CHAPTER III: ECONOMIC SECTOR
(STATE PUBLIC SECTOR UNDERTAKINGs)

3.1 Overview of State Public Sector Undertakings

Introduction

The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. The working SPSUs registered a turnover of ₹ 466.52 crore as per their latest finalised accounts as of September 2013. This turnover was equal to 1.96 *per cent* of State Gross Domestic Product (GDP) of ₹ 23,854.70 crore[1] for 2012-13. Thus, the SPSUs occupy an insignificant place in the State economy. Major activities of Tripura SPSUs are concentrated in Power and Manufacturing sectors. The SPSUs incurred a loss of ₹ 98.74 crore in aggregate as per their latest finalised accounts as of September 2013. They had employed 7112[2] employees as of 31 March 2013. The SPSUs do not include Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments.

3.1.2 As on 31 March 2013, there were 14 SPSUs as per the details given below. None of the companies were listed on the stock exchange.

Table No. 3.1.1

Type of SPSUs	Working SPSUs	Non-working SPSUs[3]	Total
Government Companies[4]	12	1	13
Statutory Corporations	1	-	1
Total:	**13**	**1**	**14**

Audit Mandate

3.1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

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[1] Advanced estimates of State GDP for 2012-13 as furnished by Directorate of Economic and Statistics, Government of Tripura.

[2] As per the details provided by SPSUs, except one non-working SPSU and one newly incorporated company.

[3] Non-working SPSUs are those which have ceased to carry on their operations.

[4] Includes one 619-B company namely Tripura Natural Gas Company Limited.

3.1.4 The accounts of State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

3.1.5 Audit of Statutory corporations is governed by their respective legislations. CAG is the sole auditor of the only Statutory Corporation in the State *viz.* Tripura Road Transport Corporation.

Investment in SPSUs

3.1.6 As on 31 March 2013, the investment (capital and long-term loans) in 14 SPSUs (including one 619 B company) was ₹ 902.93 crore as per details given below.

Table No. 3.1.2

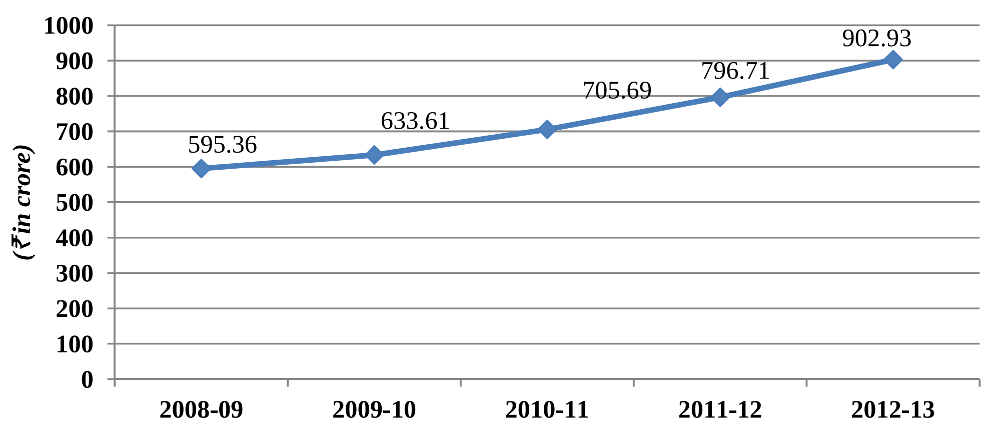
(₹ in crore)

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	469.19	275.95	745.14	157.50	0.25	157.75	902.89
Non-working SPSUs	0.04	-	0.04	-	-	-	0.04
Total:	**469.23**	**275.95**	**745.18**	**157.50**	**0.25**	**157.75**	**902.93**

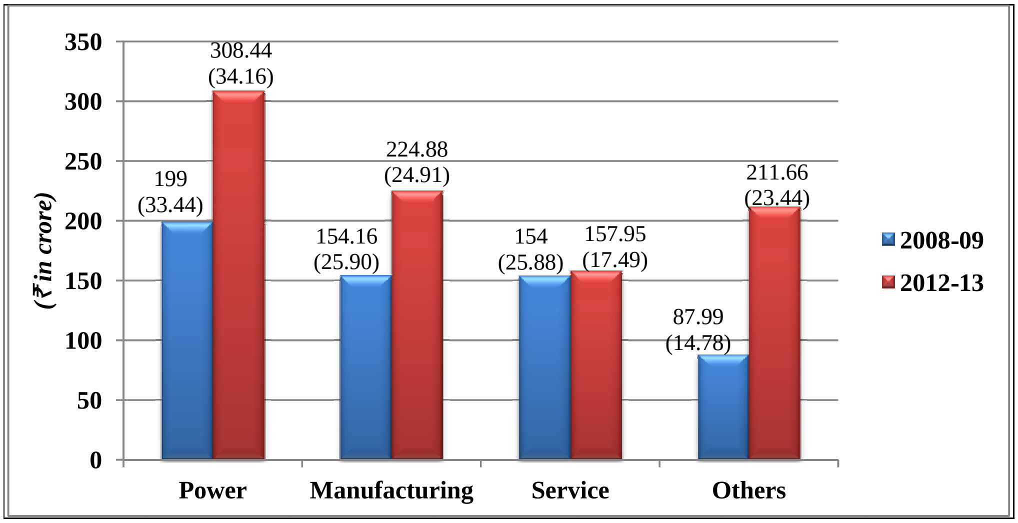
A summarised position of Government investment in SPSUs is detailed in **Appendix 3.1**.

3.1.7 As on 31 March 2013, of the total investment in SPSUs, 99.99 *per cent* was in working SPSUs and the remaining 0.01 *per cent* in one non-working SPSU. This total investment consisted of 69.41 *per cent* towards capital and 30.59 *per cent* in long-term loans. The investment had grown by 51.66 *per cent* from ₹ 595.36 crore in 2008-09 to ₹ 902.93 crore in 2012-13 as shown in the graph below.

Chart No. 3.1
Investment (Capital and long-term loans)



3.1.8 The total investment in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2013 are indicated below in the bar chart.



(Figures in brackets show the percentage of total investment)

As compared to the investment in 2008-09, investments in 2012-13 has increased in all the sectors by ₹ 109.44 crore (power), ₹ 70.72 crore (Manufacturing), ₹ 3.95 crore (Service) and ₹ 123.67 crore (Others). The increase in Power Sector was due to investment (₹ 109.44 crore) in the form of loans to Tripura State Electricity Corporation Limited while the increase in Manufacturing Sector was due to equity contribution (₹ 59.32 crore) in Tripura Jute Mills Limited during the period.

Budgetary outgo, grants/subsidies, guarantees and loans

3.1.9 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of SPSUs are given in **Appendix 3.2**. The summarised details are given below for three years ended 2012-13.

Table No. 3.1.3

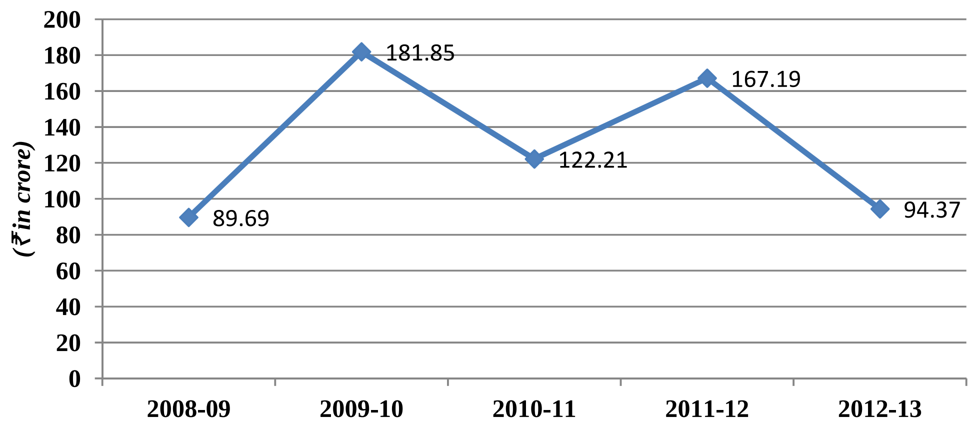
(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	3	13.27	**6**	**27.29**	**6**	**30.94**
2.	Loans given from budget	--	--	2	75.85	--	--
3.	Grants/Subsidy received	5	108.94	6	**64.05**	4	**63.43**
4.	Total Outgo (1+2+3) [5]	7	122.21	**10**	**167.19**	**9**	**94.37**
5.	Guarantee Commitment	--	--	--	--	--	--

[5] Actual number of SPSUs, which received equity, loans, grants/subsidies from the State Government.

3.1.10 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in a graph below:

Chart No. 3.3
Budgetary outgo towards Equity, Loans and Grants/Subsidies



It may be observed that the budgeting outgo to the SPSUs in the form of equity, loans, grants/subsidies, etc. had shown a mixed trend during 2008-09 to 2012-13. The budgetary outgo to SPSUs was lowest in five years during 2008-09 (₹ 89.69 crore) and was at the peak at ₹ 181.85 crore during 2009-10. The budgetary outgo to SPSUs during 2012-13 was, however, at ₹ 94.37 crore. The major beneficiaries of budgetary outgo during 2012-13 were Tripura State Electricity Corporation Limited (subsidy of ₹ 40.00 crore), Tripura Jute Mills Limited (equity of ₹ 18.67 crore) and Tripura Road Transport Corporation (grant and subsidy of ₹ 14.80 crore).

Reconciliation with Finance Accounts

3.1.11 The figures in respect of equity and loans outstanding as per records of SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2013 is stated below.

Table No. 3.1.4

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
	(2012-13)		
Equity	981.95	616.41	365.54
Loans	43.50[6]	203.77	160.27

[6] Represents State Government loans to Tripura State Electricity Corporation Limited for Power Projects. Separate details for loans to other SPSUs were not available in the Finance Accounts of the State

Audit observed that the differences in equity figures existed in respect of 11 SPSUs. It was further observed that during 2011-12, the differences in the figures of Equity and Loans were to the tune of ₹ 286.36 crore and ₹ 160.27 crore respectively. Thus, the unreconciled differences in case of State Government investment in the Equity of SPSUs had increased by ₹ 79.18 crore during 2012-13. The issue was also taken up (April 2013) with the Additional Chief Secretary, Finance Department, Government of Tripura and the heads of the concerned SPSUs for early reconciliation of long pending differences. No significant progress was, however, noticed in this direction. The Government and the SPSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of SPSUs

3.1.12 The financial results of SPSUs, financial position and working results of the only working Statutory Corporation are detailed in **Appendices 3.3, 3.4 and 3.5** respectively**.** A ratio of SPSU turnover to State GDP shows the extent of SPSU activities in the State economy. The following table provides the details of working SPSU turnover and State GDP for the period 2008-09 to 2012-13.

Table No. 3.1.5

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover[7]	260.69	288.48	331.33	419.52	466.52
State GDP[8]	13,572.64	15,402.70	17,867.73	20,981.74 (P)	23,854.70 (A)
Percentage of Turnover to State GDP	1.92	1.87	1.85	2.00	1.96

It may be noticed from the table that the turnover of the working SPSUs and the State GDP had shown consistent growth during the years from 2008-09 to 2012-13. The percentage of turnover to the State GDP during 2012-13 had marginally declined compared to 2011-12 as the increase in the turnover during the year was not commensurate with the growth in the State GDP.

3.1.13 Overall losses[9] incurred by working SPSUs during 2008-09 to 2012-13 based on their latest finalised accounts as of September of the respective year are given below in a bar chart:

[7] Turnover as per the latest finalised accounts of SPSUs as of September of respective year.
[8] GSDP figures furnished by Directorate of Economic & Statistic, Government of Tripura; (P) Provisional, (A) Advance Estimate.
[9] Arrived at before making the below the line adjustments like income tax penalty, refund of income tax, etc.

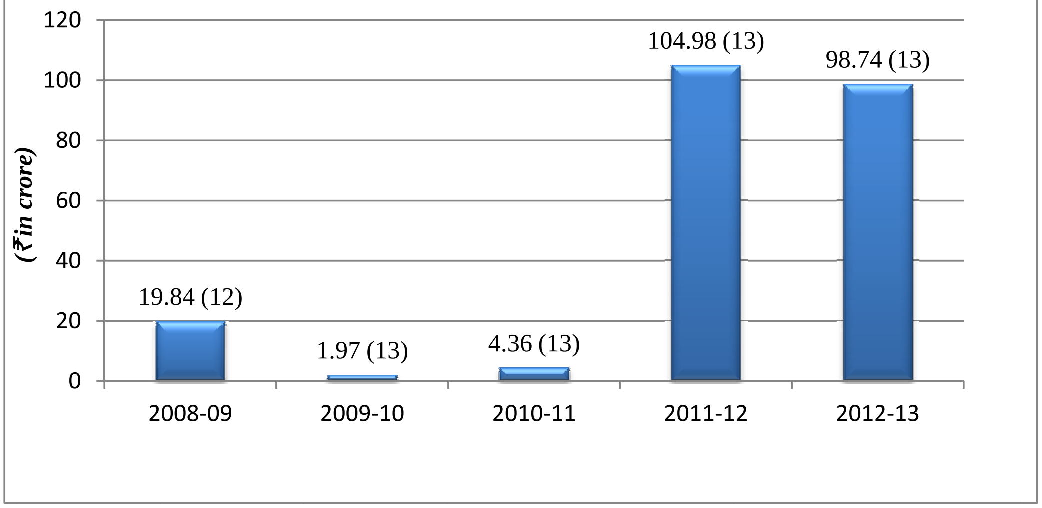


Chart No. 3.4

ars)

From the above it can be seen that the working SPSUs incurred losses in all the five years during 2008-09 to 2012-13. Significant losses during 2011-12 (₹ 104.98 crore) and 2012-13 (₹ 98.74 crore) were mainly due to heavy losses incurred by the power sector SPSU namely, Tripura State Electricity Corporation Limited. During the year 2012-13, out of 13 working SPSUs, four SPSUs earned profit of ₹ 40.56 crore and eight SPSUs incurred loss of ₹ 139.30 crore. One working SPSU (*viz.* Tripura Urban Transport Company Limited), however, had not finalised its first accounts. The major contributor to profit was Tripura Forest Development & Plantation Corporation Limited (₹ 24.53 crore). Heavy losses were incurred by Tripura State Electricity Corporation Limited (₹ 95.79 crore), Tripura Handloom and Handicrafts Corporation Limited (₹ 16.22 crore), Tripura Jute Mills Limited (₹ 14.78 crore) and Tripura Road Transport Corporation (₹ 10.00 crore).

3.1.14 The losses of SPSUs are mainly attributable to deficiencies in planning, implementation of project, running their operations, financial management and monitoring. During the year 2012-13, three SPSUs namely Tripura Handloom and Handicrafts Development Corporation Limited, Tripura Industrial Development Corporation Limited and Tripura Tourism Development Corporation Limited were selected for detailed audit. The details of revenue, cost, net profit of these SPSUs as per their latest finalised accounts as of September 2013 and the money value of audit objections included in this Report are summarised below.

Table No. 3.1.6

(₹ in crore)

Name of the Company	Revenue	Cost	Net Profit/ Net Loss (-)	Money value of audit objections	
				Excess cost incurred	Revenue forgone
Tripura Handloom and Handicrafts Development Corporation Limited (latest finalised accounts- 2012-13)	3.24	19.46	-16.22	2.49	--
Tripura Industrial Development Corporation Limited (latest finalised accounts- 2011-12)	4.81	1.64	3.17	--	0.85
Total:	**8.05**	**21.10**	**-13.05**	**2.49**	**0.85**

3.1.15 The above losses pointed out are based on test-check of records of SPSUs. The actual losses would be much more. The above table shows that with better management, the losses can be eliminated. The SPSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for improving professionalism and accountability in the functioning of SPSUs.

3.1.16 Some other key parameters pertaining to SPSUs based on their latest finalised accounts are given below.

Table No. 3.1.7

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Return on total Capital Employed (*per cent*)	Negative	0.59	0.50	Negative	Negative
Debt	98.29	108.37	128.28	203.77	276.20
Turnover[10]	260.69	288.48	331.33	419.52	466.52
Debt/ Turnover Ratio	0.38:1	0.38:1	0.39:1	0.49:1	0.59:1
Interest Payments[10]	5.89	7.27	9.37	9.37	10.33
Accumulated losses [10]	243.74	303.21	320.31	348.01	348.03

3.1.17 From the table above, it may be noticed that there had been significant increase in the overall debts of the SPSUs during past five years from ₹ 98.29 crore (2008-09) to ₹ 276.20 crore (2012-13) mainly on account of overall increase of ₹ 185.19 crore in the borrowings of Tripura State Electricity Corporation Limited (₹ 109.44 crore) and Tripura Industrial Development Corporation Limited (₹ 75.75 crore). As a result, the Debt-Turnover ratio as well as the interest payments had shown increasing trend after 2008-09. During the last five years, except during 2009-10 and 2010-11, the return on total capital employed had been negative due to high losses incurred by the SPSUs.

3.1.18 The State Government had not formulated any dividend policy regarding payment of minimum dividend by the SPSUs. As per their latest finalised accounts as on 30 September 2013, four SPSUs earned an aggregate profit of ₹ 40.56 crore. None of these SPSUs had, however, paid any dividend during the year 2012-13.

[10] Turnover of working SPSUs and interest as well as accumulated losses as per the latest finalised accounts as of September 2013.

Arrears in finalisation of accounts

3.1.19 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working SPSUs in finalisation of accounts as of September 2013:

Table No. 3.1.8

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of working SPSUs	12	13	13	13	13
2.	Number of accounts finalised during the year	24	38	27	22	19[11]
3.	Number of accounts in arrears	74	49	35	26	20
4.	Average arrears per SPSU (3/1)	6.17	3.77	2.69	2.00	1.54
5.	Number of Working SPSUs with arrears in accounts	12	13	13	13	10
6.	Extent of arrears	2 to 15 years	1 to 9 years	1 to 10 years	1 to 6 years	1 to 3 years

3.1.20 From the table, it may be seen that there had been a significant improvement in the position of arrears of accounts of the SPSUs after 2008-09. The average number of arrears per SPSU had reduced from 6.17 accounts (2008-09) to 1.54 accounts (2012-13). It may, however, be observed that only 3 out of 13 working SPSUs had up to date accounts and the accounts of remaining 10 working SPSUs still had arrears of accounts for periods ranging from one to three years as on 30 September 2013. Thus, concrete steps should be taken by the SPSUs for preparation of accounts as per the statutory requirements with special focus on clearance of arrears in a time bound manner.

3.1.21 The State Government had invested ₹ 236.08 crore (equity: ₹ 26.63 crore and grants: ₹ 209.45 crore) in eight SPSUs during the years for which accounts have not been finalised as detailed in **Appendix 3.6**. Delay in finalisation of accounts by these SPSUs may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

3.1.22 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 SPSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed of the arrears in finalisation of accounts by Audit, including taking up the matter demi-officially by the Accountant General with the Additional Chief Secretary, Finance Department,

[11] Including one year account (2012-13) of one SPSU (Tripura Handloom and Handicrafts Development Corporation Limited) finalised in December 2013.

Government of Tripura (September 2013), remedial measures were taken belatedly. As a result the net worth of these SPSUs could not be assessed in audit.

3.1.23 In view of above state of affairs, it is recommended that the Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956.

Winding up of non-working SPSUs

3.1.24 There was one non-working SPSU (*viz.* Tripura State Bank Limited) as on 31 March 2013, which had been non-functional since 1971. The said SPSU was in the process of liquidation under Section 560 of the Companies Act, 1956. The non-working SPSU is required to be wound up expeditiously since its existence is not going to serve any purpose. The Company, however, continues to await liquidation for more than four decades. The Government may expedite the process of winding up of the non-working SPSU.

Accounts Comments and Internal Audit

3.1.25 Ten working companies had forwarded 16 audited accounts to AG during the year 2012-13 (up to September 2013). Out of these 16 accounts, 8 accounts of 7 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG based on the accounts audited during the period from 2009-10 to 2012-13 (till September 2013) are given below:

Table No. 3.1.9

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	9	11.94	5	2.64	1	3.00	3	12.80
2.	Increase in loss	9	8.79	12	14.99	9	23.32	6	14.10
3.	Non-disclosure of material facts	4	3.91	0	0	6	36.83	3	0.61
4.	Errors of classification	11	34.41	0	0	4	13.31	0	0

3.1.26 During the year, the statutory auditors had given qualified certificates on all the audited accounts received up to September 2013. The audit comments were based mainly on the non-compliance by the companies with the Accounting Standards namely AS-1 (Disclosure of Accounting Policies), AS-2 (Valuation of Inventories), AS-4 (Contingencies & events occurring after the Balance Sheet date), AS-15 (Employee Benefits) and AS-22 (Accounting for Taxes on Income).

3.1.27 Some of the important comments in respect of accounts of Companies audited during the year 2012-13 (up to September 2013) are stated below:

Tripura Industrial Development Corporation Limited (2011-12)

1) The one-time non-refundable lease premium of ₹ 2.96 crore received by the company during the year 2011-12 against the properties leased out for a period of 30 to 35 years should have been treated in the nature of 'operating lease' and recognised on a straight line basis over the lease term as per para 40 of AS-19. This has resulted in overstatement of 'profit for the year' by ₹ 2.92 crore with corresponding understatement of 'Reserve & Surplus-Capital Reserve' to the same extent.

2) Incorrect accounting of interest earned against project funds pertaining to Government of Tripura as the Company's own income, has resulted in overstatement of 'profit for the year' by ₹ 1.19 crore and understatement of 'Other Long-Term Liabilities' to the same extent.

Tripura Forest Development and Plantation Corporation Limited (2011-12)

1) Non-provisioning towards actuarial valuation of liability as assessed by LIC of India in respect of Group Gratuity Scheme and Group Leave Encashment Schemes for the employees as on 31 March, 2012 has resulted in overstatement of profit for the year by ₹ 5.11 crore with corresponding understatement of Other Current Liabilities to the same extent.

2) Incorrect capitalisation of cost of construction of Head Office building (₹ 4.16 crore) prior to its actual completion led to excess charging of depreciation amounting to ₹ 28.36 lakh resulting in understatement of accumulated Profit to the same extent.

3.1.28 Similarly, the only working Statutory Corporation in the State (*viz.* Tripura Road Transport Corporation) for which CAG is the sole auditor, had forwarded its one year accounts (2009-10) to AG during the year 2012-13. The audit of the accounts forwarded by the corporation was completed. The results of the sole audit indicate that the quality of maintenance of accounts needs to be improved substantially.

3.1.29 Some of the important comments in respect of accounts of the Statutory Corporation are stated below.

Tripura Road Transport Corporation (2009-10)

1) The 'Current Liabilities' and the 'Net Deficit' of the Corporation for the year 2009-10 were understated by ₹ 1.98 crore due to non-provision for the liability against pay revision arrears of the employees for the period from January 2009 to March 2010.

2) The 'Current Assets (Third Party Advance)' of the Corporation included ₹ 49.90 lakh, being the advances pertaining to various suppliers and contractors up to the year 2002-03 without having complete party wise details. Since the chances of recovery/adjustment of the advance were remote, necessary provision should have been made in the accounts. This had resulted in overstatement of

Current Assets by ₹ 49.90 lakh with corresponding understatement of 'accumulated deficit' to the same extent.

3.1.30 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of seven companies[12] for the year 2012-13 are given below.

Table No. 3.1.11

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 3.2
1.	Non maintenance of proper fixed asset register	7	A2, A3, A4, A7, A8, A11, A12.
2.	No/inadequate internal audit system	6	A2, A4, A7, A8, A11, A12.
3.	Non maintenance of cost record	3	A2, A7, A11.

Status of placement of Separate Audit Reports

3.1.31 Separate Audit Reports (SARs) issued by the CAG on the accounts of Tripura Road Transport Corporation were placed in the Legislature by the Government up to 2008-09. The SAR for the year 2009-10 was issued in September 2013 which was yet to be placed in the State Assembly. The Government should ensure prompt placement of SARs in the Legislature.

Disinvestment, Privatisation and Restructuring of SPSUs

3.1.32 No disinvestment, privatisation or restructuring of SPSU occurred during 2012-13.

[12] Serial number A-2, 3, 4, 7, 8, 11, 12 in **Appendix – 3.2**

INDUSTRIES AND COMMERCE DEPARTMENT
(Tripura Handloom and Handicrafts Development Corporation Limited)

3.2 Performance audit of the working of Tripura Handloom and Handicrafts Development Corporation Limited

Handloom industry in the State of Tripura plays a dominant role in the economic development of the rural people by providing gainful employment. The State is also known for the rich diversity of its handicraft products. As per the latest Economic Review of Tripura (2011-12), there are about 1.19 lakh weavers in the State out of which 17,637 are organised under clusters. Tripura Handloom and Handicrafts Development Corporation Limited (Company) was incorporated (September 1974) primarily for promotion and strengthening of this sector on a commercial footing by supplying raw materials, marketing the finished products and running of production centres. At present, however, the activities of the Company are confined mainly to marketing of finished products procured from weavers and artisans. The performance of the Company in achieving its laid down objectives was evaluated during the present audit that mainly focused on the financial and operational management covering the period of five years from 2008-09 to 2012-13. A review of the functioning of the Company brought out the following main points:

Highlights:

The Company did not have any long term or short term plan for achievement of its objectives. The sales targets set in the Memorandums of Understanding by the Government for the years 2008-09 to 2012-13 were neither achieved nor monitored.

(Paragraphs 3.2.6.1 and 3.2.6.2)

As per the profitability statement prepared by Audit for the year 2012-13, 42 out of 43 emporia operated by the Company incurred losses.

{Paragraph 3.2.7.1(ii)}

Accumulation of inventory and debtors due to their poor management resulted in severe strain on working capital.

(Paragraphs 3.2.7.6 and 3.2.9.4)

Contrary to its laid down objectives, the Company had been operating two power loom units at the behest of the State Government, which had caused negative impact on its financial interests

(Paragraphs 3.2.7.8)

Undue delay in execution of Urban Haat Project resulted in cost escalation of ₹ 2.49 crore along with non-attainment of its objectives.

(Paragraph 3.2.8.2)

The Company had incurred operational losses during all the five years from 2008-09 to 2012-13 aggregating ₹ 33.77 crore. Despite capital infusion of ₹ 27.93 crore by the State Government during 2008-13, the entire paid up capital of the Company was wiped off by the losses and the net worth of the Company had become negative.

(Paragraphs 3.2.9.1 and 3.2.9.3)

Monitoring activities and the internal control system of the Company were found to be deficient.

(Paragraphs 3.2.10.1 and 3.2.10.2*)*

3.2.1 Introduction

Handloom industry in the State of Tripura plays a dominant role in the economic development of the rural people by providing gainful employment. The State is also known for the rich diversity of its handicraft products. As per the latest Economic Review of Tripura (2011-12), there are about 1.19 lakh weavers in the State out of which 17,637 are organised under clusters. Tripura Handloom and Handicrafts Development Corporation Limited (Company) was incorporated (September 1974) with a view to organise the Handloom and Handicraft Industries of the State on a commercial footing, expand their market and create employment as well as improve the standards of living of the handloom and handicrafts artisans of the State. The Company operates under the administrative control of Department of Handloom, Handicrafts and Sericulture, Government of Tripura. During the year 2011-12, the Company could serve total 19321 weavers (viz. 16 *per cent* of total weavers in the State) in terms of procurement of finished products from them for selling in the market.

The main objectives of the Company are to:

- procure and supply raw materials or any other item required for handloom and handicrafts industry;
- purchase or receive the finished handloom and handicrafts products of the weavers/artisans for selling the same in the market;
- establish and run production units for handloom and handicrafts items by employing weavers and artisans;
- set up/assist in setting up common facilities for the weavers/artisans and also arrange training for skill and design development for improving products quality; and
- establish and operate depots within and outside the State, for exhibition and sale of handloom and handicrafts products of the weavers/artisans.

At present, the Company has been trading mainly in the Handloom/Handicraft items being procured from clusters of weavers/artisans within the State. The Company had 43 sales outlets named as emporia under the brand name "Purbasha" spread across four States viz., Tripura (33), Assam (3), West Bengal (6), and New Delhi (1) for selling its products. Besides, the Company had two Power loom Units (at Indranagar and Badharghat), one Common Facility Centre and two Central Procurement Stores. As on 31 March 2013, the Company employed 384 employees.

The Company is wholly owned by Government of Tripura. Management of the Company vests with the Board of Directors (Board) comprising eleven members appointed by the State Government. The Board is headed by the Chairman and the day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Company.

3.2.2 Scope of Audit

The working of the Company was last reviewed and included in the Report of the Comptroller and Auditor General of India, Government of Tripura for the year ended 31 March 1998. The Report was considered by the Committee on Public Undertakings (COPU) in January 2001. The recommendations of COPU on the Report were included in the 37th Report of the COPU, which was placed before the Legislature on 10 September 2007. Action Taken Notes (ATNs) on the Report of the COPU were submitted to the Legislature on 8 March 2010. The status of compliance by the Company on the recommendations of COPU has been appropriately included in the present audit report[13] .

The present audit reviews the performance of the Company covering the period 2008-09 to 2012-13. This audit involved scrutiny of Company's records pertaining to planning, operational efficiency, implementation of schemes, financial management and inventory control etc. For this purpose Audit examined records at the Head Office as well as the records maintained by both the Central Procurement Stores and Power loom units[14] of the Company. Besides, out of 33 emporia of the Company located in Tripura, 8 emporia[15] were selected for audit using the method of Simple Random Sampling without Replacement.

3.2.3 Audit Objectives

The objectives of the performance audit were to ascertain whether:

- planning was adequate and effective for achieving Company's objectives of promoting the handloom and handicraft activities in the state;
- operational activities including procurement of handloom and handicrafts, running of emporia, marketing and manpower management were done in an economic and effective manner;
- the Schemes/Projects funded by the State/Central Government had been implemented in economic, effective and efficient manner;
- financial management was efficient and effective;
- an effective monitoring and internal control system was in place ; and
- system existed for assessing the impact of Company's activities in uplifting socio–economic conditions of weavers/artisans in the State.

[13] **Paragraph 3.2.7.2**
[14] Located at Indranagar and Badarghat
[15] H.O. complex, Sakuntala Road, Udaipur, Ranir Bazar, Jirania, Kaman Chowmuhani, Bishramganj and Melagarh (Last five were previously TAWCS emporia)

3.2.4 Audit Criteria

The audit criteria for assessing the achievement of the audit objectives were derived from the following sources:

- Records relating to the targets set by State Government for Memorandums of Understanding (MOU) entered with the Company;
- Directives/instructions/guidelines etc. issued by the State Government/Board from time to time;
- Policies/Rules and Regulations of the Company with regard to manpower, discount, purchases, unit-wise targets. etc; and
- Terms/conditions as well as the prescribed guidelines for various Central/State Government Schemes.

3.2.5 Audit Methodology

The Audit held (July 2013) entry conference with the Company Management wherein the scope, objectives, criteria of audit and audit sample-size were discussed. Audit examined relevant records based on which preliminary observations were issued to the Management and their replies, wherever received, were considered while drawing the audit conclusions. After receipt of Management's reply on the draft report which was endorsed by the Government, an exit conference was held (December 2013) with the Secretary, Industries and Commerce Department, Government of Tripura (Secretary) and their responses were considered appropriately while finalising this Report.

The audit findings are discussed in the subsequent paragraphs.

Audit findings

Audit objective 1: Whether planning was adequate and effective for achieving Company's objectives of promoting the handloom and handicraft activities in the state

3.2.6 Planning

3.2.6.1 Non preparation of perspective and annual plan

For achieving the objectives and ensuring the viability of State PSUs, the State Government desired (November 2009) to have a perspective plan of the Company. Audit observed that the Company did not prepare any such perspective plan. Further, the Company did not have even annual plans resulting in directionless operations of the Company. In the exit conference, the Secretary assured that the Company would prepare a perspective plan.

3.2.6.2 Memorandum of Understanding with State Government

The Company entered into Memorandums of Understanding (MOU) with the State Government on annual basis fixing annual targets of the Company with regard to

Turnover, Salaries, Wages and Other expenses. The status of sales targets and its achievement was as under:

Table No.3.2.1

Year	MOU sales target (₹ in crore)	Actual sales (₹ in crore)	Achievement (in *percentage*)	Shortfall (₹ in crore)	Shortfall (in *percentage*)
2008-09	4.30	2.96	68.84	1.34	31.16
2009-10	3.50	3.23	92.29	0.27	7.71
2010-11	4.00	3.75	93.75	0.25	6.25
2011-12	4.50	2.68	59.56	1.82	40.44
2012-13	3.40	2.61	76.76	0.79	23.24

It may be seen from above that MOU sales targets were not achieved in any of the five years. As per the MOU entered into during 2008-09, the sales targets for next four years from 2009-10 to 2012-13 were fixed at ₹ 4.65 crore, ₹ 5.30 crore, ₹ 6.10 crore, ₹ 7.00 crore respectively based on the sales projections made for the respective years. It was, however, observed that the annual sales targets for the respective years were fixed at significantly lower side than the projections made during 2008-09 based on previous years' sales performance. The fixation of sales targets at lower values than the projections made in 2008-09 was indicative of the inadequacy of Company's efforts towards marketing and sales promotion. It further reflected that the annual targets were merely based on the previous years' sales without any study or evaluation of the potentials of the Company and its product.

Though the MOU provided for monitoring of Company's performance on quarterly basis, in practice, however, there was no such monitoring done by the Government. The sales targets provided under MOU were not bifurcated for Government and private sales as the Government sales was merely a captive sales[16]. Therefore, the Company's actual performance with reference to private sales in the competitive environment could not be judged or monitored by the Government.

In reply, the Government, while accepting the audit findings stated that main reason for non achievement of MOU targets was the inability of the Company to procure demandable items due to shortage of working capital. It was, however, observed that working capital position could have been improved by better management of inventory and sundry debtors as discussed under **paragraph 3.2.7.6** and **3.2.9.4** *infra*.

3.2.6.3 Promotion of handloom and handicraft activities

The Company was formed (September 1974) with the prime objectives of promoting of handloom and handicrafts activities in the State by organising the Handloom and Handicrafts Industries on commercial footing, expanding their market as well as improving the standards of living of the handloom and handicrafts artisans of the State. A review of the Company's records for five years revealed that the Company

[16] Represents sales to various Government Departments/Undertakings based on the mandatory directions issued by the State Government to such Departments/undertakings

did not plan specifically anything with reference to its primary objective of promoting the handloom and handicraft activities in the State.

Audit objective 2: Whether operational activities including procurement of handloom and handicrafts, running of emporia, marketing and manpower management were done in an economic and effective manner

3.2.7 Operational Performance

3.2.7.1 Performance of emporia

(i) Sales Performance

The emporia-wise and year-wise sales performance of the Company in Handloom and Handicraft products *vis-a-vis* the MOU targets for five years from 2008-09 to 2012-13 have been given in the **Appendix-3.7**.

Scrutiny of records revealed that although the Company had fixed the annual sales targets for the emporia over the years, no proper criteria, analysis or basis of such fixation of targets was seen on records by Audit. Analysis of the data compiled in the Appendix further shows that the achievement by the emporia against the annual sales targets was very poor. It was observed that 64 *per cent* of the total turnover of the emporia sales during 2008-09 to 2012-13 belonged to only three units i.e., H.O. Complex (37 *per cent*), New Delhi (18 *per cent)*, Dhakuria (9 *per cent*). Further, 70 *per cent* of the handicraft sales during the said period was contributed by only two units i.e. H.O. Complex, Agartala, and New Delhi Emporium. It showed that excepting these two emporia, all the remaining emporia did not make any significant contribution in achieving the sales targets. The Company, however, failed to take any concrete remedial steps to improve the sales performance of these emporia.

(ii) Profitability

The Company did not analyse unit-wise profitability of various emporia. Consequently, meaningful review of performance of emporia did not exist. Unit wise profitability statement for the year 2012-13 as prepared by Audit and summarised under **Appendix-3.8** revealed the following:

- Out of total 43 emporia of the Company, only one emporium (viz. New Delhi emporium) earned profits and all the remaining 42 emporia (98 *per cent*) had incurred losses during the year. These losses have been arrived at without apportioning the Head Office overheads;
- Only two[17] of these forty three units were able to generate adequate contribution to meet their salary expenditure.

[17] 1. H.O. Complex, Agartala and 2. New Delhi

- Margin on sales generated by six[18] out of forty three units was not adequate to meet even their operational expenditure like electricity charges.

In view of the poor operational performance of the emporia, the Company needed to take concrete steps for making these emporia viable. To address the situation, the Company may require to take appropriate action to reduce its operational expenditure and also to improve the sales performance of the emporia through better marketing and improvement in quality of products.

In reply, the Government stated that efforts like closing down of emporia, withdrawal of excess staff, etc had been taken to minimise the losses. In the exit conference, the Secretary also agreed on the need to review the feasibility and viability of continuing the operations of these emporia.

3.2.7.2 Procurement of handloom and handicraft items

The Company mainly procures the items from the Clusters (Weavers' Societies) and individual artisans. The Company's annual procurement plans were based on the assessment of the capacity and readiness of various clusters, review of previous years' sales performance and availability of working capital. Scrutiny of records, however, revealed that the Company prepared the annual procurement plans only up to 2010-11 and no such plan was prepared in subsequent years. The details of the procurement targets fixed by the Company under the annual procurement plans for three years ended 2010-11 *vis-a-vis* the actual procurements made there against are as under:

Table No.3.2.2

(₹in crore)

Year	Handloom		Handicraft	
	Target	Achievement	Target	Achievement
2008-09	1.70	1.60	1.03	0.57
2009-10	2.00	1.23	1.21	0.85
2010-11	1.50	0.86	1.05	0.82

It may be seen from above that there was no consistency in procurement targets fixed over the years. The Company, however, could not achieve the procurement targets during any of the three years. It may also be observed that despite significant shortfall in the procurement targets during 2008-09, the procurement targets relating to Handloom and Handicrafts material for 2009-10 were enhanced. The above position is indicative of the fact that the procurement targets were fixed on *ad hoc* basis without any scientific study.

In reply, the Government stated that the major reason for the shortfall was the acute working capital crisis faced by the Company.

In this context, it may be stated that the shortfall against procurement targets was also discussed by COPU in its 37th Report on the Performance Audit conducted on the working of the Company for the period 1993-97. In the Action Taken Notes, the

[18] 1. Bishramganj, 2. Melagarh, 3. Ranirbazar, 4. Super Market, Dharmanagar, 5. Maniktala (Annex) and 6. New Delhi

Company had submitted that shortage of working capital was a major hindrance in achieving the purchase targets. It was, however, observed that no effective course of action was planned by the Government/Management so far so as to improve the liquidity position of the Company and overcome the working capital constraints.

3.2.7.3 Payment to weavers and artisans

The activities of the Company at present are confined mainly to marketing of finished products procured from weavers and artisans**.** The Company procured the finished products from the Clusters (weavers' societies) and individual artisans only on credit basis. Scrutiny of records revealed that there were inordinate delays in making payments to the suppliers of the products against the supplies made by them. The details of dues outstanding for payment to suppliers (artisans and weavers) during the five years from 2008-09 to 2012-13 have been summarised as under:

Table No.3.2.3

(₹in lakh)

Year	Handicrafts	Handloom
2008-09	25.95	32.42
2009-10	27.90	32.00
2010-11	46.12	27.34
2011-12	0.63	05.10
2012-13	7.34	03.49

It was observed that the dues payable to suppliers in respect of Handicrafts increased continuously up to 2010-11. The dues payable against supplies of Handloom items were also significant upto 2010-11. The substantial decline in dues, thereafter, was because of clearance of previous dues of artisans by the Company out of the one-time assistance of ₹ 1.20 crore provided (September 2011) by the Government for the purpose. Scrutiny of records revealed that while providing the said assistance, the Government had specifically directed (September 2011) that all future purchases should be made by the Company only on cash basis. Contrary to the said directions, however, the Company continued to make procurements on credit basis. As a result, the outstanding dues of the suppliers kept on accumulating again during 2011-12 and 2012-13.

While accepting the audit observations, the Government stated that all procurements are now being made as per the availability of funds and the outstanding bills of the weavers were being cleared.

3.2.7.4 Pricing

The Company did not have a documented policy for pricing of its products. As a matter of practice, the product prices were fixed on mark up basis by adding the overhead margin varying from 40 *per cent* to 50 *per cent* on the purchase cost. Prices were revised only on the basis of increase in wages and cost of materials. The system of conducting market survey, making comparative analysis of competitors' prices, etc.

for fixation of selling price on scientific basis did not exist and hence, competitiveness of product prices could not be analysed.

Since the Company had a liberal discount system of allowing the discount at flat rate of 20 *per cent* on marked-up price (as discussed under **paragraph 3.2.7.5** *infra*), the effective mark-up was reduced to 20 *per cent*[19] on cost price only. However, considering the fact that average overhead to sales ratio of the Company during 2008-09 to 2012-13 stood at 216 *per cent*[20], the effective mark-up price of 20 *per cent* on cost price was highly inadequate to generate any meaningful contribution.

The Government in its reply stated that pricing of products was done in such a manner that the sale price should be competitive as per existing market prices. Necessary documents in support of the reply regarding evaluation of competitive prices were, however, not furnished to Audit.

3.2.7.5 Discount policy

As part of its promotional efforts, the Company had been offering discount sales throughout the year for different spells varying from 7 days (June) to 30 days (February-March) in a month. A review of discount sales period in last three years showed that actual average discount period was 160 days as against total 265 working days (60 *per cent*) in a year. Scrutiny of records further revealed that the discount rate was fixed at flat rate of 20 *per cent* on marked-up price and the annual calendar for discount was conveyed in advance to all the sales counters during the first month of the financial year. Announcement of discount rate and schedule of discount period in advance at the beginning of each year had detrimental effects on the normal sales of the Company during regular working days when discount was not available.

An analysis of sales at Head Office complex emporium, which contributed 58 *per cent* of total emporia turnover of the Company within the State revealed the following trends:

Table No.3.2.4

(₹ in lakh)

Year (1)	Net Discount Sales (2)	Normal Sales (3)	Total discount Offered (4)	Total Sales[21] (2)+(3)=(5)	Percentage of Normal Sales to Total Sales (3)/(5)x100=(6)	Average percentage of Normal Sales to Total Sales (7)
2010-11	33.06	14.90	8.26	47.96	31.07	30.62
2011-12	34.30	15.28	8.57	49.58	30.82	
2012-13	36.83	15.77	9.21	52.60	29.98	

A significant observation could be made from above that the average ratio of normal sales to total sales during 2010-11 to 2012-13 was only 30.62 *per cent* and the balance 69.38 *per cent* of the average total sales was discount sales only. It reflected that the

[19] Assuming per product cost at ₹ 100 and selling price at ₹ 150(with markup of 50 *per cent* on purchase cost), the net selling price per product (after allowing flat discount of 20 *per cent*) would be ₹ 120 only.
[20] Sales comprise of sales to Government and sales (others); Overheads comprise of general and selling and distribution expenditure (**Appendix-3.11**).
[21] Excluding sale of 'Fabric Plus' on commission basis

Company was mainly dependent on the discount sales for which effective mark up was only 20 *per cent* on cost price as against the overhead of 216 *per cent* to sales price. It confirmed that the Company never considered the issue of profitability in the sales of products, which may not be in the financial interests of the Company.

Thus, the discount offered by the Company on regular basis rather than as promotional measure did not yield the desired results and it has adversely affected the viability and profitability of the Company. The Company needs to adopt an appropriate and balanced discount policy so that while providing the products to the society at reasonable price, the operational costs involved are also adequately recouped, which is essential for viability of the Company.

In reply, the Government assured that the existing discount policy would be reviewed.

3.2.7.6 Inventory Management

Effective management of inventory is important for any organisation which stocks and sells goods as this involves a direct impact on its working capital. Inventory turnover ratio[22] is an indicator of the effectiveness in management of inventory by the organisation.A low inventory turnover ratio implies poor sales and therefore points to excess inventory, which may consequently cause blockage of working capital due to overstocking situation. Thus, the low ratio impacts adversely on the profitability and liquidity position of the organisation. On the other hand, a high inventory turnover ratio indicates stock out situation, which may cause negative impact on sales performance of the organisation. The inventory turnover ratio of the Company for the five years period was as under:

Table No.3.2.5

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Opening Inventory	1.96	2.06	1.94	2.34	2.62
Closing Inventory	2.06	1.94	2.34	2.62	2.23
Average Inventory held	2.01	2.00	2.14	2.48	2.43
Sales	2.95	3.23	3.75	2.68	2.61
Inventory turnover ratio	**1.47**	**1.62**	**1.75**	**1.08**	**1.07**

It may be noticed that the inventory turnover ratio of the Company was very low. It increased during 2009-10 and 2010-11 but showed a decreasing trend thereafter, which was indicative of accumulation of stock. The main reason of such decreasing trend was significant fall in the sales after 2010-11 from ₹ 3.75 crore (2010-11) to ₹ 2.61 crore (2012-13) as indicated under **paragraph 3.2.9.1** *infra*.

Audit further observed that:

- There was no system in place for periodical age-wise analysis of inventory and the inventory level management tools were not applied to maintain the optimum level of stock.

[22] Sales/Average Inventory

- There was no independent annual physical verification of stock at the emporia as it was being carried out by the respective emporia staff only.
- The determination of damaged stock was not done on regular basis. The damaged stock was not marked with indelible ink so as to avoid the possibility of getting it mixed with the good stock and selling the good stock as damaged stock.

In the exit conference, the Secretary agreed with the observation and emphasised on the need for improved inventory management.

3.2.7.7 Manpower management

As on 31 March 2013, the Company had total manpower strength of 384 employees. Manpower strength and the percentage of salary expenditure as a part of total administrative expenditure were as under:

Table No.3.2.6

Year	2008-09	2009-10	2010-11	2011-12	2012-13
No. of employees	298	285	406	388	384
Percentage of salary to total Administrative Expenditure	87.43	83.30	89.35	95.71	92.97

- As mentioned earlier, the massive increase in manpower strength during 2010-11 was due to merger of Tripura Apex Weavers' Cooperative Society Limited with the Company.
- Despite surplus staff in the Company, 138 No. of Daily Rated Workers/Casual Labourers/Contingent Workers included in the above total number of employees were regularised from December 2012 resulting in increased salary commitment of ₹ 72 lakh per annum[23].
- Business generated per employee by three emporia was ₹ 5000 or less per annum[24] in 2012-13 (**Appendix-3.9)**;
- Major portion (51 *per cent*) of the staff belonged to unskilled (Group D) category. Hence, the productivity of surplus labour was low;
- Key Department like Accounts Wing was not manned by specialist officers causing adverse impact on the quality of maintenance of accounts and other records; and
- Human Resource Development practices like training was absent though the staff relating to Sales and Marketing Department was regularly dealing with general public. This could adversely affect the repute and reliability of the Company in the general public and stakeholders.

Since the Company was not able to generate any surplus as explained above, the Government had been providing financial assistance in the form of Share Capital contribution for meeting the salary expenditure of the Company resulting in an avoidable burden on the public exchequer.

[23] Based on projections made by the Company
[24] Ambassa - ₹ 5000, Ranirbazar - ₹ 3000 and Bishramganj - ₹ 1000

In reply, the Government stated that several steps were initiated for withdrawal of surplus staff from the Company so as to minimise its salary burden. However, necessary documents in support of the reply and the results thereof was not furnished.

3.2.7.8 Operation of Power loom Units

The activities relating to the production and marketing of Power loom products did not form part of the Company's objectives as per its Memorandum of Association. The State Government had also categorically instructed (April 2008) that the Company should not in any way be involved in marketing of Power loom fabrics since it was against its founding objectives of promoting and strengthening the handloom and handicraft sector in the State. It was, however, observed that contrary to the above directions, the Government transferred (July 2009/June 2012) two power loom units to the Company, which were previously run by the Industries Department, for production of grey silk sarees and silk fabrics with the following directions:

- Printing on the grey silk sarees would be done at the Company's silk printing unit at Indranagar;
- Marketing of the finished products was to be done partly by the Company and partly by a weavers' society, namely Muhuripur Tant Silpa Samavaya Samithi Ltd (MTSSS);

During the four year period from 2009-10 to 2012-13, these units produced 4347 Grey silk sarees at a total cost of production of ₹ 55.37 lakh. It was, however, observed that the downward linkage in the production chain could not be achieved due to non-commissioning of Silk Printing Unit as discussed under ***paragraph 3.2.8.3***. As the Grey silk sarees without printing were not marketable,the Company decided to get these sarees printed at MTSSS and also outside the state. The details of production and dispatch of these sarees for printing under these two arrangements in each of the five years is given in **Appendix-3.10**. In this connection, following observations are made:

➢ During the period from August 2009 to September 2012, total 1867 grey silk sarees involving cost of production of ₹ 19.53 lakh (average cost of production ₹ 1046/- per saree) were issued to MTSSS for printing. It was, however, observed that the above arrangement with MTSSS was not formalised with definite terms and conditions on all important issues.

➢ Out of the above stock dispatched to MTSSS, the Company purchased back 714 sarees after printing at the price charged by MTSSS ranging between ₹ 4000 to ₹ 1250 per saree valued at total amount of ₹ 14.45 lakh. The remaining stock of 1153 sarees (cost of production ₹ 12.26 lakh) dispatched during the period 2011-12 to 2012-13 had not been returned by the MTSSS so far. The reasons of non-return of 1153 sarees were neither found on the record nor furnished to Audit though called for. Since there were no clear terms and conditions, the possibility of complete loss of the said stock could not be ruled out.

➢ In April 2012, 560 sarees (cost of production ₹ 6.90 lakh) were dispatched to the Company's Branch Office at Kolkata for printing through private parties. It was, however, observed that out of the said stock, only 75 sarees valued ₹ 0.92 lakh were received (January 2013) back by the Company after printing and balance stock of 485 sarees (cost of production ₹ 5.16 lakh) was pending to be received by the Company even after one and a half years of its despatch.

Thus, the operations of the power loom units at the behest of the State Government were contrary to its own directions as well as to the laid down objectives of the Company. The Company is also likely to sustain losses in the operationsof these units in absence of an effective system for monitoring and follow up of the saree stock issued to private parties for printing.

While confirming the facts, the Government did not offer any specific reply with regard to entrustment of the power loom operations to the Company contrary to its own directions. Reply of the Government was also silent on supplying the silk saree stock to MTSSS for printing without any terms and conditions as well as non-recovery of the saree stock lying with MTSSS. As regards non-receipt of Sarees from Kolkata after printing, the Government stated that the matter was under reconciliation.

Audit objective 3: Whether the Schemes/Projects funded by the State/Central Government had been implemented in economic, effective and efficient manner

3.2.8 Implementation of Projects

Development of Head Office Complex, Urban Haat and Silk Printing Unit were the three major projects undertaken by the Company during the period of five years covered in the Audit. During 2008-09 to 2012-13, the Company received an amount of ₹ 10.31 crore from the Government of India/State Government towards implementation of these projects in addition to ₹ 0.75 crore received prior to 2008-09. As against the available funds aggregating ₹ 11.07 crore, the Company utilised an amount of ₹ 3.68 crore (33.24 *per cent)*, the details of which are given below:

Table No.3.2.7

(₹in crore)

Sl. No.	Name of the Project/Scheme	Opening balance as on 1/4/2008	Total receipt	Total fund available	Total expenditure incurred	Closing balance of funds as on 31/03/2013
1.	Development of Purbasha Head Office Complex	Nil	8.71	8.71	1.92	6.79
2.	Urban Haat	0.49	1.37	1.86	1.46	0.40
3.	Silk Printing Unit	0.26	0.24	0.50	0.30	0.20

The Audit observations on implementation of the above schemes by the Company are discussed in succeeding paragraphs:

3.2.8.1 Development of Head Office Complex

The Draft Project Report (DPR) for development of 1st phase of Head Office Complex of the Company with facilities for showrooms and godowns was approved by the Government of Tripura in June 2009. Subsequently, an estimate amounting to ₹ 14.28 crore for the work was also approved (April 2010).

Scrutiny of records revealed that the DPR for the project was prepared by a Delhi based consultancy firm 'Shristhi' (Consultants), which was appointed by the Company without inviting open tenders. The work scope of the Consultants also include preparation of cost estimates, tender documents, etc. for the project as well as rendering necessary assistance in awarding and monitoring of the work to a contractor for execution of project work. The Consultants were entitled for a consultancy fee of ₹ 55.25 lakh at the rate of 6.5 *per cent* of estimate cost of work (₹ 8.50 crore).

Tenders were invited by the Company for execution of the project stipulating certain prequalification criteria. It was observed that the invitation of the tenders was restricted to the local newspapers only. As a result, the Company received only two offers against the tender and the work was awarded (September 2010) to the lowest bidder (Contractor) ignoring the fact that the bidder did not meet the pre-qualification criteria of having successfully executed the prescribed quantum of work. The work was scheduled for completion by June 2012. Scrutiny of records revealed that execution of the work was delayed on many occasions due to deviation from design, poor quality of execution and use of unspecified materials. As admitted by the Contractor, the work of the project was complicated and was of exotic nature. The state of affairs as stated above was indicative of the fact that while selecting the Contractor, the Company/Consultant failed to properly evaluate the technical competence and capability of the bidders taking congnizance of the prequalification criteria. As a result, execution of the project suffered due to unforeseen delays and the project was still pending for completion (December 2013).

In reply, the Government stated that the Contractor was selected by considering both technical and financial bids. The reply is not tenable as the conditions of technical bid regarding successful completion of prescribed value of work by the bidder were not strictly followed at the time of selection of the work contractor. In fact, in view of nature and volume of work involved, the Company should have given wider publicity to the work Tender rather than restricting it to the local newspapers only.

3.2.8.2 Urban Haat

With a view to provide direct marketing facilities to crafts persons/weavers in various States throughout the country, the Government of India formulated the Urban Haat Scheme as part of the Ninth Five Year Plan (1998-2002). Urban Haat was to include Craft shops, Food courts, Exhibition Hall, Children's play area, Lily Pond and an Amphitheatre. As per the scheme, the Haats were to be self sustainable based on the potential of the income from stall/exhibition hall rentals from artisans, entry ticket sale and food courts.

The Urban Haat Project in Tripura was approved (January 2002) by GOI at an estimated cost of ₹ 1.35 crore (to be funded in the ratio of 70:30 by Central and State Governments). Due to delays in taking up the project, the cost estimates for the project escalated to ₹ 2.85 crore. Taking a note of significant increase in the cost estimates, the State Government decided (January 2005) to keep the project in abeyance.

In March 2006, a revised project proposal and estimates were placed before the Government. This revised project estimates were confined only to the essential elements of project so as to keep the cost within the original project cost (₹ 1.35 crore) sanctioned by the Government. Tenders were invited (April 2007) and work was awarded to the lowest bidder at an estimated cost of ₹ 1.13 crore with stipulation to complete the work by July 2008. It was, however, observed that the contractor could complete the first phase of the Urban Haat project after a delay of two and half years from the scheduled date in January 2011.

As per the CPWD Manual, the Company was required to maintain the Hindrance Register detailing the stage-wise reasons for delays in execution of the project. No such Register or other records were, however, maintained by the Company. As a result, the Audit could not analyse the stage-wise reasons responsible for delay in execution of the project. It was, however, observed that the following reasons directly contributed to the delay in execution:

- Pre-project formalities like soil testing, clearing of site, etc. were not completed in advance before handing over the site to the contractor, resulting in delay of almost five months in commencement of project work.
- Based on the proposal of the Company to complete the left out components of the project under first phase, the State Government approved the second phase of the project at estimated cost of ₹ 2.49 crore. Even though it was evident that the available funds were not sufficient to complete the entire project, the proposal for the second phase was placed before the State Government only in May 2008 and techno feasibility report submitted only in June 2010. Even after release of first installment of funds by GOI in September 2011, actual work at site for the second phase of the project was commenced only after 13 months in October 2012.

Audit observed that many of the Urban Haat projects which commenced simultaneously elsewhere in the country had been successfully completed[25] while the project relating to the Tripura State was still pending for completion as shown in the following photographs.

[25]Eg. Urban Haats at Bhubneswar, Ahmedabad, Uchana (Haryana), Jammu, Tirupati, Gohar Mahal (M.P), Jodhpur, Agra, Srinagar, Raipur, Bhuj, Mysore, Dimapur, Konark and Pitampura (Delhi).

Urban Haat Navi Mumbai taken up in 2003 was commissioned in 2008

Present state of Urban Haat, Agartala

Thus, undue delay in execution of Urban Haat Project due to above-mentioned reasons resulted in escalation of ₹ 2.49 crore in the project cost besides unproductive investment of funds along with the related social costs.

The Government in its reply stated that escalation in project cost was due to revised project proposal. Reply is not tenable since revised project proposal itself was necessitated due to non completion of all the elements of the Urban Haat Project in entirety.

Thus, both the prestigious and important projects for the State being executed by the Company were delayed due to various reasons even though adequate funds had been made available by Central and State Governments.

3.2.8.3 Silk Printing Unit

The Company received (February 2005) a fund of ₹ 21.61 lakh from the Government under Additional Central Assistance for installation of a Silk printing unit for printing and dyeing of silk fabrics. It was, however, observed that significant portion of the funds amounting to ₹ 20 lakh was diverted (March-April 2005) by the Company towards payment of dues to weavers and artisans without any intimation/approval of the Government. When the Government insisted (April 2007) for submission of utilisation certificate of the fund, the Company intimated (June 2007) about the diversion with request for additional fund of ₹ 20.00 lakh for execution of the work. Government sanctioned (December 2007) an additional fund of ₹ 26.50 lakh based on a revised project proposal for installation of the Unit.

Audit scrutiny revealed that for execution of the project a committee headed by the Managing Director was constituted (July 2007) with the responsibility for purchase of machineries and equipment to be installed in the Silk Printing Unit. During the period up to January 2009, the Company spent ₹ 28.52 lakh for procurement of machineries, building construction, effluent treatment plant, fee payment to consultant etc. The Company faced technical difficulties in installation and commissioning of the machines and other equipment so procured. As a result, the unit was still pending for commissioning (October 2013).

Thus, the Company failed to install and commission the Silk Printing Unit for last eight years despite spending ₹ 28.52 lakh, which may lead to obsolescence of the machineries and equipment, besides forcing the Company to outsource the printing work at additional costs.

In reply, the Government stated that the commissioning of Silk Printing Unit was expected to be completed within a month or two.

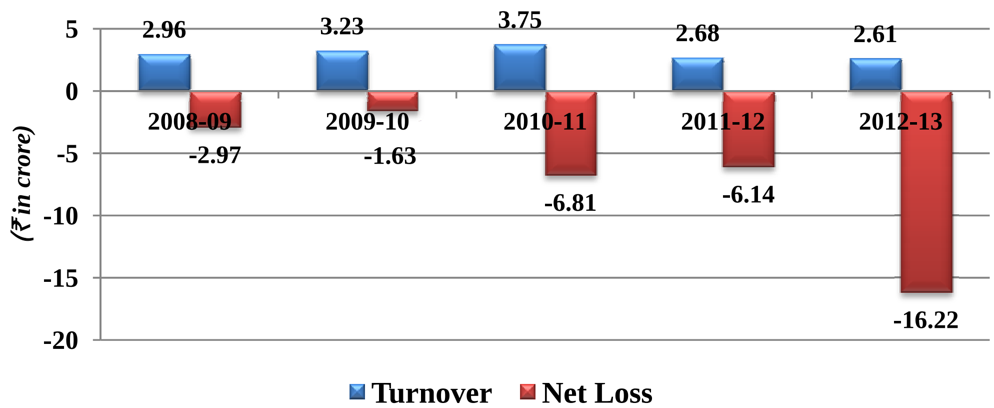
Audit objective 4: Whether financial management was efficient and effective

3.2.9 Finance Management

3.2.9.1 Working Results

An overview of the operational results of the Company during the period from 2008-09 to 2012-13 are given in **Appendix-3.11**. The turnover *vis-a-vis* the working results of the Company for the period of five years are depicted in the following chart:

Chart No. 3.5
Turnover and Working Results



From the chart above, it may be noticed that although the turnover of the Company increased from ₹ 2.96 crore in 2008-09 to ₹ 3.75 crore in 2010-11, there was considerable increase in operational losses from ₹ 2.97 crore (2008-09) to ₹ 6.81 crore (2010-11) mainly because of substantial increase (₹ 3.35 crore) in the administrative expenditure of the Company from ₹ 3.85 crore (2008-09) to ₹ 7.20 crore (2010-11). After 2010-11, the operational losses of the Company increased by more than 138 *per cent* (₹ 9.41 crore) to ₹ 16.22 crore during 2012-13 primarily due to merger of Tripura Apex Weavers' Cooperative Society Limited (TAWCS) with the Company during 2010-11 and consequent increase in administrative expenditure without corresponding increase in turnover as discussed in succeeding paragraphs.

3.2.9.2 Merger of Tripura Apex Weavers' Cooperative Society

The TAWCS was engaged in sale of handloom products through own showrooms. In view of the decision taken by the Government, the Board of Directors of the Company approved (7 July 2007) the proposal for merger of both the organisations in anticipation that the merger would create synergy and hasten the development of the sector. The merger which was effective from 20 May 2010 had, however, caused an additional salary commitment for the Company to the tune of ₹ 2.01 crore per year in respect of 131 employees of TAWCS added on the pay roll of the Company. At the time of merger, TAWCS had a paid up Share Capital of ₹ 15.66 crore and an insignificant net worth of ₹ 0.38 crore after taking into account the accumulated losses of ₹ 15.28 crore.

Audit analysis of the financial implications of the merger on the performance of the Company revealed that during the next three years after the merger (from May 2010 to March 2013), the Company had to bear additional salary expenditure of ₹ 6.06 crore[26] against the employees of erstwhile TAWCS. As against this, the additional net margin generated against the turnover of 24 TAWCS emporia was only ₹ 0.13 crore (2.15 *per cent)*. The significant disproportion in the benefits accrued *vis-à-vis* the expenditure committed in post merger scenario indicated that the merger was carried out without conducting a proper business study and without preparing an action plan so as to make the merger mutually advantageous. As a result, the merger of TAWCS with the Company proved to be a burden for the Company adding to its operational losses and worsening its financial position.

In reply, the Government stated that the intended goals of the merger could not be achieved due to shortage of working capital.

The reply is indicative of the fact that while taking decision for merger of TAWCS with the Company, all relevant factors having direct bearing on the financial interests of the Company were not taken into account. Further, the analysis carried out by Audit indicated that the major reason for shortage of working capital was poor management of inventory and debtors as mentioned under **paragraphs 3.2.7.6** and **3.2.9.4**. Thus, failure on part of the Company in improving the inventory and debtors management system was also responsible for deterioration in the working capital position of the Company to some extent.

3.2.9.3 Financial Position

The details of the financial position of the Company as per its certified accounts for the years from 2008-09 to 2012-13 are given below:

[26] Represents actual salary expenditure incurred by the Company during the period against the employees of TAWCS added on Company's rolls.

Table No.3.2.8

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
A. Liabilities					
a) Paid-up capital (including Share suspense[27])	26.80	30.67	53.14	59.88	67.34
(b) Reserves and surplus	(27.50)	(26.21)	(52.78)	(61.28)[28]	(77.50)
(c) Long-term borrowings	5.87	4.34	4.38	4.27	4.27
(d) Other long-term liabilities	Nil	Nil	Nil	9.16	9.23
(e) Trade dues, current liabilities and provisions	7.41	7.65	10.41	9.14	17.16
Total A	**12.58**	**16.45**	**15.15**	**21.17**	**20.50**
B. Assets					
(a) Gross lock	2.56	2.56	2.85	2.89	2.91
(b) Depreciation	1.87	1.93	1.99	2.05	2.11
(c) Net fixed assets	0.69	0.63	0.86	0.84	0.80
(d) Capital work-in-progress	Nil	Nil	Nil	1.16	1.16
(e) Current Assets, loans and advances	11.89	15.82	14.29	19.17	18.54
Total B	**12.58**	**16.45**	**15.15**	**21.17**	**20.50**
C. Capital employed[29]	5.17	8.80	4.74	2.87	(5.89)
Net Worth	(0.70)	4.46	0.36	(1.40)	(10.16)

Scrutiny of records revealed that during five years' period from 2008-09 to 2012-13, the State Government had made total equity contribution of ₹ 27.93 crore[30] in the Company. It may, however, be observed that despite said capital infusion by the State Government, the entire paid up capital of the Company was wiped off by the losses and the net worth of the Company had become negative. It was further observed that there was no capital expenditure of the Company against the equity contribution made by the State Government and the entire capital addition was being utilised for meeting day to day revenue expenditure only. As a result, the Company continued to be sick over the years.

3.2.9.4 Debtors management

The Company sells goods on credit only to Government Departments and related agencies. The status of the debtors over the years has been as under:

Table No.3.2.9

(₹in crore)

Year	Opening Balance	Credit Sales	Collection	Closing Balance
2008-09	4.08	1.59	1.42	**4.25**
2009-10	4.25	1.78	0.78	**5.25**
2010-11	5.25	2.13	1.26	**6.12**
2011-12	6.12	1.05	0.62	**6.55**
2012-13	6.55	1.45	1.24	**6.76**
Total		**8.00**	**5.32**	

[27] Share suspense represents the amount received from the State Government towards share capital pending allotment.
[28] As per the revised format of Schedule-VI of the Companies Act, 1956 (effective from 2011-12) accumulated loss had to be disclosed under Reserves & Surplus
[29] Capital employed represents "Share-holders' funds plus Long-term Borrowings"
[30] Paid-up capital as on 31March 2013 (₹ 67.34 crore) *minus* Paid-up capital as on 1 April 2008 (₹ 23.75 crore) *minus* Paid-up capital of TAWCS (₹ 15.66 crore) = Capital infusion during 2008-13 (₹ 27.93 crore)

It may be seen that the closing balance of sundry debtors had been increasing year after year and the recoveries from debtors were not even sufficient to match the credit sales of that year itself.

Scrutiny of records revealed that as per the certified accounts of the Company as on 31 March 2012-13, 33 *per cent* of the total receivables were due only from the Directorate of Panchayat. As on 31 March 2013, the Company had total receivables of ₹ 6.76 crore against 285 parties. It was observed that the accounts of 159 out of these 285 parties involving receivables of ₹ 1.05 crore were dormant during all the five years under reference. It was further observed that there was no system of obtaining the confirmation of outstanding balances from the debtors on year to year basis. The Company also did not conduct age-wise analysis of receivables and review of their realisability so as to make appropriate provisions against doubtful debts. Thus, the efforts made by the Company for monitoring and follow up of receivables outstanding against sundry debtors were inadequate and had adversely affected the liquidity position of the Company. As a result, the Company faced shortage of working capital in meeting the requirements of its day-to-day operations.

In the exit conference, the Secretary appreciated the audit observation and agreed for taking necessary corrective steps.

Audit objective 5: Whether an effective monitoring and internal control system was in place

3.2.10 Monitoring

3.2.10.1 Corporate Governance

A good and effective corporate governance provides the framework for attaining the objectives of an organisation. It encompasses every sphere of management from action plans and internal controls to performance measurement of the organisation.

The Board of Directors of the Company comprised of eleven members including a full time Managing Director who was the Chief Executive of the Company. Official members of Industries and Finance Departments were the representatives of these Departments in the Board. In this connection, following deficiencies were observed in the functioning of the Board which had adverse impact on the monitoring activities of the Company through better corporate governance:

i) The Company did not have a full time MD during the period of five years covered by Audit. In absence of a full time MD, the Director, Handloom, Handicrafts and Sericulture performed the duties of Chief Executive of the Company.

ii) As against total number of 22 meetings of the Board held during 2008-13, Secretary, Industries & Commerce (HHS) attended only one meeting while representative of Finance Department attended the meetings only on five occasions.

iii) The Board, in its 121st Meeting (November 2007) decided that development activities taken up by the Company for weavers and artisans should be stated in detail in future meetings. This issue, however, never appeared again in the Board meeting.

iv) The Board never discussed and reviewed the Company's poor performance and reasons thereof. It also never considered the steps to be taken to improve the financial status of the Company.

3.2.10.2 Internal Control

Internal control systems of an organisation ensure achievement of organisational objectives, effective utilisation of resources, safeguarding of assets and availability of reliable information to the management and other stakeholders. Audit noticed the following deficiencies in internal control:

- There was no system of internal audit;
- Budgetary control system was absent;
- There were no operational or financial manuals;
- Bank reconciliations were not carried out periodically;
- Emporia staff was not rotated periodically;
- Surprise verification of cash in the emporia was not conducted and the monthly statements sent by the emporia were not being reconciled with Head Office records;
- Management Information System was absent;
- There was no system of cross verification of data generated by various Departments; and
- Accounts wing of the Company was weak and was entirely dependent on external agencies for compilation of transactions.

The Government agreed with the audit observations and assured to take the necessary corrective action.

Audit objective 6: Whether system existed for assessing the impact of Company's activities in uplifting socio–economic conditions of weavers/artisans in the State

3.2.11 Impact assessment

The Company was established to improve the socio-economic conditions of the artisans and weavers by undertaking a variety of activities having direct and indirect impact in their sphere of activity. For this purpose, the Company implemented various projects and undertook commercial activities using Government assistance. The Company was, however, not prompt in making payment of dues of the artisans and weavers against the cost of finished products procured from them for selling in the market mainly on account of working capital crisis as discussed under **paragraph 3.2.7.3** *supra.* Inordinate delays by the Company in clearing the dues of the weavers/artisans had adversely affected the economic conditions of these weavers/artisans, which was not in lines with its laid down objectives. It was the duty of the Company to analyse the impact of its operations on its beneficiaries. It was, however, observed that the Company did not even have basic data regarding its beneficiary community, not to mention the impact it had on their operations. Consequently, it remained in the dark regarding the role it was performing in the Handloom and Handicraft sector of the State.

3.2.12 Conclusion

The Company was formed with the prime objective of promoting and strengthening the Handloom and Handicraft sectors in the State by supplying raw materials to weavers and artisans, marketing the finished products and running of production centres. The present activities of the Company are, however, confined mainly to marketing of finished products procured from weavers and artisans.

The Company had no vision or planned orientation in achieving the stated objectives. The system of forming MOUs between the Company and the Government was not effective as the annual targets of turnover and operational expenses of the Company fixed there under were not based on any scientific study.

The Company did not have a documented pricing policy. The liberal discount system followed by the Company on regular basis had adverse impact on its viability and profitability. As per the unit-wise profitability worked out by Audit for 2012-13, excepting one emporium, all 43 emporia of the Company had incurred losses. Contrary to its laid down objectives, the Company had been operating two power loom units at the behest of the State Government, which had caused negative impact on its financial interests.

All three major projects taken up by the Company during five years period had suffered time and cost overruns mainly due to reasons like, improper selection of work contractor, non-completion of pre-project formalities in time, technical difficulties in installation of machines, etc. As a result, intended objectives of the projects could not be achieved.

Despite capital infusion of ₹ 27.93 crore by the State Government during 2008-09 to 2012-13, Company had been facing working capital crunch due to continuous operational losses. The merger of Tripura Apex Weaver’s Co-operative Society (TAWCS) with the Company had also adversely affected its financial position as there was significant disproportion between the benefits accrued vis-à-vis addition in the committed expenditure towards manpower cost of the Company in post merger scenario.

Internal control and monitoring system was almost non-existent in the Company.

The Company did not make any effort to assess the impact of its activities in uplifting socio economic conditions of the weavers/artisans in the State.

3.2.13 Recommendations

The Government/Company may consider the following recommendations:

- The Government should ensure that the Company develops a long term Perspective Plan fixing feasible annual targets/goals on scientific basis in lines with its laid down objectives. ;
- To make the operations of the emporia viable, the Company needs to review its discount policy so that the discount is offered as a promotional measure rather than allowing the same on routine basis. The Government needs to take decision on continuing with the operations of Company's power loom units duly considering it's laid down objectives.
- The commissioning of on-going projects be expedited so as to achieve the intended objectives.
- The working capital position of the Company needs to be improved through close monitoring and effective management of its major components like debtors and inventory using modern managerial tools.
- The Company needs to improve Corporate Governance and overhaul its internal control/management information system in order to ensure effective monitoring and control of its operations.

In the Exit Conference, the Secretary accepted the audit recommendations and assured necessary corrective actions

INDUSTRIES AND COMMERCE DEPARTMENT
(Tripura Industrial Development Corporation Limited)

3.3 Loss of revenue

Failure of the Company to incorporate an appropriate clause in lease agreements for recovery of lease premium and rent at revised rates had resulted in loss of revenue of ₹ 62.20 lakh

The Tripura Industrial Development Corporation Limited (Company) allotted land/sheds to the industrial units located at Bodhjungnagar Growth Centre on lease basis for 30 years. The Company had been charging one-time non-refundable lease premium of ₹ 1 lakh per acre of land/per shed and monthly lease of ₹ 4,000 per acre (of land) and ₹ 5,000 per shed in respect of land and sheds respectively as per the rates fixed in 1998.

Considering the present market value of the locality, it was proposed in the meeting (15 September 2006) of the Board of Directors (BOD) to enhance the one-time non-refundable lease premium to ₹ 5 lakh for per acre of land and ₹ 2 lakh per shed with monthly lease rent of ₹ 5000 per acre of land and ₹ 6000 per shed respectively. BOD deferred (September 2006) the decision on the proposed increase till the next meeting and directed that provisional allotment of land and shed be continued after adding a new clause in the lease agreement that new allottees shall pay premium and rent at the rate enhanced by the Board. Based on the decision taken in a subsequent meeting (September 2008) of BOD, the rates were finally enhanced with effect from October 2008. As per the revised rates, the land premium per acre was fixed at ₹ 2.50 lakh and premium per shed fixed at ₹ 5 lakh while monthly rent for land and shed were revised to ₹ 6000 per acre and ₹ 7000 per shed respectively.

Scrutiny of records (January 2013) revealed that during September 2006 to October 2008, the Company had allotted 24.05 acres of land to six industrial units. It was, however, observed that as per the directions (September 2006) of the BOD, the Company had incorporated a clause in these lease agreements to charge lease premium and lease rent as per the revised rates after final decision of the Company in this regard. But the Company could not realise the enhanced one-time lease premium as well as the revised monthly lease rent from these allottees (effective from October 2008) as these lease agreements contained contradictory provisions for increase in lease rent only after expiry of 5/10 years[31] of the lease period. This had resulted in avoidable loss of revenue of ₹ 62.20 lakh towards lease premium and rent upto December 2013 (**Appendix 3.12)**.

In reply, the Company accepted (April 2013) the fact that enhanced rates could not be implemented due to the insertion of a refraining clause in the agreements.

[31] 5 years in respect of 3 units (M/s Agartala Rubber Industry, M/s Brite Rubber Processor (P) Ltd and M/s Rotomec) and 10 years in respect of 3 units (M/s Agartala Food Processing (P) Ltd, M/s Dharampal Premchand Ltd and M/s Bengal Breweries (P) Ltd)

Thus, failure of the Company to incorporate an appropriate clause in lease agreements for recovery of premium and rent at revised rates as per the directions of the Board of Directors had resulted in loss of revenue of ₹ 62.20 lakh.

The Director, Industries and Commerce Department, while endorsing the reply of the Company, stated (August 2013) that the number of new lessees during 2008-09 to 2012-13 (60) *vis-a vis* the number of units closed during the same period (24) gives the dismal picture of demands for land and sheds for industrial purpose, and in a situation where there was no demand for land and sheds the Management could not implement the Board's decision in order to attract more investors in industrial sector.

The reply regarding low demand during 2008-12 is not relevant and appears to be an afterthought as the audit observation pertained to the allotments made during September 2006 to October 2008. Further, Management's decision to incorporate the contradictory clause in the lease agreements without the approval of the BOD was irregular.

The matter was reported (July 2013) to the Government; their replies had not been received (January 2014).

3.4 Loss due to injudicious investments

Due to improper investment of funds in absence of a scientific method for investment planning, the Company suffered an avoidable interest loss of ₹ 22.98 lakh.

The Tripura Industrial Development Corporation Limited (Company) acts as an implementing agency for execution of various industrial infrastructure development projects in Tripura. The Company receives funds from the Government of India/ Government of Tripura from time to time against the sanctioned projects. The project funds as well as the Company's own funds generated out of lease premium/rent are invested by the Company in various Fixed Deposits (FDs) with banks. Thus, the Company needs to invest the surplus funds in FDs in such a manner so that the returns on these investments are maximised. For the purpose, the Company should analyse the interest rates of FDs offered by various banks duly taking into account other relevant factors (viz. safety of invested funds, liquidity options, etc.) before arriving at final decision.

During the review (January 2013) of funds invested by the Company in FDs during 2006-07 to 2012-13, it was revealed that in 46 cases, FDs were made with different banks on the same/nearer date(s) at varying rates of interest, without cross-verifying the available higher rates of interest. The Company could have earned an additional income of ₹ 22.98 lakh (**Appendix 3.13**) in these cases by investing in FDs with the banks offering higher rates of interest on the particular date.

In reply to the observation raised at initial stage, the Company stated (April 2013) that it had maintained separate savings bank accounts for various projects and had preferred to place the funds in term deposits with the same bank based on experience that there occurs delay in transfer of funds from one bank to another if the deposits were made with another bank. It was further stated that it would take initiative to avail best interest rates for optimising the interest earning on the basis of the observation made by the Audit.

The plea of operational convenience cited in the reply was not convincing in the present scenario of internet banking and also considering the fact that operations of all the savings accounts were within Agartala city only. The Company, therefore should have invested the funds in the FDs only with the banks offering the highest rate of return.

Thus, due to improper investment of funds in absence of a scientific method for investment planning, the Company had suffered an avoidable loss of revenue of ₹ 22.98 lakh.

The matter was reported (July 2013) to the Government; their replies had not been received (January 2014).

INFORMATION, CULTURAL AFFAIRS AND TOURISM DEPARTMENT
(Tripura Tourism Development Corporation Limited)

3.5 Non-implementation of tourism project

Failure of the State Government in providing the project land for the Government of India sponsored tourism project "Destination Development of Agartala" deprived the State of the intended benefits of the project.

Government of India (GOI) sanctioned (March 2007) ₹ 3.19 crore and released (April 2008) ₹ 2.55 crore (80 *per cent* of the sanctioned amount) to the Information, Cultural Affairs and Tourism (ICAT) Department for the project "Destination Development of Agartala" with the stipulation to commission the project within a maximum period of 30 months (upto September 2010) from the date of issue of sanction. The project was intended mainly to promote the destination to local and intra-regional tourists by providing improved accommodation facilities, way side amenities, recreational activities and up-gradation and enhancement of existing facilities. The project consisted of two components *viz.* (i) Tourist Facilitation Centre at Kunjaban and (ii) Memorial Park at Kunjaban. As per the Detailed Project Report (DPR) prepared in October 2007, the proposed site for the Tourist Facilitation Centre was in the proximity of Circuit House at Kunjaban. The site for the Memorial Park was to be a lush green area of 6 acres proposed on a hillock overlooking the central area of Agartala Town at Kunjaban.

Scrutiny (May 2013) of records revealed that while forwarding the DPR to GOI, the State Government/Department had given an undertaking that the required land for the project was readily available with it. It was, however, observed that while the proposed site for Tourist Facilitation Centre was in the possession of the Department, the land required for the Memorial Park was pending for acquisition by the State

Government. Accordingly, the Department requested (October 2008) the DM & Collector, West Tripura District to allot six acres of land at the southern side of State Guest House and State Tourism Lodge to implement the project but no land could be found for allotment in that area. In June 2009, the Department transferred the project funds amounting to ₹ 2.55 crore as released by GOI to the Tripura Tourism Development Corporation Limited (Company) for implementation of the project. Subsequently, the Company also requested (April 2010) the DM & Collector to allot at least one acre of land in the vicinity of Kunjaban for setting up of the Memorial park. But no land could be acquired for the purpose.

Ultimately, GOI asked (September 2012) the Department to refund the money immediately, following which the funds of ₹ 2.55 crore had to be refunded by the Company to GOI due to non-implementation of the project. This indicated that the proposals for the project were made to GOI for sanction of funds without due regard to availability of land. Consequently, the objective of the project remained un-achieved due to lack of timely action on the part of the State Government.

It was observed that the Company earned an interest of ₹ 32.35 lakh on the project funds, which remained un-utilised for 38 months in its Saving Bank Account. Out of the interest income so earned, ₹ 7.50 lakh was irregularly utilised by the Company for another project and balance of ₹ 24.85 lakh was still lying in the Saving Bank Account of the Company.

Thus, failure on part of the State Government in providing a suitable site for the Government of India sponsored tourism project deprived the State of the intended benefits of the project.

In reply, the Government stated (December 2013) that as it had been very late to start the work, it was directed (February 2011) by the GOI to drop the project.

The reply confirms the fact of surrendering the project funds to GOI due to the failure of the Department in providing suitable site for the project.