

**CHAPTER 2:**  
**COMMENTS FROM THE SUPPLEMENTARY REPORTS OF THE**  
**STATUTORY AUDITORS**

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report, in long form, upon various aspects including the internal control systems prevailing in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement.

An illustrative resume of major recommendations made or opinion expressed or comments made by Statutory Auditors on possible improvement in the accounts and system of control in some of the Central Government Companies including Deemed Government Companies in existence as on 31 March 2004 and audited by them, is given below: -

**NAME OF THE MINISTRY/COMPANY AREA FOR IMPROVEMENT**

**2.1 SYSTEM OF FINANCIAL CONTROL AND ACCOUNTS**

***Department of Atomic Energy***

**2.1.1 Electronics Corporation of India Limited**

The Company had a centralised accounting system. At present inter-office transactions were not routed through any control accounts in the ledger. Certain receipts of debtors in head office were not squared off in branch debtor's schedule. Such routing would entail better control and ensure accuracy.

***Department of Bio-technology***

**2.1.2 Indian Vaccines Company Limited**

The Company had not followed AS-1, 10 and 15.

**MINISTRY OF CHEMICALS AND FERTILIZERS**

***Department of Chemicals and Petro-Chemicals***

**2.1.3 Rajasthan Drugs and Pharmaceuticals Limited**

The Company had not maintained stock registers for spare parts of plant and machinery.

***Department of Fertilizers***

**2.1.4 National Fertilizers Limited**

In the case of accounts maintained under centralised cash management scheme, on reconciliation it was observed that the bank had made some unlinked credit entries of Rs.3.61 crore and debit entries of

Rs.2.92 crore and the net balance was shown under the head “other liabilities”. In case of unlinked debits, the Company should take up the matter with the bank more vigorously.

### **MINISTRY OF CIVIL AVIATION**

#### **2.1.5 Air India Limited**

- i) Revenue sharing arrangements with Indian Airlines, the process of exchange of data with Indian Airlines had not yet been completed and the status of the credit/debit to be recorded in the books of accounts in respect of transactions under the pooling arrangements still remains unresolved. Thus, the Company had not recognised revenue since 1 April 1997.
- ii) In certain locations payments are made by the accounts department on the basis of certification of the user departments/airport staff without further crosscheck/verification before releasing payments. Control mechanism needed to be improved.
- iii) Reconciliation of control accounts periodically was required to make available full particulars at the time of finalising the accounts.

#### **2.1.6 Airline Allied Services Limited**

- i) Revenue receipts and major portion of expenditure of the Company were accounted for on the basis of credit and debit advices received from Holding Company, viz. Indian Airlines Limited (IAL). For such debit and credits, full details with supporting vouchers/documents were not available with the Company.
- ii) The procedure of issue and retrieval of consumable stores and food items to flights needed streamlining.
- iii) Documentation for fuelling and off-loading of Aviation Turbine Fuel in Aircraft needed to be improved.
- iv) No clear-cut policy along with modus operandi for appointment of staff, fixation of pay and retirement benefits had been formulated.

#### **2.1.7 Indian Airlines Limited**

- i) List of properties taken on lease from Airports Authority of India were not available with Personnel Department.
- ii) In some cases goods receipt notes were prepared

without receipt of material in the stores and these items were despatched directly from Airports to various regions.

iii) No bank statement/reconciliation was available in respect of American Express Bank in Western Region.

iv) The valuation of stores and spares was done by deriving weighted average rate without considering freight, duty and incidental charges and not-considering direct costs as a component of item of stores and spares, which was not in consonance with Accounting Standard 2.

v) Segmentwise profit and loss statement as per AS-17 was not prepared.

#### **2.1.8 Pawan Hans Helicopters Limited**

i) The documentation in respect of agreements with customers and issue of invoices of hourly flying needed to be strengthened.

ii) System of accounting for the consumption and verification of the bills of the suppliers in respect of Aviation Turbine Fuel needed to be strengthened.

### **MINISTRY OF COAL**

#### **2.1.9 Central Coalfields Limited**

The present system of drawing final accounts of each area was adversely commented on by some of the Branch Auditors, as opening balances did not tally with closing balances of last year's audited accounts of that area.

#### **2.1.10 Coal India Limited**

There was no proper monitoring system to charge interest and to watch its realisation in the case of defaulting debtors.

#### **2.1.11 Eastern Coalfields Limited**

There was no system of charging interest on defaulting debtors.

#### **2.1.12 Mahanadi Coalfields Limited**

There was no monitoring system of charging interest on defaulting debtors and to watch their realisation.

#### **2.1.13 Neyveli Lignite Corporation Limited**

The Company had overdues recoverable from various Electricity Boards amounting to Rs. 193.71 crore of which Rs. 15.22 crore were more than three years old.

#### **2.1.14 South Eastern Coalfields Limited**

- Recording of receipts and expenditure needed to be strengthened. (Johilla Area, Sohagpur Area & Jamuna & Kotma Area)
- There were delays in recording procurement and

disposal of stores. (Johilla, Sohagpur & Jamuna & Kotma Area)

- Periodical reconciliation was not done in Johilla, Sohagpur & Jamuna & Kotma Area.

**MINISTRY OF COMMERCE & INDUSTRY**

- 2.1.15 India Trade Promotion Organisation**
- (i) Dues of Rs.8.34 crore in the case of two parties (National Science Centre: Rs.4.47 crore and National Handicrafts and Handloom Pavilions: Rs.3.87 crore) had not been accounted for in the books of accounts as of 31 March 2004.
  - (ii) Inter-unit accounts needed to be reconciled at least on quarterly basis instead of at the end of the year.
  - (iii) Cancelled cheques were neither recorded in the bank book nor a separate register was maintained for better control over the serial number of issue of cheques.
- 2.1.16 MMTC Limited**
- (i) Corporate office of the Company did not maintain case-wise/party-wise expenditure on legal cases. As a result, the legal expenses to be claimed from the parties in case of favourable awards could not be readily ascertained.
  - (ii) Confirmation of balances from parties under sundry debtors/claims recoverable/advances to parties, sundry creditors/other liabilities had not been formally confirmed and reconciled/analysed/linked in respect of Corporate office and Ahmedabad office.
  - (iii) The information furnished by the Company on compliance of AS-17 segment reporting was not strictly in conformity with the format/reporting requirements enumerated therein.
- 2.1.17 The State Trading Corporation of India Limited**
- (i) Timely entries for receipts and payments were not being recorded in the books of account.
  - (ii) The Company's accounts were not being written up in time and hence, proper trial balance was also not being drawn up periodically
  - (iii) Reconciliation of the bank accounts was also not being done regularly.
- 2.1.18 PEC Limited**
- (i) Booking of expenses relating to cost of sales which were incurred by associates on behalf of

the Company as per associateship agreement was not in accordance with generally accepted accounting principles.

- (ii) Bank reconciliation was not carried out regularly by the Company.

#### **MINISTRY OF COMMUNICATIONS**

##### **2.1.19 Bharat Sanchar Nigam Limited**

- (i) The accrual system of accounting was not followed in respect of the following cases:
  - a) annual recurring charges upto Rs.1.00 lakh for overlapping financial years;
  - b) medical reimbursement to employees;
  - c) gratuity to directly recruited employees.
- (ii) The accrual system of accounting needed to be followed by all the units.
- (iii) The North East I and II Telecom Circles did not adhere to the laid down accounting policy for accrual of revenue on the basis of the actual closing meter reading as on the midnight of 31 March 2003. Further, these units also failed to recognize the revenue from INMARSAT and INET services and the dues payable towards service provider remained unaccounted in the books of accounts.
- (iv) The North East I Telecom Circle failed to even classify the work or estimates into capital and revenue because of non-availability of these details.
- (v) The Ledger account should reflect all transactions of a year instead of the present system of monthly totals followed by the Western Telecom Project, Mumbai. Besides, the system did not generate party-wise ledger accounts for suppliers/contractors, security deposits and earnest money deposits.
- (vi) In the Rajasthan Telecom Circle, asset-wise details of additions/deductions in gross block and depreciation shown in the fixed asset schedule could not be verified due to non-availability of complete details though the total value of fixed assets, depreciation, accumulated depreciation as on 31 March 2003 were in agreement with the

books of accounts.

- (vii) The system of recording procurement and disposal of stores needed to be strengthened .
- (viii) In the Andhra Pradesh Telecom Circle, the existing accounting of purchases, recording of receipts and issues, documentation for disposal of inventories by way of diversions from one work to another, verification & valuation methods of inventories, reconciliation of physical balances with inventories, etc. required thorough review and many practices and procedures being followed needed immediate change to meet the requirements of generally accepted accounting procedure, Accounting Standards and fundamentals of accounting principles.
- (ix) In the Andhra Pradesh units, in violation of the requirements of AS-10, the capitalisation of assets was done only to the extent paid and liabilities were not created at unit level. Further, the capitalization did not correlate with the period for which the assets were in use or were generating revenue. In the Rajasthan and Andhra Pradesh telecom circles, the overheads were allocated as a percentage of capital expenditure at the percentages prescribed by the DoT and not on the basis of directly allocable costs, which were at variance with AS-10.
- (x) In Uttar Pradesh (East), overhead expenses had been booked in capital WIP on the basis of certain fixed percentages as against actual expenses. In the Gorakhpur and Faizabad Telecom Divisions, no overhead expenses had been charged on Capital WIP and hence, there was short capitalisation.
- (xi) The accounting policies of the Company were generally in conformity with the Accounting Standards (AS) issued by the Institute of the Chartered Accountants of India (ICAI), except in respect of the following cases where the Company's accounting policies were at variance:
  - a) As per AS-15 "Accounting for Retirement Benefits", retirement benefits should have been provided on the basis of actuarial valuation. But the liability for leave encashment for absorbed

employees and directly recruited employees was provided on an estimated basis in the accounts for the year ended 31 March 2003. Further, no provision was made in the accounts for gratuity for directly recruited employees.

- b) In the absence of a system for identifying qualifying assets and the periods in which the activities necessary to prepare such assets for their intended use were complete, the borrowing costs that might be directly attributable were not capitalized as part of the cost of the assets. This was also not in accordance with AS-16 on "Borrowing Costs".
- c) The cost of stores and materials issued was charged to the project for which it had been initially intended without adjustment for actual issue to a different project or purpose, which was not as per AS-10 on "Accounting for Fixed Assets".

**2.1.20 Mahanagar Telephone Nigam Limited**

- (i) Internal control on revenue billing needed to be strengthened so as to be commensurate with the size of the company and the nature of the business.
- (ii) The valuation of the inventories was not in accordance with AS-2.
- (iii) In the Delhi unit, deficiencies in classification of expenditure during construction were also noticed due to accounting on the basis of delayed intimation of completed project works and inadequate records resulting in late capitalisation and delayed booking of depreciation.

**MINISTRY OF DEFENCE**

**Department of Defence Production & Supplies**

**2.1.21 Bharat Electronics Limited**

The Accounting policies of the Company were not in conformity with AS-17 regarding segment reporting.

**2.1.22 Bharat Earth Movers Limited**

- (i) Proper references to the documentary evidence were not readily available in respect of journal entries passed. Errors, which should have been otherwise apparent, escaped because of brevity in vouchers.

- (ii) There was delay in drawing up trial balance and compilation of accounts. In view of requirement of publishing quarterly accounts this required to be speeded up.
- (iii) As regards procurement of raw materials and components certain procedural lapses were noticed like delays in finalisation of receiving Reports, wrong pricing of RRs which were attributable to delay in compilation of accounts / reconciliation apart from laxity in internal control procedures.
- (iv) Reconciliation of inter-office accounts was done only at year-end. This may be done quarterly.
- (v) The practice of transferring reconciliation differences to revenue, without supporting details needed to be discouraged.

**2.1.23 Mishra Dhatu Nigam Limited**

The Company needed to update the accounting manual of the functions, procedures and systems of its different departments, as the existing accounts manual was outdated.

***MINISTRY OF FINANCE***

***Department of Banking***

**2.1.24 Canbank Financial Services Limited**

The Company had not complied with Accounting Standards 1, 13, 17 and 22.

**2.1.25 PNB Housing Finance Limited**

Internal control with regard to receipt of cash required further improvement.

***Insurance Division***

**2.1.26 National Insurance Company Limited**

- (i) The records/files in respect of Motor Third Party Claims were maintained at servicing Divisional Offices whereas the accounting for liability for these claims were made by the policy issuing Divisional Offices. Due to deficiency in communication/reconciliation between these two offices there were omissions/errors in accounting these claims.
- (ii) The system of internal control was found to be ineffective and inadequate.
- (iii) In Re-insurance Department lacunae of the internal control system were as follows :



- a) Incorrect Regional Underwriting Cell (RUC) returns from Divisional Offices (DOs)/ Regional Offices (ROs) were not examined/and no corrective steps were taken.
- b) Absence of reconciliation of RUC returns with audited accounts of DOs/ROs in respect of Risk-Booked policies and Non-Risk Booked Policies.
- c) Non-maintenance of register for incoming returns/statements of accounts.
- d) Non-maintenance of party ledger for inward treaty.

**2.1.27 New India Assurance Company Limited** (i) The system of recording of receipts and expenditure was not adequate in case of 14 DOs/ROs.

(ii) Bank accounts of the Company were not reconciled with the bank statements in respect of nine DOs/ROs.

(iii) Control accounts and subsidiary accounts were not reconciled in respect of 12 DOs/ROs.

(iv) Delegation of powers was found to be defective in case of five DOs/ROs.

**2.1.28 United India Insurance Company Limited** (i) Immediate steps should be taken to reconcile the inter-office accounts to avoid any possible abuse of this vulnerable area.

(ii) The internal check and internal control system should be strengthened.

**MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES**

**2.1.29 Andrew Yule & Co. Limited** Financial transactions in certain cases have exceeded the delegated power.

**2.1.30 The Braithwaite Burn and Jessop Construction Limited** (i) The Company had not maintained the necessary documents/registers in respect of procurement and disposal of store.

(ii) Inter-office accounts were not reconciled periodically.

(iii) The Company had not clearly recorded the delegation of financial powers.

**2.1.31 Engineering Projects (India) Limited** Internal control procedures regarding expenditure at project sites and ad-hoc advances to associates

	needed to be reviewed and strengthened so as to make it commensurate with the increasing size of the Company, nature of its business and in view of technological, communication and managerial advancements.
<b>2.1.32 Hindustan Paper Corporation Limited</b>	The Company did not have an efficient system of recording and identifying machinewise details of major repair and maintenance works.
<b>2.1.33 HMT Machine Tools Limited</b>	In respect of Bangalore unit of the Company, it had been observed that there were delays in recording transactions in the stores ledger.
<b>2.1.34 HMT Watches Limited</b>	The system of recording receipts and expenditure required to be strengthened especially in the timely recognition with reference to: <ul style="list-style-type: none"><li>(i) Leave Travel encashment accounted on claim basis;</li><li>(ii) charging of VRS expenditure to profit and loss account; and</li><li>(iii) interim relief recovery considered as revenue instead of crediting to Deferred Revenue Expenditure.</li></ul>
<b>2.1.35 Praga Tools Limited</b>	<ul style="list-style-type: none"><li>(i) Adjustment of advances was not satisfactory. There were still Rs.1.42 crore worth of credit balances in sundry debtors ledger remaining to be adjusted out of the total debtors of Rs.3.60 crore. Similarly in case of sundry creditors, there were debit balances of Rs.16.12 lakh out of total creditors of Rs.1.82 crore which remained to be adjusted.</li><li>(ii) In respect of write-off/write back of amounts outstanding for more than three years, since they were kept out of books, it required to be monitored for realization of debtors and payment to creditors.</li></ul>
<b>2.1.36 Rehabilitation Industries Corporation Limited</b>	No interest was being charged for delay in making payment by sundry debtors. Realisation from defaulting debtors was not strictly monitored.

**MINISTRY OF HUMAN RESOURCES DEVELOPMENT**

<b>2.1.37 Educational Consultants India Ltd.</b>	The system of recording receipts and expenditure needed proper monitoring to ensure timely recording as the expenditure relating to earlier years had been
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recorded in the financial year under report.

**MINISTRY OF INFORMATION & BROADCASTING**

**2.1.38 National Film  
Development  
Corporation of India  
Limited**

- (i) The asset-wise details of exact location, accumulated depreciation, written down value(WDV) at the year-end, identification and movement of assets were not available in the register. Closing balances as on 31 March 1996 were carried forward in fixed asset register, break-up of which was not available. Assets were not marked with Physical Identification Marks.
- (ii) The register giving the details of the Companies, firms and other parties under section 301 (3) of the Companies Act, 1956 was not updated
- (iii) Bad debts written off without approval of the Board amounted to Rs.33.23 lakh.

**MINISTRY OF NORTH EAST DEVELOPMENT**

**2.1.39 North Eastern  
Handicrafts and  
Handlooms  
Development  
Corporation Limited**

The Company had not updated and reconciled the sub ledger for sundry creditors.

**MINISTRY OF PETROLEUM AND NATURAL GAS**

**2.1.40 Bharat Petroleum  
Corporation Limited**

The Company had written back Rs.1.65 crore on account of unmatched items in bank accounts being more than three years old transactions for which details were not available.

**2.1.41 Bieco Lawrie Limited**

Monitoring of credit facilities (including overdrafts) needed to be strengthened considering the balances with scheduled banks.

**MINISTRY OF POWER**

**2.1.42 Tehri Hydro Power  
Corporation Limited**

Accounting Policies were in conformity with Accounting Standards except AS-6 and AS-10. Detailed Accounting Policies had not been listed in the Annual Accounts.

**MINISTRY OF RAILWAYS**

**2.1.43 Konkan Railway  
Corporation Limited**

- (i) Unit-wise trial balance prepared on a monthly basis was not tallied.

- (ii) The software which was internally developed and used across the company may be subjected to an Information Systems Audit to undergo a detailed analysis of the existing controls.
- (iii) The financial accounting module did not give party-wise outstanding payable and receivable. There was no control over party-wise balances appearing in various unit ledgers.

***MINISTRY OF ROAD TRANSPORT & HIGHWAYS***

- 2.1.44 Ahmedabad-Vadodara Expressway Company Limited** Internal control procedures in the area of toll collection and server room at toll plaza were deficient and needed to be improved.

***MINISTRY OF SCIENCE & TECHNOLOGY***

- 2.1.45 Central Electronics Limited**
- (i) Consumption of material was not being booked at the time of issue of materials but booked on quarterly basis.
  - (ii) Sales at the end of the current year had been recorded on the basis of clearance of goods from factory whereas the risk relating to goods was actually transferred to the buyer in the subsequent year.
- 2.1.46 National Research Development Corporation** There was delay in adjustment of miscellaneous advances given to staff and various parties against the expenses.

***MINISTRY OF SHIPPING***

- 2.1.47 Cochin Shipyard Limited** Spares procured for ship repair works were charged directly to repair works. Records showing receipts, issue and balance of spares for each repair work should be maintained for correct depiction of cost of spares and materials consumed.
- 2.1.48 Shipping Corporation of India Limited** The system relating to stores and spares in transit, where reconciliation was still pending since 1996-97 needed to be strengthened.

***MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT***

- 2.1.49 National Backward Classes Finance and** The balances were lying unadjusted in some accounts for more than three years and were not

**Development Corporation**

confirmed/reconciled/adjusted.

**2.1.50 National Handicapped Finance & Development Corporation**

The Corporation did not have an accounting manual.

**2.1.51 National Minorities Development & Finance Corporation**

The internal control mechanism with regard to recording of receipts and expenditure required strengthening.

**MINISTRY OF STEEL**

**2.1.52 Hindustan Steelworks Construction Company Limited**

Before declaration of slow/non-moving items as obsolete in a unit, usefulness of such material in other units should be checked.

**2.1.53 Steel Authority of India Limited**

The system regarding identification and disposal of surplus/obsolete stores, raising of goods receipt notes and adjustment of advances needs to be further strengthened.

**MINISTRY OF TEXTILES**

**2.1.54 The Handicrafts and Handlooms Exports Corporation of India Limited**

- (i) Deficiencies were noticed in timely recording of daily receipts, issue of material and their age-wise classification. This needed improvement.
- (ii) Proper training, guidance, instruction to the staff and further follow-up was required for proper recording of procurement and disposal of stores.
- (iii) Reconciliation of inter-office account was done at year-end which should be done on more regular basis.
- (iv) Bank reconciliation in respect of Mumbai branch was not done on regular basis.
- (v) Title deeds in respect of properties at New Delhi and Chennai, were not registered in the name of the Company:

**2.1.55 National Textile Corporation (UP) Limited**

Old balances including those for which provision had also been made were subject to reconciliation/confirmation.

**MINISTRY OF TOURISM**

**2.1.56 India Tourism Development Corporation Limited**

- (i) System of recording of expenditure was inadequate at Hotel Janpath, New Delhi and Western Court Catering Unit, New Delhi.
- (ii) System of drawing periodical trial balance at

regular intervals was not in vogue at some units viz. Hotel Janpath-New Delhi, Western Court Catering Unit-New Delhi, Kosi Restaurant-Kosi, Hotel Patliputra-Patna, Ashok Travels & Tours-Agra, Hotel Kalinga Ashok-Bhubaneshwar, Bharatpur Forest Lodge.

- (iii) System of recording procurement and disposal of stores was inadequate at Hotel Kalinga Ashok-Bhubaneshwar.
- (iv) Frequency of reconciliation of bank accounts was inadequate at Regional Office (South)-Chennai, Taj Restaurant-Agra, Kosi-Restaurant, Kosi, Ashok Travels & Tours, Agra, Bharatpur Forest Lodge-Bharatpur.

#### **MINISTRY OF URBAN DEVELOPMENT AND POVERTY ALLEVIATION**

##### **2.1.57 National Buildings Construction Corporation Limited**

- (i) Anticipated losses on contracts amounting to Rs.9.33 crore had not been provided for as per AS-7.
- (ii) Booking of ex-gratia expenses to VRS amounting to Rs.1.22 crore as current year expenses instead of prior period expenses, was not in conformity with AS-5.

#### **2.2. ASSETS AND INVESTMENTS**

##### **Department of Bio-Technology**

##### **2.2.1 Indian Vaccines Company Limited**

Fixed assets registers were not reconciled with financial books since no entries had been made in respect of depreciation.

#### **MINISTRY OF CHEMICALS AND FERTILIZERS**

##### **Department of Fertilizers**

##### **2.2.2 National Fertilizers Limited**

Efforts were required for recovery of marketing debts of Rs.27.03 crore outstanding for more than one year.

#### **MINISTRY OF CIVIL AVIATION**

##### **2.2.3 Indian Airlines Limited**

- (i) There was no system of monitoring the recovery of outstanding dues.
- (ii) Passenger agents outstanding included material amount of old unadjusted debit notes from the agents lying for years.
- (iii) Housing loan/debit balance in final settlement was

outstanding in the name of certain employees who had retired/resigned from the service.

**2.2.4 Pawan Hans Helicopters Limited**

The system of pursuing the recovery of outstanding dues needed to be strengthened.

**MINISTRY OF COAL**

**2.2.5 Bharat Coking Coal Limited**

A large number of old advances were pending for adjustments. Steps for prompt adjustment and monitoring were necessary.

**2.2.6 Central Coalfields Limited**

Shortage/excess in respect of stores was done as per verification report after lapse of long period, resulting in long timelag and reconciliation of numerical ledger/price ledger was also pending.

**2.2.7 South Eastern Coalfields limited**

Monitoring and follow-up were not satisfactory in the cases of capital work-in-progress, advances to RITES Limited, other receivables excluding interest on house building loan and deposits with others and stores advance. (Hasdeo Area, DCC, Kolkata Sales office, CWS-CS Area Korba & Bishrampur Area).

**MINISTRY OF COMMERCE & INDUSTRY**

**2.2.8 MMTC Limited**

- (i) The property and fixed assets register required to be updated in respect of Ahmedabad and Mumbai offices.
- (ii) There was inordinate delay in allotment of shares by Neelanchal Ispat Nigam Ltd. (Rs.93 crore) and Konark Met Coke Ltd. (Rs.31 crore)

**2.2.9 PEC Limited**

The Company had not sought confirmation in respect of sundry debtors, creditors and advances shown as outstanding.

**MINISTRY OF COMMUNICATIONS**

**2.2.10 Bharat Sanchar Nigam Limited**

- (i) Though the authority for fixing the dates of installation and commissioning of plant and machinery was nominated by the Company, the completion reports were not issued in due course of time by such authority and pending analysis of status, value and obtaining of completion certificates, the Capital WIP included balances pending capitalization for long period of time. In several cases, the dates of capitalization did not correlate with the periods for which the assets were ready for use or started generating revenue.

- (ii) The fixed asset registers were not maintained properly, as the prescribed particulars in respect of several assets were not properly indicated. Besides, these registers required updation.
- (iii) The Company did not have any investment policy.
- 2.2.11 Mahanagar Telephone Nigam Limited**
- (i) The fixed asset register was not maintained properly in the Mumbai unit, as it did not contain the requisite particulars. Resultantly, reconciliation with the financial books was not carried out during the year.
- (ii) In the Global System for Mobile Communication(GSM) Mumbai, no physical verification of fixed assets was carried out during the year.
- (iii) The records maintained in respect of assets from DoT did not give full particulars in Delhi Unit.
- (iv) In GSM Mumbai, the review of outstanding dues was not carried out by the Management during the year. Further, the procedures and follow-up for recovery of outstanding dues required improvement and strengthening to ensure that the funds were not unduly blocked in receivables.

**MINISTRY OF FINANCE**

**Department of Banking**

**2.2.12 Agricultural Finance Corporation Limited** Considering the quantum of debtors, the Company should strengthen its system of recovery of dues.

**2.2.13 BOB Housing Finance Limited** The Company had not laid down any specific investment policy.

**Department of Insurance**

**2.2.14 National Insurance Company Limited** As per Share certificates issued by Stock Holding Corporation of India Limited to the company, there was a difference of:

- (i) Rs.3.33 crore (excess) and Rs.5.03 lakh (short) in the books in respect of equity shares as on 31 March 2004,
- (ii) Rs.1.69 crore (excess) and Rs.1.08 crore (short) in books in respect of Preference Shares as on 31 March 2004,
- (iii) Rs.65.59 crore (short) and Rs.68.37 crore (excess) in books in respect of Debentures as on 31 March 2004.



- 2.2.15 New India Assurance Company Limited**
- (i) Property and asset registers were not posted upto-date and reconciled with financial books in respect of 53 DOs/ROs.
  - (ii) The deficiencies in the system of monitoring the timely recovery of outstanding dues pertained to seven DOs/ROs.
  - (iii) The physical verification of cash and imprest balances was not carried out periodically in respect of seven DOs/ROs.

**MINISTRY OF HEALTH & FAMILY WELFARE**

- 2.2.16 HSCC (India) Limited**
- There were dues outstanding amounting to Rs.3.32 crore for which recoveries were very slow and this amount also included debits amounting to Rs.17.50 lakh which were outstanding for more than three years.

**MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES**

- 2.2.17 Bharat Heavy Electricals Limited**
- The recovery of old outstanding dues was required to be monitored on regular basis in respect of IVP, Goindwal unit.

- 2.2.18 Engineering Projects (India) Limited**
- (i) System of monitoring of timely recovery of outstanding dues needed to be strengthened and tuned.
  - (ii) Conveyance deeds in respect of land and building at Scope Complex, New Delhi costing Rs.3.74 crore and residential flats at Airoli, Navi Mumbai costing Rs.21 lakh were pending for execution in the name of the Company.

- 2.2.19 Hindustan Paper Corporation Limited**
- The Company did not have a formal investment policy.

- 2.2.20 HMT Limited**
- (i) Physical verification of cash and imprest balance needed to be done at frequent intervals on surprise check basis.
  - (ii) Provision towards erosion in the value of carrying cost of long term investment amounting to Rs.44.54 crore had not been made in respect of shares held in subsidiary Companies whose networth had been eroded.

- 2.2.21 HMT Machine Tools Limited**
- The Company had not obtained confirmation of debtors at regular intervals.

- 2.2.22 HMT Watches Limited**
- The system of monitoring of timely recovery of outstanding debtors required to be strengthened.

Moreover, steps for initiation of legal proceedings required to be taken well before the limitation period.

- 2.2.23 Scooters India Limited** (i) The Company did not have any laid down investment policy.
- (ii) There was possible loss of Rs. 12.71 lakh against Rs. 15.50 lakh invested in UP Instrument Limited.

**2.2.24 Instrumentation Limited**

As on 31 March 2004, the sundry debtors which were more than three years old were Rs.25.46 crore (Government Departments: Rs.1.35 crore, PSUs Rs.20.92 crore and others Rs.3.19 crore). Against this, the Company had made provision for Rs.8.50 crore only (Government Departments Rs.1.16 crore, PSUs Rs.6.20 crore and others Rs.1.14 crore). Thus, provision for doubtful debts was grossly understated. Besides recovery of outstanding dues needed improvement.

**MINISTRY OF HOME AFFAIRS (UNION TERRITORY ADMINISTRATION)**

- 2.2.25 Dadra & Nagar Haveli, Daman & Diu SC/ST, other Backward Classes and Minorities Financial & Development Corporation Limited** (i) The Corporation did not have a specifically designed system for timely recovery of outstanding dues. The system of the Corporation should be strengthened to ensure recovery of moneys advanced. The Management stated that the Corporation was in the process of designing the detailed procedure/manual for recovery of principal and interest, including penal interest.
- (ii) The Corporation had no specific laid down policy in respect of investments. The Management stated that surplus funds were invested in Term Deposit with banks.

**MINISTRY OF HUMAN RESOURCES DEVELOPMENT**

- 2.2.26 Educational Consultants India Limited** The system of monitoring and timely recovery of outstanding dues needed to be strengthened.

**MINISTRY OF INFORMATION & BROADCASTING**

- 2.2.27 National Film Development Corporation Limited** The Company did not have an effective system of monitoring and timely recovery of outstanding dues.

**MINISTRY OF INFORMATION TECHNOLOGY**

**Department of Electronics**

- 2.2.28 Electronics Trade and Technology** (i) Execution of title deed of factory land and building at Bhiwadi, Rajasthan by Rajasthan Financial

**Development  
Corporation Limited**

Corporation in favour of the Company was pending since 1991-92.

- (ii) The Company had not conducted physical verification of fixed assets at Delhi and Kolkata during the year.

**MINISTRY OF PETROLEUM AND NATURAL GAS**

**2.2.29 Bharat Petroleum  
Corporation Limited**

(i) During the year an amount of Rs.31.41 crore was provided on account of doubtful trade debts. In respect of old over-due debts, regular follow-up and monitoring was necessary to recover the outstanding.

(ii) The Company did not have a system of reconciling the records for tank wagons under 'Own Your Wagon Scheme' with the Railway records.

**2.2.30 Hindustan Petroleum  
Corporation Limited**

(i) Physical verification of fixed assets lying at the marketing location revealed discrepancies to the tune of Rs.39.26 crore.

(ii) Norms were not fixed for variations in the product transfers from refineries to marketing locations.

**2.2.31 IBP Company  
Limited**

Property and assets registers of Northern Region had not been updated and reconciled with financial books.

**MINISTRY OF RAILWAYS**

**2.2.32 IRCON International  
Limited**

Reconciliation of fixed asset register with the physical verification had not been done at the Corporate office level.

**2.2.33 Konkan Railway  
Corporation Limited**

(i) Interest and other finance charges relating to assets completed and put to use on different dates had been debited to development account and allocated to different assets with effect from a cut-off date (26 January 1998) instead of the respective earlier dates when the assets were actually put to use. The consequent impact on the assets and profit & loss account had not been ascertained.

(ii) The Company had debited earthwork amounting to Rs. 839.82 crore to 'Formation' under fixed assets but based on the practice followed in Indian Railways, depreciation had not been provided on such amount of Earthwork.

(iii) No regular physical verification was being done in respect of the amount lying with imprest holders.

**MINISTRY OF SCIENCE & TECHNOLOGY**

- 2.2.34 National Research Development Corporation** No provision had been made for sundry debtors of Rs.56.82 lakh and loans and advances of Rs.60.78 lakh which were more than three years old and were being pursued through legal action or otherwise.

**MINISTRY OF SMALL SCALE INDUSTRIES AND AGRO AND RURAL INDUSTRIES**

- 2.2.35 National Small Industries Corporation Limited**
- (i) The Company had a system of monitoring the timely recovery of outstanding dues which was not adhered to in full as a result of which the debtors/receivables were outstanding for long and rate of recovery was quite low.
  - (ii) The system of recovering outstanding dues from sundry debtors was not satisfactory.

**MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT**

- 2.2.36 National Backward Classes Finance and Development Corporation** The system of monitoring recovery of outstanding dues from State Channelising Agencies (SCAs) required strengthening. The utilisation reports from certain states were not received by the Corporation at regular interval.
- 2.2.37 National Handicapped Finance & Development Corporation** Physical verification of cash and imprest balances by an authorised officer was not done.
- 2.2.38 National Minorities Development & Finance Corporation**
- (i) The fixed assets register maintained by the Corporation did not have the details about the locations of the assets. The Corporation did not conduct physical verification of these assets during the year.
  - (ii) The Corporation had a system of giving imprest to its various staff members, but there had been no system of verifying these imprest balances as well as their timely adjustment.
  - (iii) The Corporation had not laid down any investment policy.
- 2.2.39 National Safai Karamchhari Finance & Development Corporation** There had been lack of proper monitoring regarding recovery of disbursements not utilised by SCAs. The total defaults by State Channelising Agencies (SCAs) also showed increasing trend.

**MINISTRY OF STEEL**

- 2.2.40 Hindustan Steel Works Construction Limited** The Company had a system of monitoring recoveries of outstanding dues but the system was not effectively implemented. In most cases large amount of adhoc payments made by the customers had not been adjusted with outstanding dues.
- 2.2.41 Kudremukh Iron Ore Company Limited** The location details were not available in respect of certain assets like furniture, fittings etc.
- 2.2.42 MECON Limited** The Company had a system of monitoring and recovery of outstanding dues. But the system had not been followed and, therefore, there were large outstanding dues under different heads like liquidated damages deducted by the clients, claims recoverable from sub-contractors and sundry debtors which required monitoring.
- 2.2.43 MSTC Limited** System of monitoring of old sundry debtors and outstanding dues should be strengthened.
- 2.2.44 Steel Authority of India Limited** To ensure proper monitoring of recovery and effective control, the Company should obtain balance confirmation certificates from the parties on a periodical basis and carry out detailed reconciliation.

**MINISTRY OF TEXTILES**

- 2.2.45 National Handloom Development Corporation Limited** No provision for Rs.1.71 crore for doubtful debts outstanding for more than three years, Rs.16.70 lakh for doubtful advances to suppliers and Rs.24.95 lakh for doubtful deferred accrued interest had been made in the accounts.
- 2.2.46 National Textile Corporation (UP) Limited** Physical verification of the fixed assets was not carried out by the Management.

**MINISTRY OF TOURISM**

- 2.2.47 India Tourism Development Corporation Limited**
- (i) Fixed assets register was not maintained at Hotel Jammu Ashok,-Jammu, Corporate Office, Hotel Ashok-Jaipur, Ashok Travels & Tours(ATT), Jaipur, Ashok Tourist Service Station (ATSS)-New Delhi & Hotel Samrat-New Delhi.
  - (ii) The balances as per fixed assets register were not reconciled with physical assets in some units viz. Corporate office, ATT Transport Unit, ATSS, Hotel Jammu Ashok-Jammu, and Ashok Airport

Restaurant-Indira Gandhi International Airport, New Delhi.

(iii) Old outstanding debts were not being pursued at Hotel Janpath-New Delhi, Corporate Office, Regional Office-Mumbai, Duty Free Shop-Mumbai, Hotel Kalinga Ashok-Bhubaneshwar and Hotel Pataliputra Ashok-Patna.

**2.2.48 Donyi Polo Ashok Hotel Corporation Limited** Property register was not reconciled with the financial books.

### **2.3 LIABILITIES AND LOANS**

#### **MINISTRY OF CIVIL AVIATION**

**2.3.1 Air India Limited** Provision for outstanding liabilities was being considered on the basis of bills paid in the subsequent year. Necessary care and caution was not exercised at local levels to include the liabilities related to material received/services availed before the year end for which either the bills had not been received or if received were in the process of passing. This resulted in short booking of expenditure/liability.

**2.3.2 Indian Airlines Limited** Liabilities in respect of goods purchased in certain cases were not provided due to non-availability of details from the Stores Department.

#### **MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES**

**2.3.3 Braithwaite & Company Limited** The Company had defaulted in repayment of Government of India loans of Rs.64.90 crore and interest including penal interest of Rs.27.07 crore

**2.3.4 Bharat Heavy Electricals Limited** Guarantee fee (including penalty) of Rs.100.51 crore and interest of Rs.5.17 crore was payable to the Government of India and State Governments.

**2.3.5 Bridge & Roof Company (India) Limited** The Company had defaulted in repayment of Government of India loans of Rs.11.01 crore and interest and penal interest of Rs.3.63 crore and Rs.27.83 crore respectively.

**2.3.6 Burn Standard Company Limited.** The Company had defaulted in repayment of Government of India loans of Rs.346.88 crore and interest including penal interest of Rs.109 crore.

**2.3.7 Hindustan Photo Films Manufacturing Company Limited** The Company had defaulted in repayment of loans to the extent of Rs. 497.23 crore. The Company also defaulted in payment of interest and penal interest to the extent of Rs. 2,194.78 crore.

**2.3.8 Instrumentation Limited** The Company had defaulted in repayment of loans amounting to Rs.102.70 crore including interest/penal interest of Rs.45.95 crore.

**2.3.9 Tyre Corporation of India Limited** The Company had defaulted in repayment of Government of India loans of Rs.1.33 crore and interest including penal interest of Rs.3.49 crore.

#### ***MINISTRY OF INFORMATION TECHNOLOGY***

**2.3.10 Electronics Trade and Technology Development Corporation Limited**

(i) The loan of Rs.69.57 crore from the Government of India and PSUs and others comprising principal Rs.22.34 crore, normal interest Rs.41.75 crore and penal interest Rs.5.48 crore was overdue for repayment/payment and it was subject to confirmation from and reconciliation with them.

(ii) The Company had not accepted the claims of SCOPE and Dr. Ambedkar Foundation for payment of interest on compound basis on loans taken from them in the absence of any such provision in the agreement. However, a sum of Rs.36.22 crore being the difference of compound and simple interest, had been included in contingent liability as claims against the Company not acknowledged as debts.

#### ***MINISTRY OF NORTH EAST DEVELOPMENT***

**2.3.11 North Eastern Handicrafts and Handlooms Development Corporation Limited** The Company had defaulted in repayment of Government of India loans of Rs.14.12 crore and interest Rs.17.76 crore.

#### ***MINISTRY OF PETROLEUM AND NATURAL GAS***

**2.3.12 Biecco Lawrie Limited** The Company had defaulted in repayment of loans to Oil Industry Development Board of Rs.32.76 crore and interest (including penal interest) of Rs.2.81 crore.

### ***2.4 INVENTORY AND CONTRACTING***

#### ***Department of Atomic Energy***

**2.4.1 Electronics Corporation of India Limited** The Company had not fixed maximum and minimum limits of stores and spares. The Company had also not fixed economic order quantity for procurement of stores.

**2.4.2 Nuclear Power Corporation of India Limited** Large number of advances, in particular, at C&MM Unit are outstanding since long pertaining to the period prior to the Company stage as well as during the project

periods of the operating units, which needed to be adjusted. Thorough review and close monitoring of such advances are required.

**Department of Fertilizers**

**2.4.3 Project and Development India Limited**

Maximum and minimum limits of stores/spares and economic order quantities had not been prescribed.

**MINISTRY OF CIVIL AVIATION**

**2.4.4 Air India Limited**

(i) Non accountal of material received on loan in the books of accounts.

(ii) Discrepancies were observed between the terms of purchase orders and the actual delivery.

**2.4.5 Airline Allied Services Limited**

No economic order quantity level for procurement of stores was fixed. Maximum and minimum limits of stores and spare parts were also not prescribed.

**2.4.6 Indian Airlines Limited**

No economic order quantity level was fixed for the procurement of stores.

**2.4.7 Pawan Hans Helicopters Limited**

In the Northern Region, no norms were prescribed for re-order level.

**MINISTRY OF COAL**

**2.4.8 Bharat Coking Coal Limited**

There was no system of identification of slow moving and non-moving coal, coke etc. and no agewise analysis was carried out.

**MINISTRY OF COMMUNICATIONS**

**2.4.9 Bharat Sanchar Nigam Limited**

(i) The economic order quantity for procurement of stores was not prescribed.

(ii) The system of monitoring and adjusting advance payments made to suppliers/contractors needed to be strengthened.

**2.4.10 Mahanagar Telephone Nigam Limited**

(i) In respect of the Delhi unit and the GSM units, no maximum and minimum limits of stores and spares had been laid down.

(ii) In respect of the Mumbai unit, the status of work done against the advances paid was inadequate and needed to be strengthened, as advances of Rs.17.02 crore recoverable from the Electronics Corporation of India Limited (Rs.0.41 crore and liquidated damages Rs.0.03 crore), Hindustan Cables Limited (Rs.9.74crore), United India Periodicals Private



Limited/ United Data Base (India) Private Limited/ Sterling Computers Limited (Rs.3.26 crore), amount paid towards acquisition of land (Rs.0.70 crore) and materials given on loan basis (Rs.2.88 crore) were pending for adjustment since long.

### **MINISTRY OF DEFENCE**

#### **Department of Defence Production & Supplies**

- 2.4.11 Garden Reach Shipbuilders & Engineers Limited**
- (i) The Company had not fixed the maximum and minimum limits for items of stores and spares etc.
  - (ii) Stores and spares valuing Rs.4.30 crore (Previous year Rs.3.89 crore) had not moved over four years.
- 2.4.12 Vignyan Industries Ltd.** Maximum and minimum limits of stores and spares for other than 'A' class items had not been fixed.

### **MINISTRY OF HEALTH & FAMILY WELARE**

- 2.4.13 HSCC (India) Limited** An amount of Rs.2.13 crore paid to M/s Ansal Buildwell Limited was pending recovery for a long time because the contractor was continuously in default in execution of work.

### **MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES**

- 2.4.14 Braithwaite and Company Limited**
- (i) The Company had not fixed the minimum and maximum level of inventories.
  - (ii) Stores valuing Rs.1.84 crore had not moved for more than four years.
- 2.4.15 Burn Standard Company Limited** The stock of raw material, stores and finished goods valuing Rs.9.75 crore had not moved for more than five years.
- 2.4.16 Heavy Engineering Corporation Limited**
- (i) The procedure for physical verification of inventory and stores & spares being followed by the Company was not reasonable and adequate in relation to the size and nature of business of the Company.
  - (ii) Physical verification was not done under the perpetual inventory system in a phased manner and there was no system of verifying all the items of inventory of raw material and stores & spares at least once a year.
- 2.4.17 HMT Limited** The system of monitoring and adjusting of advances to suppliers/contractors required follow up as in many cases reconciliation and adjustments were required to be made.

- 2.4.18 HMT Machine Tools Limited** Scope existed in Bangalore unit of the Company for improvement of system of monitoring and adjusting advance payments to suppliers/contractors.
- 2.4.19 HMT Watches Limited** The management of stores could be improved to avoid obsolescence and accumulation of slow moving inventories.
- 2.4.20 Hindustan Paper Corporation Limited** The Company had not fixed the maximum and minimum limits for item of stores and spares.

***MINISTRY OF INFORMATION & BROADCASTING***

- 2.4.21 National Film Development Corporation Limited** The Company did not have efficient system for monitoring and adjusting advance payments to Right Holders for purchase of films.

***MINISTRY OF INFORMATION TECHNOLOGY***

***Department of Electronics***

- 2.4.22 Electronics Trade and Technology Development Corporation Limited** The Company had no system for identifying and monitoring the disposal of non-moving, obsolete or surplus raw materials, stores and spares and finished goods. Actual disposal of non-moving, slow moving and obsolete items was pending. Agewise analysis of the stock was also not available.

***MINISTRY OF MINES***

- 2.4.23 National Aluminium Company Limited** The economic ordering quantity for procurement of stores had not been determined.
- (ii) The Company did not have any policy for issue of materials to outsiders/sub-contractors for conversion.

***MINISTRY OF PETROLEUM AND NATURAL GAS***

- 2.4.24 Mangalore Refinery and Petrochemicals Limited** Out of total inventory worth Rs.62.12 crore, Rs.11.70 crore were lying for more than three years as on 31 March 2004.
- 2.4.25 Numaligarh Refinery Limited** (i) The Company did not have any laid down procedure for identifying non-moving obsolete store.
- (ii) The Company had not yet adopted the procedure for age-wise analysis of stores.

- 2.4.26 Oil and Natural Gas Corporation Limited**
- (i) The system of recording of consumption of stores at site locations i.e. platforms and rigs, required further strengthening particularly in relation to Mumbai Region Business Centre.
  - (ii) Materials were issued without recording the transactions in the SAP system and preparation of goods receipt voucher. Also no control register was maintained for such issues.

**MINISTRY OF POWER**

- 2.4.27 North Eastern Electric Power Corporation Limited**
- The Company had not fixed the maximum and minimum limit of stores and spares.

- 2.4.28 Tehri Hydro Development Corporation Limited**
- The Project was in the construction stage and the requirement of stores and spares was not fixed.

**MINISTRY OF RAILWAYS**

- 2.4.29 Konkan Railway Corporation Limited**
- (i) Stores accounts were not fully reconciled with the financial books.
  - (ii) The Company did not have a system of fixing maximum and minimum levels of stores and spares, nor had it prescribed the economic order quantity.

**MINISTRY OF SCIENCE & TECHNOLOGY**

- 2.4.30 Central Electronics Limited**
- The Company had not prescribed the system for management of stores with regard to maximum and minimum limits of stores/spares and economic order quantity.

**MINISTRY OF STEEL**

- 2.4.31 National Mineral Development Corporation Limited**
- No maximum/minimum/economic order quantity norms were fixed for inventory except a few automatic replenishment stores (ARS) items.

**MINISTRY OF TOURISM**

**2.4.32 India Tourism  
Development  
Corporation Limited**

- (i) Maximum and minimum limits of stores and spares were not prescribed in some units viz. Ashok Airport Restaurant-Indira Gandhi International Airport (IGIA), New Delhi, Hotel Janpath-New Delhi, Corporate Office, Hotel Ashok-New Delhi, Hotel Jammu Ashok-Jammu, Hotel Kalinga Ashok-Bhubaneshwar, Lalitha Mahal Palace Hotel-Mysore, Duty Free Shop-Delhi, Hotel Ashok-Jaipur, Ashok Travels & Tours-Jaipur and Samrat Hotel-New Delhi.
- (ii) Economic order quantity for procurement of stores was not prescribed in some units viz. Ashok Airport Restaurant-IGIA, New Delhi, Ashok Tours & Travels-Chennai, Project and Engineering Division-New Delhi, Corporate Office, Hotel Ashok-New Delhi, Hotel Jammu Ashok-Jammu, Hotel Kalinga Ashok-Bhubaneshwar, Lalitha Mahal Palace Hotel-Mysore, and Hotel Samrat-New Delhi.
- (iii) System for identifying and monitoring the disposal of non-moving and surplus materials and finished goods were inadequate in Hotel Samrat-New Delhi, Hotel Ashok-New Delhi, Lalitha Mahal Palace Hotel-Mysore, Ashok Airport Restaurant-IGIA New Delhi, ATT-Jaipur, Hotel Ashok-Jaipur, Hotel Janpath-New Delhi, Western Court Catering Unit-New Delhi and Corporate Office.

**2.5 COSTING**

**Department of Fertilizers**

**2.5.1 National Fertilizers  
Limited**

The Company did not have a system of identification of idle labour hours.

**MINISTRY OF COAL**

**2.5.2 South Eastern  
Coalfields Limited**

There was no implementation of any system in respect of idle labour hours (Johilla Area, Sohagpur, Jamuna and Kotma Area, Hasdeo Area, DCC, Raigarh Area, Chirimini Area, Baikunthpur Area, CWS-CS Korba, Bishrampur Area, Korba and Gevra Area, Kusmunda).

**2.5.3 Western Coalfields  
Limited**

There was no system for identification of idle labour and machine hours (Kanhana Area).

### **MINISTRY OF COMMUNICATIONS**

- 2.5.4 Bharat Sanchar Nigam Limited** There was no system of costing to ascertain the cost of services of the activities carried on. Further, the Company had no effective system for identification of idle labour and machine hours.
- 2.5.5 Mahanagar Telephone Nigam Limited** The Delhi unit had made cost records on the basis of information available in financial and technical records, but the same in respect of the Mumbai unit, the GSM Mumbai unit and the corporate office were under process. However, no reconciliation was carried out. Besides, the Company did not have a system for identification of idle labour hours and idle machine hours.

### **MINISTRY OF DEFENCE**

#### **Department of Defence Production & Supplies**

- 2.5.6 Bharat Earth Movers Limited** (i) Batch order costing had not been introduced for booking of labour and overheads in Engine Division, Mysore.  
(ii) No report was prepared to analyse the variation in cost from batch to batch.
- 2.5.7 Vignyan Industries Limited** Idle hours for machine and labour had not been assessed and identified.

### **MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES**

- 2.5.8 Andrew Yule & Company Limited** The cost records in respect of manufacturing of tea had not been maintained as per requirement of the rules made by the Central Government under section 209(1)(d) of the Companies Act, 1956.
- 2.5.9 Bharat Heavy Electricals Limited** (i) Reconciliation between cost accounts and financial accounts had not been carried out at Oil Sector Business and Electric Motor Repair Plant, Mumbai.  
(ii) No system of identifying idle time of labour existed in Central Foundry Forge Plant, Haridwar.  
(iii) In the case of electric motors, due to low capacity utilisation, the overhead cost was high. Most of these motors were also being sold at less than the cost.
- 2.5.10 Braithwaite and Company Limited** The Company did not have any procedure of identification of idle labour and machine hours.
- 2.5.11 Bridge & Roof Co. (India) Limited** The Company did not have any laid down system for identification of idle labour and machine hours at Howrah Work Shop.

**2.5.12 Braithwaite Burn & Jessop Construction Company Limited** The Company did not have a system of identification of idle labour and machine hours.

***MINISTRY OF MINES***

**2.5.13 Hindustan Copper Limited** The Company had not maintained any record for idle machine and labour hours except in case of Taloja and Malanjkhand Copper Project.

***MINISTRY OF POWER***

**2.5.14 North Eastern Electric Power Corporation Limited** The Company had not implemented the overall cost accounting system including identification of idle labour.

***MINISTRY OF RAILWAYS***

**2.5.15 Konkan Railway Corporation Limited**

- (i) No detailed cost or estimated cost of running the trains had been arrived at by the Company.
- (ii) There was no system to identify idle time of labour and machinery in respect of work done internally.

***MINISTRY OF STEEL***

**2.5.16 Hindustan Steelworks Construction Company Limited** The Company was not following any system of costing to compute the cost of identifiable major operations, jobs, processes and services regularly.

***MINISTRY OF TOURISM***

**2.5.17 Hotel Corporation of India Limited** The Company did not have system of costing of major operational jobs.

***2.6 INTERNAL AUDIT***

***Department of Atomic energy***

**2.6.1 Electronics Corporation of India Limited** The internal audit system needed to be strengthened to be commensurate with the size and nature of business of the Company.

**MINISTRY OF CHEMICALS AND PETROCHEMICALS**

**Department of Fertilizers**

**2.6.2 Project and Development India Limited**

The internal audit system needed to be strengthened to provide value-based suggestions including areas where cost control can be effected and time management improved. The internal audit should also cover:

- (i) Compliance with Accounting Standards, physical verification of inventory, verification of work-in-progress, income and cost incurred on projects.
- (ii) Examination of the operating systems to ensure the adequacy and functionality of the system.

**MINISTRY OF CIVIL AVIATION**

**2.6.3 Indian Airlines Limited**

The internal audit system needed to re-orient its audit strategy to ensure timely reporting of deficiencies along with ensuring timely action taken for rectification to make it commensurate with size and nature of its business.

**MINISTRY OF COAL**

**2.6.4 Eastern Coalfields Limited**

There was no Internal Audit Manual.

**2.6.5 South Eastern Coalfields Limited**

Timely conduct of internal audit and compliance thereof needed to be strengthened (Johilla Area, Sohagpur, Jamuna & Kotma, Hasdeo, Bhatagoan, CWS-CS Korba and Bishrampur).

**2.6.6 Western Coalfields Limited**

Scope of internal audit needed to be widened. (Chandrapur Area).

**MINISTRY OF COMMERCE & INDUSTRY**

**2.6.7 India Trade Promotion Organisation**

- (i) The internal audit system of the Company was not commensurate with its size and nature of business.

- (ii) The Audit Committee of the Board was yet to review the scope of work of the internal auditors and suggest measures to strengthen the internal audit system in the Company and also meet Statutory Auditors to have their views on strengthening the Accounting System/Policies in the Company as per the directions of the Board of Directors.

- 2.6.8 MMTCL Limited** The internal audit system was inadequate and needed to be improved.
- 2.6.9 PEC Limited** The internal audit system needed to be further strengthened especially in the area of checking for control on invoice sale/purchase register, party reconciliation, stock register and bank reconciliation periodically.
- 2.6.10 The State Trading Corporation of India Limited** Improvements were required for ensuring periodicity and timely completion of internal audit.

***MINISTRY OF COMMUNICATION***

- 2.6.11 Bharat Sanchar Nigam Limited** The present internal audit system of the Company was not commensurate with its size and nature of business.
- 2.6.12 Mahanagar Telephone Nigam Limited** The internal audit system in relation to scope and coverage of operations, frequency of reporting and follow up, needed to be substantially strengthened in respect of all units.

***MINISTRY OF DEFENCE***

***Department of Defence Production & Supplies***

- 2.6.13 Bharat Earth Movers Limited** The internal audit system needed to be strengthened as regards personnel (including technical), extent of coverage (including information system audit) and documentation as well as for timely responses from the Management.

***MINISTRY OF FINANCE***

***Department of Banking***

- 2.6.14 Indbank Housing Limited** The internal audit was conducted at the year-end in respect of limited branches. This needed improvement.
- 2.6.15 PNB Asset Management Limited** The internal audit needed to be made more comprehensive to ensure effective coverage of critical segments.



**2.6.16 PNB Housing Finance Limited** The internal audit required further strengthening.

***Insurance Division***

**2.6.17 National Insurance Company Limited** Compliance of internal audit queries and reports found to have not been properly attended.

**2.6.18 New India Assurance Company Limited** The internal audit system needed to be strengthened in respect of 46 Divisional/Regional Offices .

***MINISTRY OF HEALTH AND FAMILY WELFARE***

**2.6.19 HSCC (India) Limited** The scope of internal audit system needed to be further strengthened and enlarged particularly relating to income recognition, recovery of long outstanding debts/creditors, delay in passing of bills of contractors by functional departments and system and procedures of placing purchase/work orders to make it commensurate with the size and business of the organisation. There was no adequate compliance mechanism on internal audit observations by functional departments.

***MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES***

**2.6.20** The scope and periodicity of the internal audit system in the following Companies needed to be strengthened /improved to be commensurate with their size and nature of business:

- (i) Baithwaite & Company Limited
- (ii) Burn Standard Company Limited
- (iii) Engineering Projects (India) Limited
- (iv) Hindustan Paper Corporation Limited
- (v) Hindustan Photo Films Manufacturing Company Limited
- (vi) HMT Machine Tools Limited
- (vii) Instrumentation Limited

**2.6.21 HMT Watches Limited** The sales outlets were subjected to internal audit at quarterly intervals by independently appointed Chartered Accountants. However the system required to be strengthened.

***MINISTRY OF HUMAN RESOURCES DEVELOPMENT***

**2.6.22 Educational Consultants India Limited** Expedition compliance of internal audit observations was needed.

***MINISTRY OF INFORMATION & BROADCASTING***

**2.6.23 Broadcast Engineering** The internal audit system in the Company needed to be

**Consultants**            **India** strengthened.  
**Limited**

***MINISTRY OF INFORMATION TECHNOLOGY***

***Department of Electronics***

**2.6.24 Electronics Trade and Technology Development Corporation Limited**      There was no internal audit system in the Company during the year under report. Though the Audit Committee in its meeting held in March 2004 had decided to appoint Internal Auditors for conducting internal audit, at the branches and Head Office, of the accounts and other records for the financial year 2003-04 no such appointment was made and, therefore, no internal audit was conducted.

**2.6.25 National Informatics Centre Services Inc.**      (i) The scope, coverage and quality of internal audit was not adequate to be commensurate with the size and nature of business of the Company.  
  
(ii) It was observed that entire work of finance/accounts and interalia book keeping was handled by a firm of Chartered Accountants since 1997 under the overall supervision of Assistant Manager (Accounts), Director (Finance) and Managing Director. The original appointment was with the approval of Board of Directors. Thereafter the agreement was extended on year to year basis and the remuneration had been revised from time to time with the approval of Chairman only. During the year 2003-04, the Company continued to avail the services of CA firm who deputed their staff and entire work was done by them. The handling of entire finance and accounts by staff of CA firm instead of by regular employees over whom the Company/Government of India had administrative control was a situation which warrants suitable remedial measures to strengthen internal control.

***MINISTRY OF MINES***

**2.6.26 Hindustan Copper Limited**                      The system of internal audit by external agencies needed to be strengthened.

***MINISTRY OF NORTH EAST DEVELOPMENT***

**2.6.27 North Eastern Handicrafts and Handlooms Development Corporation Limited**      The internal audit system, its reporting status and level of competence appeared to be inadequate.

**MINISTRY OF PETROLEUM AND NATURAL GAS**

- 2.6.28 Bioco Lawrie Limited** The Company did not have proper internal audit system commensurate with the size of the Company and nature of its business.
- 2.6.29 IBP Company Limited** The scope and coverage of internal audit needed to be improved.

**MINISTRY OF POWER**

- 2.6.30 National Thermal Power Corporation Limited** (i) The system of compliance of internal audit observations needed to be strengthened.  
(ii) Keeping in view the level of computerisation of operations in the Company, the Information System Audit needed to be introduced.
- 2.6.31 Power Grid Corporation of India Limited** Compliance and implementation mechanism on internal audit observations needed to be strengthened.
- 2.6.32 Power Finance Corporation Limited** The internal audit system of the Company needed to be improved particularly in the areas of monitoring/follow-up of loans and advances, accounting of interest subsidy and submission of periodical reports to Audit Committee.

**MINISTRY OF RAILWAYS**

- 2.6.33 Indian Railway Catering and Tourism Corporation Limited** The internal audit required further strengthening.
- 2.6.34 RITES Limited** The scope of internal audit required to be widened to cover aspects relating to internal control, procedures, systems, etc.
- 2.6.35 IRCON International Limited** The internal audit assignments needed to be allocated in time so as to avoid delay in submission of report by internal auditors.

**MINISTRY OF SHIPPING**

- 2.6.36 Cochin Shipyard Limited** The coverage of internal audit was not adequate. The coverage of verification of contractors/sub-contractors bill and their settlement was not sufficient.

**MINISTRY OF SMALL SCALE INDUSTRIES & AGRO & RURAL INDUSTRIES**

- 2.6.37 National Small Industries Corporation Limited** The internal audit was inadequate and its coverage needed to be strengthened to be commensurate with the size and the nature of the business of the Company.

**MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT**

- 2.6.38 National Backward Classes Finance and Development Corporation** There were delays in receipt of internal audit reports.
- 2.6.39 National Handicapped Finance & Development Corporation** The appointment of the internal auditors needed to be done within time and they needed to submit their reports within a time frame. The compliance mechanism of the observations of internal auditors also required improvement.
- 2.6.40** The internal audit system in the following Companies needed to be strengthened to be commensurate with their size and nature of business:
- (i) National Minorities Development & Finance Corporation
  - (ii) National Scheduled Castes Finance and Development Corporation
  - (iii) National Safai Karmchari Finance & Development Corporation

**MINISTRY OF STEEL**

- 2.6.41 Indian Iron and Steel Company Limited** The internal audit could not identify and concentrate on the major weak areas of internal control system of the company and the scope of work of internal audit was not based on risk analysis.
- 2.6.42 Manganese Ore (India) Limited** The internal audit system needed to be strengthened.
- 2.6.43 MECON Limited** No internal audit was done during the year. The audit system was not commensurate with the size of the company and nature of its business as the coverage and follow up action appeared to be inadequate with regard to the location and records checked.
- 2.6.44 MSTC Limited** The scope of internal audit in respect of quality, periodicity and subsequent compliance needed improvement.
- 2.6.45 National Mineral Development Corporation Limited** The Company had an internal audit system commensurate with the size and nature of business of the Company, but the compliance mechanism on internal audit observations needed to be further strengthened.
- 2.6.46 Steel Authority of India Limited** The compliance mechanism on the internal audit system needed to be further strengthened to ensure expeditious disposal/compliance to internal audit observations.

**MINISTRY OF TEXTILES**

- 2.6.47 The Handicrafts and Handlooms Exports** (i) The internal audit system needed to be improved further with enlarged scope i.e. widening of scope

**Corporation of India Limited**

and coverage and depth/frequency of checking should be increased and made more specific.

- (ii) Reporting should be made more standardised and emphasis should be laid on the requirement of making specific and timely reporting of the discrepancies as observed by the internal auditor.
- (iii) Compliance of internal auditor/stock verification observations should be strictly and timely adhered to.

**2.6.48 National Textile Corporation(UP) Limited**

The internal audit system needed further strengthening and improvement in terms of area covered and reporting frequencies.

**2.6.49 National Textile Corporation(WBAB&O) Limited**

The internal audit had not been done.

**MINISTRY OF TOURISM**

**2.6.50 India Tourism Development Corporation Limited**

- (i) Internal audit of some units needs to be strengthened viz. Hotel Samrat-New Delhi, Corporate and Communication Division, Project Division, Regional Office-Chennai, Hotel Pataliputra Ashok-Patna and Ashok Airport Restaurant-IGIA.
- (ii) Observations by internal audit were not complied with properly at some units viz. Hotel Janpath-New Delhi, Bharatpur Forest Lodge-Bharatpur, Taj Restaurant-Agra, Kosi Restaurant-Kosi, ATT-Agra, Project and Engineering Division-New Delhi and Corporate Office.

**2.6.51 Donyi Polo Ashok Hotel Corporation Limited**

Compliance mechanism on internal audit observations was not satisfactory.

**MINISTRY OF URBAN DEVELOPMENT & POVERTY ALLEVIATION**

**2.6.52 National Buildings Construction Corporation Limited**

- (i) Operating units had not been adequately covered under internal audit purview during the year.
- (ii) Follow-ups of the reports were not prompt enough.
- (iii) Internal audit system needed to be strengthened and improved to make it commensurate with the size of the Company and nature of its business.
- (iv) Internal audit was required to cover units/projects having Value of Work Done of more than Rs.50 lakh during the year. But this norm had not been strictly followed.

- (v) There should be wider coverage of project activities by internal audit and thus, any project having value of work done of more than Rs.25 lakh during a year should come under internal audit purview.

## **2.7. GENERAL**

### **MINISTRY OF CHEMICALS & FERTILIZERS**

#### **Department of Fertilizers**

- 2.7.1 Rajasthan Drugs & Pharmaceuticals Limited** The Company did not have any Audit Committee.

### **MINISTRY OF COAL**

- 2.7.2** No system of Strengths Weakness Opportunities & Threats (SWOT) analysis was being followed by the following Companies:
- (i) Eastern Coalfields Limited
  - (ii) Mahanadi Coalfields Limited
  - (iii) Northern Coalfields Limited

### **MINISTRY OF CIVIL AVIATION**

- 2.7.3 Indian Airlines Limited** Internal Control procedures needed to be strengthened on account of the following:
- (i) In the foreign payment department, double payments were made in certain cases as there was no proper check against advance payments.
  - (ii) Non-matching of goods received acceptance note with payment/credit notes.
  - (iii) Non-monitoring of defective materials sent to foreign suppliers.
  - (iv) The Company did not have an appropriate accounting manual.
- 2.7.4 Airline Allied Services Limited** Accounts manual and Internal control system were not finalised.

### **MINISTRY OF COMMERCE & INDUSTRY**

- 2.7.5 MMTC Limited**
- (i) One export parcel at Jaipur amounting to US\$336981 (Rs.1.47 crore) had been reimported and preshipment credit limit was outstanding against collateral security but no adjustment had been made in the Accounts.

- (ii) MICA Division manpower was in excess at Corporate Office.

**2.7.6 The State Trading Corporation of India Limited**

The computerised accounting system of the Corporate office had following deficiencies:

- (i) Entries were accepted beyond the period of accounts.
- (ii) Entries were punched without account heads and even without code number where the posting was made to some dummy codes.
- (iii) Entries were not posted chronologically.
- (iv) The account heads did not reflect the correct nature of account.
- (v) The Company had not sought confirmation in respect of sundry debtors, creditors and advances which were shown outstanding. Accounts of debtors, creditors and advances were under reconciliation.

**MINISTRY OF DEFENCE**

**Department of Defence Production & Supplies**

**2.7.7 Bharat Earth Movers Limited**

There was no fixed norm for losses/wastages for raw materials for manufacture of major products.

**2.7.8 Vignyan Industries Limited**

- (i) The Company had not fixed any norms for wastage.
- (ii) No norms had been fixed for man power employed.

**MINISTRY OF FINANCE – DEPARTMENT OF BANKING**

**2.7.9 Agricultural Finance Corporation Limited**

The Company did not maintain segment-wise accounts nor did it prepare segment-wise profit/loss statement.

**2.7.10 BOB Housing Finance Limited**

Default position of individual housing loans had been in an alarming stage in a few area offices (Baroda, Ajmer, Surat, Pune and Lucknow).

**2.7.11 Canbank Computer Services Limited**

- (i) Though the Company was engaged in the main business of software development, substantial portion of its revenue was being derived from registration and transfer services. Since, the two lines of business were unrelated it should be in the interest of the Company to prepare segment-wise Profit and Loss statements for effective review, monitoring and control measures.
- (ii) The Company had not fixed any norms for manpower.

- 2.7.12 PNB Housing Finance Limited** (i) The assets taken in possession by the Company, in full and final settlement of its dues needed to be disposed of quickly, as holding of these assets carried a heavy cost.
- (ii) There was lack of standardisation in the Company at application software level. Different branches had been using different application software. There had been lack of effective management information system and control.

#### **INSURANCE DIVISION**

- 2.7.13 General Insurance Corporation of India Limited** Corporation accepted as commutation a sum of US\$ 3.75 million (Rs.16.24 crore) in respect of all treaties pertaining to a single company, which had discontinued business.
- 2.7.14 New India Assurance Company Limited** (i) The system of internal control was found to be inadequate at head office and two Divisional Offices.
- (ii) Lease Agreements were pending for renewal in respect of 22 Divisional/Regional Offices.

#### **MINISTRY OF HEAVY INDUSTRY & PUBLIC ENTERPRISES**

- 2.7.15 Bridge & Roof Company Limited** The Company had not reviewed the installed or rated capacity during the year.
- 2.7.16 Braithwaite Burn and Jessop Construction Limited** The Company did not have any Audit Committee of the Board of Directors.
- 2.7.17 Gangavati Sugars Limited** The Company was facing legal action on account of default in repayment of debts.
- 2.7.18 HMT Limited** (i) With the cessation of two Directors, the Audit Sub-committee could not meet during 2002-03.
- (ii) Defaults were made in repayment of principal amount of loans (Rs.26.21 crore) and accrued interest thereon (Rs.44.85 crore) as at the end of 2002-03.
- 2.7.19 HMT Machine Tools Limited** Defaults were made in repayment of principal of Rs.46.23 crore and interest accrued and due of Rs.33.99 crore in respect of five years Bonds.
- 2.7.20 Scooters India Limited** The recommended action of BIFR had not been implemented in respect of reduction of manpower and full utilization of capital outlay.



**MINISTRY OF INFORMATION & BROADCASTING**

- 2.7.21 National Film Development Corporation of India Limited** **Film** Though the Company had an Audit Committee, no meeting of the Committee was held during 2003-04 which indicates that the Committee was not functioning at all.

**MINISTRY OF PETROLEUM & NATURAL GAS**

- 2.7.22 Bongaigaon Refinery and Petrochemicals Limited.** The Company had not reviewed the installed or rated capacity during the year

**MINISTRY OF POWER**

- 2.7.23 Power Finance Corporation Limited**
- (i) Audit Committee did not comprise of independent members as per the requirement of SEBI guidelines and the Companies Act,1956.
  - (ii) Though the Company monitored non-performing loans periodically, follow-up and monitoring mechanism needed to be streamlined and strengthened.
  - (iii) The computerised transactions were verified/checked manually. The Company had no system to verify computerised records through computer.
- 2.7.24 Tehri Hydro Development Corporation Limited** Rehabilitation work was being executed by Uttaranchal Government and title deed had not yet been transferred in the name of the Company.

**MINISTRY OF RAILWAYS**

- 2.7.25 IRCON International Limited** In Tally software, the system was deficient to the extent that editing was not locked and there was no system of passing rectification entries.
- 2.7.26 Indian Railway Catering and Tourism Corporation Limited** The periodicity of the meetings held by the Audit Committee during the year was not sufficient.
- 2.7.27 Konkan Railway Corporation Limited** Though the Company had an Audit Committee of the Board of Directors, due to inadequate quorum, the meetings of the Committee were generally adjourned.

**MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT**

- 2.7.28 National Backward Classes Finance &** (i) The Corporation did not have any Audit Committee of the Board of Directors.

- Development Corporation**
- 2.7.29 National Minorities Development & Finance Corporation**
- (ii) The Corporation did not have an effective system of identifying non-performing loans and advances.
  - (i) The Corporation had not formed any Audit Committee.
  - (ii) The system of pre-sanction appraisals for loans to Non-Government Organisations required improvement.

**MINISTRY OF STEEL**

- 2.7.30 National Mineral Development Corporation Limited**
- (i) The Audit Committee needed more elaborate review and compliance of Internal/Statutory and Government Audit observations.
  - (ii) The Company had not fixed norms in respect of manpower employed.

**MINISTRY OF TEXTILES**

- 2.7.31 National Textile (MN) Corporation Limited**
- (i) The Vidharba unit was facing legal action on account of default in payment of PF dues whereby the bank accounts of the Unit had been seized by the Provident Fund Commissioner.
  - (ii) The unit had defaulted in payment of loan of Rs.51.80 crore and interest and penal interest of Rs.13.54 crore during the last three years.

**MINISTRY OF TOURISM**

- 2.7.32 MP Ashok Hotel Corporation Limited**
- Board-level Audit Committee had not been formed. There seemed to be no adequacy of internal audit. The frequency of audit needed to be increased.
- 2.7.33 Hotel Corporation of India Limited**
- The Company had an Audit Committee of Directors which met only once during 2003-04; the frequency of their meetings needed to be increased.

## **FOLLOW UP ACTION ON PREVIOUS REPORTS**

As per Committee on Public Undertakings (COPU)'s instructions, Ministries/Departments are required to submit to the Committee the follow up action taken notes duly vetted by Audit in respect of comments/paragraphs included in the Report of C&AG of India No.2 (Commercial) presented to Parliament within six months from the date of presentation of the relevant Audit Reports.

A review revealed that in spite of reminders, the remedial/corrective action taken notes (ATNs) on comments/paragraphs on various PSUs contained in the last five years' Audit Reports No.2 (Commercial) under the administrative control of the Ministry had not been forwarded to Audit for vetting. The details of outstanding ATNs are given in the Report of C&AG of India No.3 (Commercial) of 2005.

**New Delhi**

**Dated**

**(T.G.Srinivasan)**  
**Deputy Comptroller and Auditor General**  
**Cum Chairman, Audit Board**

**Countersigned**

**New Delhi**

**Dated**

**(VIJAYENDRA N. KAUL)**  
**Comptroller and Auditor General of India**