT (Rs.) | 15,033 | 12,968 | 10,696 |
| 6. | Value of shortfall (4 x 5) (Rs. in lakh) | 8.00 | 12.43 | 19.49 |

The shortfall in production showed an increasing trend over the period 2005-08; however, the Management and the Board of the TJML had neither analysed the reasons for the shortfall in production, nor taken any corrective action to get the optimum quantity of finished product.

The Government stated (August 2008) that though the issue of process loss had not been specifically discussed by the Board of Directors, some vital decisions had been taken to reduce the process loss by purchase of good quality jute; renovation and technical upgradation of spinning frames and looms; and appointment of supervisory staff to properly monitor the production.

[23] From the provisional accounts of TJML for the years 2005-06 and 2006-07 (prepared so far), and Production Register for the year 2007-08.

# TRANSPORT DEPARTMENT
## (Tripura Road Transport Corporation Limited)

## 7.7 Loss of revenue

**Failure of the Tripura Road Transport Corporation Limited to collect service tax from the recipients of the service resulted in loss of revenue of Rs. 15.62 lakh.**

The Tripura Road Transport Corporation Limited (Corporation) also acts as selling agents for railway and air tickets, for which it is paid commission @ 2 *per cent* and 5 *per cent* respectively, in accordance with agreements signed in August 1996 (Railways), October 2001 (Indian Airlines) and January 2004 (Jet Airways).

As per Section 149 of the Finance Act, 2002, the Corporation is liable to pay Service Tax (ST)[24] on the commission received. According to the Service Tax Procedures, ST is an indirect tax and is expected to be collected by the service provider from the recipients of the service.

Test check (April 2008) of records of the Corporation revealed that the Corporation did not claim reimbursement of the ST from the recipients of service and continued to pay the same from its revenue. Records showed that the Corporation had paid ST of Rs. 9.17 lakh on the commission received from the Railways during September 2002 to July 2007 and Rs. 6.45 lakh on the commission received from the Indian Airlines and Jet Airways during July 2002 to September 2007. This led to loss of revenue of Rs. 15.62 lakh.

The matter was reported to the Government in July 2008; reply had not been received (September 2008).

**(E. M. Patton)**
**Agartala** **Accountant General (Audit),**
**The 2009** **Tripura, Agartala**

**Countersigned**

**New Delhi** **(Vinod Rai)**
**The 2009** **Comptroller and Auditor General of India**

[24] The rate of ST was 5 *per cent* up to 13 May 2003, 8 *per cent* with effect from 14 May 2003, 10.20 *per cent* with effect from 10 September 2004 (inclusive of 2 *per cent* Education cess) and 12.25 *per cent* with effect from 18 April 2006 (inclusive of 2 *per cent* Education cess).