

Chapter - II

CHAPTER - II

2. Performance Audit of Government Company

Working of Chhattisgarh State Industrial Development Corporation Limited

Executive Summary

Introduction

The main activity of the Chhattisgarh State Industrial Development Corporation Limited (Company) is to develop and maintain industrial areas and allot land to industrial units in and outside industrial areas for development of industries in the State. The Company also finalises rate contracts for Government purchases. As of 31 March 2015 the Company had established 17 industrial areas and four projects for development of industrial areas were in progress. In addition, the Company also conceived five projects during 2010-15 in which the development activities are yet to start.

The Performance Audit was conducted to assess the performance of the Company during 2010-15 covering various aspects such as development and maintenance of industrial areas, allotment of land, billing and recovery of user charges from industrial units, finalisation of rate contracts, investment of surplus funds and internal control and monitoring. Following are the main findings of Performance Audit.

(Paragraphs 2.1 and 2.4)

Financial Management

- The Company has not finalised its accounts for 2010-11 to 2014-15 so far. Delayed finalisation of annual accounts and short deposit of advance tax due to incorrect assessment of budgeted income by the Company resulted in payment of penal interest of ₹ 4.70 crore to Income Tax Department.

(Paragraph 2.6.1)

Development and Maintenance of Industrial Areas

- The Company had not prepared any plans for identification and development of industrial areas in the State in line with the objectives of State Industrial Policy. Further, the Company has also not prepared road map for creation of land bank for development of industries in the State as per Government of Chhattisgarh (GoCG) instructions of August 2009.

(Paragraphs 2.7.1 and 2.7.2)

- During 2010-15, the Company established four industrial areas and establishment of four industrial areas was in progress as on 31 March 2015. There were delays ranging between one and five years in execution of these projects due

to delay in preparation of detailed project reports, non-availability of land and non-receipt of Government of India grants due to non fulfillment of conditions of grant etc.

(Paragraph 2.7.3)

- The Company had fixed land premium and maintenance charges for allotment of land in industrial areas on abnormally lower side without considering actual cost of development and maintenance as was required under GoCG instructions. This has resulted in loss of ₹ 171.70 crore to the Company.

(Paragraphs 2.7.7 and 2.7.8)

Allotment of Land

- During 2010-15, the Company had made 71 allotments for 3367 hectare land outside the industrial areas. In respect of seven cases of allotment of land measuring 446.112 hectare the land premium was assessed at rates lower than the rates applicable as per GoCG guidelines. As a result, there was short recovery of ₹ 262.64 crore.

(Paragraphs 2.8.1 and 2.8.2)

- In six cases of allotment of land measuring 16.715 hectare in industrial areas for auxiliary/ commercial purpose the Company did not recover land premium at commercial rates as per Land Allotment Rules, 1974 and decision of Board of Directors of the Company resulting in loss of ₹ 52.49 crore.

(Paragraph 2.8.6)

- As on 31 March 2015, user charges amounting to ₹ 26.27 crore were outstanding from 1112 allottees for the period ranging upto five years. The Company had not taken action against the defaulting allottees for recovery of user charges as per provisions of lease deed.

(Paragraph 2.8.7)

Internal Control and Monitoring

- The Company did not have Management Information System and internal audit wing. The internal audit conducted by hired chartered accountants was not comprehensive as it was limited to preliminary checking of accounts. The Company had also not conducted physical verification of assets during 2010 -15.

(Paragraph 2.10)

2.1 Introduction

The erstwhile Madhya Pradesh Audyogik Kendra Vikas Nigam (Raipur) Limited incorporated (November 1981) under the Companies Act 1956 was renamed (April 2001) as Chhattisgarh State Industrial Development Corporation Limited (Company) consequent to formation of new State of Chhattisgarh in 2000. The

main objective of the Company is to develop and maintain industrial areas¹ with common facilities like roads, water, power etc. and allot land to potential industrial units in and outside industrial areas besides promoting, assisting the establishment and growth of industries and industrialisation in the State. As of 31 March 2015 the Company had established 17 industrial areas and four projects for development of industrial areas were in progress. In addition, the Company also conceived five projects during 2010-15 in which the development activities are yet to start. The details of industrial areas are given in *Annexure - 2.1*.

The Company, apart from its core activity of development and maintenance of industrial areas, is also engaged in finalisation of rate contracts for government purchases, supply of iron, steel and coal to the Small Scale Industries (SSI) of Chhattisgarh, providing various testing facilities for industrial products through its testing lab and manufacturing of steel and wooden furniture for government supply. Similarly the Finance Cell of the Company looks after the work of recovery of loan disbursed by erstwhile Madhya Pradesh Finance Corporation relating to areas in Chhattisgarh and it does not grant any loan to industries.

2.2 Organisational Setup

The Management of the Company is vested in Board of Directors (BoD) consisting of eight directors including Managing Director (MD) and a Chairman appointed by the Government of Chhattisgarh (GoCG). The MD is the Chief Executive officer and looks after day to day affairs of the Company with assistance of Executive Director and functional heads. The Company has two Regional offices at Durg and Bilaspur each headed by Chief General Manager. The total manpower of the Company as on March 2015 was 283. The organisational chart is given in *Annexure - 2.2*.

2.3 Audit Objectives

The performance audit was conducted to assess whether the Company had:-

- An effective and efficient financial management system;
- Formulated and implemented definitive and viable plans for development and maintenance of industrial areas in an economic and efficient manner in line with industrial policy of the State and objectives of the Company;
- Allotted land to the industries in transparent and equitable manner;
- Finalised rate contracts for Government purchases economically, effectively, efficiently and in a timely manner; and
- An efficient and effective monitoring system and internal control framework.

¹ Industrial areas, growth centers, industrial parks etc.

2.4 Scope and Methodology of Audit

The Performance Audit was conducted during May to July 2015 to assess the performance of the Company during 2010-11 to 2014-15 covering various aspects such as development and maintenance of industrial areas, allotment of land, billing and recovery of user charges² from industrial units, finalisation of rate contracts for Government purchases, investment of surplus funds and internal control and monitoring.

We reviewed records in respect of all the four industrial areas (Kapan, Teknar, Engineering Park and Metal Park) established during 2010-15 and nine ongoing projects at the Head Office (HO) and two Regional offices. The Entry Conference was held with the Secretary, Department of Commerce and Industries, GoCG and Managing Director of the Company on 24 June 2015 wherein the objectives, scope and methodology was discussed. The Audit findings were reported to the Company and GoCG in July 2015 and discussed in an Exit Conference held on 28 October 2015. The Exit Conference was attended by the Secretary (Commerce and Industries), GoCG and Managing Director of the Company. The views expressed by them in Exit Conference have been considered while finalising Performance Audit Report.

2.5 Audit Criteria

The Performance of the Company was assessed with reference to the:

- State Industrial Policy (SIP) and directives issued;
- Memorandum and Articles of Association of the Company, agenda notes, resolutions of BoD, circulars issued by the Company, annual budgets and Detailed Project Report (DPR) of industrial areas;
- Standard procedures for implementation of projects and Public Works Department Manual of GoCG;
- Land Allotment Rules, 1974 (LAR 1974) and subsequent amendments and guidelines thereto;
- Chhattisgarh Stores Purchase Rules, 2002 and subsequent amendments; and
- The Companies Act 1956 and the Income Tax Act 1961.

Audit Findings

The audit findings are discussed in the succeeding paragraphs.

2.6 Financial Management

The major source of revenue of the Company is land premium and user charges from industrial areas, grants received from GoI/GoCG for development of industrial areas, revenue from other activities, service charges on allotment of land outside the industrial areas, interest earned on fixed deposit etc. The land

² Lease rent, annual maintenance charges and street light charges

premium and user charges from industrial areas as well as grants received from GoI/GoCG is treated as Government revenue and thus not routed through profit and loss account of the Company.

The expenditure relating to development and maintenance of industrial areas is met from Government revenue. The surplus of Government revenue is retained by the Company and shown as payable to Government under ‘State Government Memorandum Account’. This surplus amount is invested by the Company in fixed deposits (FDs). The interest income on FDs after adjusting salary and administrative expenditure in respect of Head Office is also transferred to ‘State Government Memorandum Account’ through profit and loss account. Therefore the profit/ loss shown in the profit and loss account depicts the operational performance of the other activities of the Company such as supply of iron, steel and coal to SSIs, providing various testing facilities for industrial products and manufacturing of steel and wooden furniture.

The Company had finalised its accounts for the year upto 2009-10 so far. The unaudited provisional figures in respect of financial position and working results of the Company for the last three years ending March 2013 are given in *Annexure - 2.3*. The Company incurred loss of ₹ 1.32 crore in 2010-11 which increased to ₹ 1.56 crore in 2012-13³ owing to loss incurred in its other activities such as coal cell, furniture factory and testing lab.

Delayed finalisation of annual accounts resulting in avoidable payment of penal interest

2.6.1 As per Section 210 of the Companies Act, 1956 read with Section 166 and 216, it is the responsibility of BoD to place the accounts of the Company along with Auditor’s Report in the Annual General Meeting of the shareholders within six months of the close of the financial year.

We observed that there was backlog in preparation of annual accounts of the Company. As on October 2015, five years’ annual accounts (2010-11 to 2014-15) were in arrears. Delay in finalisation of accounts is not only violation of provisions of the Companies Act, 1956 but also renders it difficult for the Company to detect/ prevent any lapse/fraud and take immediate corrective action. We also observed that due to delay in finalisation of accounts and absence of a system for periodical review of budgeted income, the Company failed to precisely assess the profit/loss on a quarterly basis for the purpose of payment of advance tax as required under section 208 of the Income Tax Act 1961. As a result the Company short deposited advance tax and had to pay penal interest of ₹ 4.70 crore under section 234 A/B/C of the Income tax Act 1961 for the year 2005-06 and 2006-07.

The Government stated (October 2015) that the finalisation of accounts is being done on top priority to clear the backlog within one year.

³ Provisional figures for 2013-14 and 2014-15 have not been finalised by the Company so far.

Delayed finalisation of annual accounts and absence of system of periodical review of budgeted income for the purpose of payment of advance tax resulted in avoidable payment of penal interest of ₹ 4.70 crore.

Recommendation:

The Company needs to clear the backlog of accounts. It should also devise a system for periodical review of budgeted income in order to pay advance tax as per provisions of the Income Tax Act.

Injudicious investment of surplus funds resulted in loss of interest of ₹90.39 lakh

The Company had invested its surplus funds injudiciously which resulted in loss of interest of ₹ 90.39 lakh.

2.6.2 As discussed in paragraph 2.6, the Company invests its surplus funds in FDs with various scheduled banks. As of 31 March 2015 the Company had ₹ 355.26 crore in FDs. We observed that the Company had not formulated any policy as of June 2015 for investment of its surplus funds despite being repeatedly pointed out in Audit⁴. In absence of the same, the FDs were made on discretionary basis and without proper analysis of liquidity position. For instance, in some cases the Company made FDs with different rate of interest with different banks on the same day for same period instead of investing at banks, which was offering highest rate of interest resulting in loss of interest of ₹ 66.47 lakh as detailed in ***Annexure - 2.4.***

We also observed that 19 FDs amounting to ₹ 160.45 crore in four banks were maturing in October 2013 and the Company decided to reinvest the same in FDs. The Company, ignoring the highest rate of interest of 9.25 per cent offered by Corporation Bank for one year for investment of ₹ one crore to less than ₹ five crore, renewed the FDs in the respective existing banks for one year at lower rate of interest ranged between nine and 9.10 per cent resulting in loss of interest of ₹ 23.92 lakh.

While accepting the observation, the Government stated (October 2015) that the Company has now prepared policy for investing its surplus funds and the same would be followed for maximising the interest from FDs.

Loss of interest of ₹ 26.45 lakh due to non availing of auto sweep facility in current account

The Company had suffered loss of ₹ 26.45 lakh due to non availing of auto sweep facility in its current account.

2.6.3 The Company had 23 current accounts (transaction accounts for making payment to parties) in different banks at Head Office and field offices. However the Company had availed auto sweep facility (where surplus fund lying in saving/current account is automatically converted into fixed deposit on weekly basis) only in two current accounts.

We test checked the bank statement of current account of Raw Material Division in Bank of Baroda (without auto sweep facility) and observed that balance ranged between ₹ 3.48 lakh and ₹ 3.92 crore were lying in the non-interest bearing current account during the period 2010-11 to 2014-15. Had the Company availed auto sweep facility it could have earned interest of ₹ 26.45 lakh.

⁴ Para no. 4.3.6 of Report of CAG of India (Civil and Commercial) for the year ended 31 March 2011, GoCG and para no. 3.7 of Report of CAG of India on Public Sector Undertakings for the year ended 31 March 2014, GoCG.

The Management stated (July 2015) that auto sweep facility shall be implemented wherever possible as per the requirement of the Company. The Government also endorsed (October 2015) the views of the Company.

2.7 Development and maintenance of industrial areas

The Industrial Promotion and Project Development Cell of the Company conceive projects for setting up of new industrial areas and prepare DPR after approval of BoD. The Land Acquisition Cell of the Company acquires requisite Government land through transfer from revenue department and private land through the Land Acquisition Officer (LAO) i.e. concerned district Collector. After requisite land is transferred to the Company, the Technical Cell of the Company starts development of common facilities like roads, drains and sewage, power supply, water supply, street lights etc. by engaging contractors. The developed land is allotted to the entrepreneurs and maintenance works such as repairing/construction of roads, drains, electrical systems is undertaken as per requirement. The deficiencies noticed in this regard are discussed in succeeding paragraphs.

Absence of plan for development of industrial areas

2.7.1 In conformity with the objectives of the Company and objectives of State Industrial Policy 2009-14 for accelerated and balanced industrial development of the State with more thrust on development of backward areas, it was required that the targets in quantitative and financial terms were set and monitored through a Long Term Plan document.

We observed that the Company had not prepared any plans for identification and development of industrial areas in an economic and efficient manner. Further, before selection of site for establishing new industrial areas, the Company has not conducted Industrial Potential Survey to determine the suitability of location.

The Government stated (October 2015) that plan is being prepared through Consultants for exploring non-core sector and balanced industrial development within the State.

Recommendation:

The Company should prepare plans for identification and development of industrial areas in accordance with SIP.

Non-preparation of road map for creation of Land Bank

2.7.2 In line with the objective of SIP 2009-14 for accelerated and balanced growth of the industrial development of the State, GoCG prescribed (August 2009) that the Company would prepare a roadmap for next 20 years for creation of Land Bank. It also provided that tracts of Government/ barren land were to be identified to ensure minimum acquisition of agricultural land. As on May 2015, the Company had 517.161 hectare land in its land bank.

We observed that the Company has not prepared any road map so far and also not identified Government/ barren land in line with the GoCG instructions of August 2009. The reply of the Government is awaited (October 2015).

Recommendation:

The Company should immediately prepare road map for creation of Land Bank.

Delay in development of industrial areas

There were delays ranging between one and five years in execution of projects for development of industrial areas.

2.7.3 The status of development works in four industrial areas (Kapan, Teknar, Engineering Park, Bhilai and Metal Park, Raipur) established during 2010-15 and four industrial areas (Tilda, Tendua, Gangapurkhurd and Sector D, Tifra) in progress as on June 2015 are given in the ***Annexure - 2.5***. It may be seen from the ***Annexure - 2.5*** that there were delays ranging between one and five years in execution of projects. The main reasons for delay were delayed preparation of DPR (Industrial Area, Teknar), encroachment of land (Metal Park, Raipur), starting development work without preparation of DPR (Industrial Area, Gangapurkhurd), starting development activities without having adequate land (Industrial Area, Sector-D, Tifra), non fulfillment of conditions for release of grants by GoI (Industrial Areas - Kapan, Teknar and Tilda).

The reply of the Government is awaited (October 2015).

Recommendation:

The Company should remove the bottlenecks in execution of projects and ensure that the projects are completed within scheduled time.

Award of works valuing ₹13.26 crore without inviting tender

2.7.4 Clause 2.6 of Appendix 2.10 of tender terms and conditions *inter alia* provided that the Contractor will have to carry out additional/non SOR works relating to the original work subject to the condition that variation in the quantities of any item or items shall be limited to (+) 25 per cent and increase in total value of work is limited upto (+) 10 per cent of the amount of contract value.

The Company had awarded nine works amounting to ₹ 13.26 crore without inviting tender.

Scrutiny of records revealed that during 2010-15 nine works amounting to ₹ 13.26 crore were awarded by the Company to the contractors working in the near vicinity without inviting tender citing the provision of clause 2.6, urgency, ease of execution of work etc. as detailed in ***Annexure - 2.6***. We observed that the award of work without inviting tender was not justified as these works neither falls under the category of additional work as per the clause 2.6 of tender terms and conditions, nor any justification was found regarding urgency in the records produced to Audit. The award of work valuing ₹ 13.26 crore without inviting tender was irregular and as a result the Company could not obtain benefit of competitive rates.

The Management stated (July 2015) that the works were of urgent nature and in the ambit of the clause 2.6 of tender terms and conditions and hence the same were carried out through the existing contractors. The Management, however, assured that in future the works would be awarded through tender only. The Government also endorsed (October 2015) the views of the Company. The reply is not acceptable because the works executed did not fall under the category of additional work to the original work under clause 2.6 of tender terms and

conditions as these were totally new works at different locations and no way related to the original works.

Recommendation:

The Company should adhere to standard tender procedure in awarding of works.

Unwarranted changes in scope of work resulting in avoidable extra expenditure of ₹1.33 crore

2.7.5 As per technical sanction (January 2013) construction of Reinforced Cement Concrete (RCC) drain was envisaged at Metal Park, Raipur. However, considering the site condition, the Company felt appropriate (January 2014) to construct Random Rubble Masonry Pucca Surface drain (RR Masonry) and awarded three works valuing ₹ 7.30 crore as detailed in *Annexure - 2.7*. The contractors did not start the works on the ground that the boulders required for construction of RR Masonry drain was not available in the market and requested⁵ the Company to change the scope of work to construction of RCC drain. The Company accepted the requests and changed the scope of work and issued revised work orders valuing ₹ 8.63 crore as detailed in *Annexure - 2.8*.

The Company incurred avoidable extra expenditure of ₹ 1.33 crore due to unwarranted changes in scope of work.

We observed that the Company without verifying the claim of the contractors of non availability of boulders, unfairly changed the scope of work because at the same time (April to December 2014) the work of construction of RR Masonry drains at other adjacent industrial areas i.e. Urla and Sarora were carried out by the other contractors which indicated that there were no shortage of boulders. Thus unwarranted change in scope of work resulted in extra expenditure of ₹ 1.33 crore (₹ 8.63 crore - ₹ 7.30 crore).

The Management stated (March 2015) that the construction of RCC drains in place of RR Masonry drains was done on the basis of site conditions and technical sanction. The Government also stated (October 2015) that the scope of works was changed according to site conditions.

The reply is not acceptable. Though as per technical sanction, RCC drain was envisaged, the Company had subsequently taken a conscious decision to construct RR Masonry drain as per site conditions. Further the scope was changed without verifying the claim of the contractors about non availability of boulders.

Irregular deviation in Bill of Quantity resulting in extra expenditure of ₹69.74 lakh

The Company has incurred avoidable extra expenditure of ₹ 69.74 lakh due to irregular deviation in BOQ while inviting tenders.

2.7.6 The Company awarded (September 2013) work of construction of 18 meter wide Wet Mixed Macadam and Bituminous Road for Sector-3 and 4 at Metal Park, Raipur to M/s Raipur Construction Private Limited (Contractor) at 19 per cent above Schedule of Rates (2010-11) for Probable Value of Contract of ₹ 6.08 crore. The contractor had executed the work valuing ₹ 4.33 crore and work was in progress (June 2015). We observed that as per technical sanction, the Grade-III material was to be used for granular sub base. However, while inviting

⁵ October 2014 – 1st work/ May 2014 – 2nd work/ June 2014 – 3rdwork

tender the grade of material for granular sub base was changed from Grade-III to Grade-I resulting in increase in cost by ₹ 69.74 lakh (Grade-I is costlier material and also requires more quantity as compared to Grade-III), justification for which was not on record.

The Management stated (March 2015) that the work of granular sub base (Grade-I) would be completed by using the original quantity as of Grade-III indicated in technical sanction. The Government further added (October 2015) that the changes in the scope of works were due to site conditions and were well within the provisions of the agreement. The Government has, however, noted the audit observation.

The reply of the Management does not explain how the work of granular sub base (Grade-I) which requires 14782 m³ material would be completed by using the lesser quantity of 10564.56 m³ of Grade-III without compromising the quality. It confirms that the tender estimate was prepared by the Company without any justification. Further the Government reply of October 2015 is also not acceptable and seems to be afterthought because we did not find any evidence on records in this regard.

Loss of ₹ 108.32 crore due to fixation of land premium for industrial areas on lower side

2.7.7 As per GoCG instructions of August 2009, land premium in industrial areas was to be fixed by the Company taking into account the cost of acquisition of land, service charge, cost of development etc. In respect of new industrial areas established/ being established during the period 2010-15, we observed that the Company has no uniform policy/ methodology to work out the rate of land premium by considering all the elements as per GoCG instruction of August 2009. In absence of the same, land premium has been fixed on *ad hoc* basis on lower side resulting in loss of ₹ 108.32 crore as discussed in the **Table - 2.1**.

There was loss of ₹ 108.32 crore due to fixation of land premium for industrial areas on lower side.

Table - 2.1: Details of fixation of land premium

S N	Particulars	Industrial Areas						
		Metal Park, Raipur	Engine- ring Park, Bhilai	Industrial Area, Sector D, Tifra,	Industrial Area, Tilda, Raipur	Industrial Area Gangapurk- hurd,	Industrial Area Tendua, Raipur	
1	Total estimated cost of development of the project excluding cost of land as per DPR (₹ in crore)	92.00	49.78	18.00	18.45	18.98	12.21	
2	Total saleable land excluding land reserved for SC/ST entrepreneurs (hectare)	26.77	42.00	11.38	11.48	3.55	8.38	
3	Land premium to be fixed (₹ in crore per hectare) (1/2)	3.44	1.19	1.58	1.61	5.35	1.46	
4	Land premium fixed (₹ in crore per hectare)	1.00	1.00	1.00	1.00	0.40	1.00	
5	Short fixation of land premium (₹ in crore per hectare) (3-4)	2.44	0.19	0.58	0.61	4.95	0.46	
6	Under recovery of cost due to fixation of land premium on lower side (₹ in crore) (2X5)	65.32	7.98	6.60	7.00	17.57	3.85	
7	Total under recovery of cost (₹ in crore)							108.32

(Source: Data compiled from the information furnished by the Company)

It could be seen from the above table that the land premium has been fixed at abnormally lower rate of ₹ 40 lakh to ₹ one crore per hectare as against the per hectare cost of development of ₹ 1.19 crore to ₹ 5.35 crore in above industrial areas.

The Government stated (October 2015) that the basic objective of the Company is to promote industrialisation and not earning profits. Besides costs, other things such as saleability etc. are to be seen before fixation of premium. The Government also stated that the new Land Allotment Rules 2015 (LAR 2015) have been implemented and accordingly premium would be revised from time to time.

Reply is not acceptable as the Company had not considered cost of development of land while fixing land premium as required under GoCG instructions of August 2009. Moreover, for promotion of industrialisation, SIP already provides concession to specified industries on the land premium fixed by the Company. Thus, fixation of land premium on lower side amounted to extension of double concession to industries which was not justified. Further, the Audit is not suggesting making profit through premium but is of the view that the Company should at least recover the cost of development. Also the revision of land premium in June 2015 as per LAR, 2015 was done by the Company without any analysis and considering the cost of development.

Recommendation:

The Company should fix land premium after taking into account actual cost in accordance with the instructions of GoCG.

Loss of ₹63.38 crore due to fixation of maintenance charges on lower side

2.7.8 For proper and regular maintenance of industrial areas the Company recovers annual maintenance charges and street light charges from the allottees. The Company had revised (September 2010) the maintenance charge and street light charge to 2.50 per cent of land premium and ₹ 10000 per hectare per annum respectively with condition that these rates be revised every year on 1st April.

However the Company did not revise the maintenance charges thereafter and street light charges were revised (increased to ₹ 15000 per hectare per annum) only once in June 2015. The Company also does not have any policy/methodology to fix these charges taking into account the actual expenditure incurred on these activities. This is evident from the fact that during 2010-15, against the total expenditure of ₹ 70.06 crore incurred on maintenance of industrial areas, the Company has earned revenue ₹ 6.68 crore only from maintenance and street light charges as detailed in the **Table - 2.2**.

The Company had suffered loss of ₹ 63.38 crore due to fixation of maintenance charges on lower side.

Table - 2.2: Details of maintenance and electricity charges

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Maintenance expenditure incurred	7.90	10.65	16.72	12.95	19.90	68.12
Electricity charges paid	0.23	0.24	0.37	0.48	0.62	1.94
Total expenditure	8.13	10.89	17.09	13.43	20.52	70.06
Revenue received from maintenance and street light charges	1.16	1.01	1.25	1.69	1.67	6.68

(Source: Data compiled from the information furnished by the Company)

Thus fixation of maintenance and street light charges on abnormally lower side has resulted in loss of ₹ 63.38 crore to the Company as well as extension of undue benefit to the industries to that extent through indirect subsidy.

The Government stated (July 2015) that the maintenance charges are described in the lease deed and hence the same could not be revised. The Government also stated that LAR 2015 has been implemented and revision of maintenance charges would be done accordingly.

The reply is not acceptable because in 115th meeting (August 2013) of BoD of the Company, it was decided that suitable condition would be incorporated in the existing as well as new lease deed for revision of maintenance charges. However no such condition has been included in lease deed so far. It is also pertinent to mention that though the Company revised the rates of electricity charges in June 2015 as per LAR 2015, the rate of maintenance charges were not revised after considering actual expenses as required under LAR 2015.

Recommendation:

The Company should fix the maintenance charges after taking into account actual cost.

Loss of ₹30.56 crore due to recovery of water charges at lower rate

2.7.9 The Company, in its industrial areas, supplies water to industries as per their demand either from its own sources (tube well, bore etc.) or through the water received from Water Resources Department (WRD), GoCG. The Company is having a water supply system (Borai Anicut) for its Borai industrial area in Durg district where it receives water from WRD and from there it is supplied to industries by Radius Water limited (RWL), the operator of Borai Anicut. For supply of water to industries at Borai, the Company bears mainly two costs i.e. water charges paid to WRD and RWL.

We observed that as against the actual cost of ₹ 62.02 crore incurred on water supply during 2010-15, the Company recovered water charges of ₹ 31.47 crore from the industries as detailed in the ***Annexure - 2.9***. We also observed that the actual cost borne by the Company on supply of water to industries during 2010-15 ranged between ₹ 26.71 and ₹ 42.55 per KL. As against this, the Company recovered water charges at lower rate of ₹ 21.75 per KL from large/medium industries and ₹ 17.25 per KL from SSIs. Recovery of water charges at lower rate has resulted in loss of ₹ 30.56 crore to the Company as detailed in ***Annexure - 2.9***

The Company had suffered loss of ₹ 30.56 crore due to recovery of water charges at lower rate from industries at Borai industrial Area.

and also resulted in extension of undue benefit to the industries by way of unintended subsidy.

The Management while accepting the observation stated (July 2015) that the water charges were not increased due to protest from Borai Industries Association. The Management also stated that the proposal for increase of rates of water charges would be submitted to BoD for consideration. The Government also endorsed (October 2015) the views of the Company.

Recommendation:

The Company should fix water charges by considering actual cost to avoid losses.

2.8 Allotment of Land

The Company allots land outside the industrial areas as well as within the industrial areas developed by it.

Allotment of land outside industrial areas

For allotment of land to the industries the Company collects land premium equal to the value of land as per Central Valuation Board (CVB) guidelines⁶ of GoCG *plus* solatium at the rate of 30 *per cent*, interest at the rate of 12 *per cent* and service charge at the prevailing rate.

During 2010-15, the Company had allotted total land measuring 3367 hectare in 71 cases outside the industrial areas. Irregularities noticed in allotment of these cases are discussed in the succeeding paragraphs.

Non assessment of land premium as per Model Rehabilitation Policy

2.8.1 As per GoCG orders of March 2012 (made applicable with retrospective effect from 19 March 2010) the land premium to be recovered from industries at the rates notified by CVB would be subject to minimum rate of ₹ 14.83 lakh per hectare for uncultivated⁷ land and ₹ 24.71 lakh per hectare for irrigated land as stipulated in Model Rehabilitation Policy, 2007.

The Company had short recovered ₹ 233.33 crore in four cases of allotment of land outside the industrial area due to non assessment of land premium as per Model Rehabilitation Policy.

We observed that in three cases of allotment (between March 2010 and March 2012) of uncultivated land (216.135 hectare) the land premium recovered by the Company as per CVB rates was below the minimum rate of ₹ 14.83 lakh per hectare as per Model Rehabilitation Policy. Thus as per above GoCG orders the Company was required to recover the differential amount of land premium in these cases by upward revision of land premium at the rate of ₹ 14.83 lakh per hectare. However, the Company did not recover the revised land premium resulting in short recovery of ₹ 29.70 crore towards land premium and ₹ 97.96 crore towards lease rent over the lease period of 99 years as detailed in the *Annexure - 2.10*.

⁶ For every financial year, the Central Valuation Board fixes the value of different land according to their nature and location

⁷ *Padti* land

We further observed that in one case of allotment (August 2010) of irrigated land of 206.210 hectare, the Company, while revising the land premium retrospectively in accordance with GoCG orders of March 2012, had wrongly considered rate of land as ₹ 14.83 lakh per hectare applicable for uncultivated land instead of ₹ 24.71 lakh per hectare applicable for irrigated land. This has resulted in short recovery of ₹ 24.58 crore towards land premium and ₹ 81.09 crore towards lease rent over the lease period of 99 years as detailed in *Annexure - 2.11*.

The Management while accepting the observation relating to first three cases, stated (July 2015) that notice has been issued (July 2015) to the respective allottees for payment of differential amount. The Government further added (October 2015) that necessary action is being taken in case of non deposit of differential amount. However, the reply of the Government is awaited (October 2015) in fourth case of land allotted in August 2010.

2.8.2 Assessment of land premium at rates lower than the rates fixed by Central Valuation Board

The Company had short recovered ₹ 29.31 crore in three cases of allotment of land outside the industrial area due to non assessment of land premium as per rate fixed by Central Valuation Board.

For every financial year, the Central Valuation Board (CVB) of Chhattisgarh fixes the value of different land according to their nature and location. The Company while allotting Government land, collects land premium based on the rates fixed by CVB.

(a) We observed that in two cases the Company allotted (July 2010 and October 2011) 22.268 hectare Government land situated at main road at the rates lower than the rates prescribed by the CVB for the said land. This has resulted in short recovery of ₹ 6.36 crore towards land premium and ₹ 20.96 crore towards lease rent over the period of lease of 99 years as detailed in the *Annexure - 2.12* and *Annexure - 2.13*.

The Management while accepting the observation relating to land allotted in July 2010 stated (July 2015) that notice has been issued for payment of differential amount. Regarding allotment made in October 2011, the Management stated that at the time of allotment the subject land was not situated at main road and accordingly rate applicable for main road was not considered. The Government also endorsed (October 2015) the management reply.

The reply regarding second allotment is factually incorrect because as per Government records the land was situated at main road (Ring Road) and the Company while issuing (29 March 2011) initial offer for allotment had also acknowledged this fact.

(b) We further observed that in another case the Company allotted (January and October 2010) 1.509 hectare Government land situated within 46 meters from main road at the lower rates applicable for land situated beyond 46 meters from main road. The Company also allowed 50 *per cent* concession on land premium to firm applicable for dairy industry under SIP. This was not in order because as per SIP the concession was applicable for land situated in industrial areas whereas the subject land was situated outside industrial area. Thus adoption of lower rate of

land and irregular grant of 50 per cent concession in land premium has resulted in short recovery of ₹ 53.27 lakh towards land premium and ₹ 1.46 crore towards lease rent over the lease period of 99 years as detailed in **Annexure - 2.14**.

The reply of the Government is awaited (October 2015).

Recommendation:

The Company should follow Government guidelines while assessing land premium and immediately recover the short realised amount from allottees.

Non-recovery of penal interest of ₹2.98 crore

2.8.3 The Company selected (March 2008) a firm as developer for construction of residential cum commercial complex at Bhilai and authorisation agreement was executed between the Company and the firm in July 2008. Section 8.3 of the authorisation agreement *inter alia* provided payment of land premium in four equal quarterly installments commencing from the date of signing of lease deed and levy of penal interest at the rate of 24 per cent per annum for default in payment. As per terms of authorisation agreement, the Company allotted (April 2010) 16.390 hectare land at a total premium of ₹ 14.54 crore to the firm.

The Company failed to recover penal interest of ₹ 2.98 crore on account of delayed payment of land premium.

Audit scrutiny revealed that the firm paid the quarterly installments belatedly, however, it did not pay penal interest of ₹ 2.98 crore towards delayed payment of premium as per Section 8.3 of the authorisation agreement and had requested (July 2013) the Company to waive the same citing encroachment in the subject land. The matter is yet to be decided by the Company (June 2015).

We observed that the subject land allotted was free from encroachment and thus the contention of the firm regarding encroachment was not correct. The Company instead of recovering the amount has kept the matter pending for more than two years which has resulted in non recovery of ₹ 2.98 crore.

The Government stated (October 2015) that action is being taken to recover the amount.

Allotment of land within industrial areas

For allotment of land in industrial areas, the entrepreneurs submit application to the Company. The Company allots land on 99 years lease at the prevailing rate of land premium, lease rent, maintenance charges and street light charges as per the provision of Land Allotment Rules 1974 (LAR 1974) on first come first serve basis subject to the eligibility and fulfillment of conditions. After receipt of total amount of land premium and one year advance lease rent, maintenance charges and street light charges, land allotment order is issued. After execution of lease deed, possession of land is transferred in favour of allottees.

We reviewed all 99 cases of land allotted in four industrial areas⁸ established during 2010-15 and all the cases of allotment made at old industrial areas, Sirgitti

⁸ Metal Park (51), Engineering Park (42), Kapan Industrial area (5) and Teknar Industrial area (1)

(130) and Borai (49) during 2010-15. The deficiencies noticed are discussed in succeeding paragraphs.

Non formation of committee for allotment of land

2.8.4 Vide para no. 6.2.23 of Audit Report (Civil and Commercial) of CAG for the year ended 31 March 2008, Government of Chhattisgarh, it was pointed out that the applications received for allotment of land by the Company were not routed through Finance Section for verification of land premium, lease rent and other related matters from financial angles. They were also not routed through Technical Section to vet whether the area of land applied for is consistent with the technical specifications for size of industry to be set up. In response GoCG had stated (September 2010) before Committee on Public Undertaking (COPU) that for processing the cases of land allotment, an internal committee comprising representatives from Land Allotment Section, Finance Section and Technical Section would be formed.

We, however, observed (July 2015) that no such committee has been formed by the Company so far.

The Management stated (July 2015) that constitution of committee for allotment of land is not required as the process of receipt of application is now made online. The reply does not explain how mere receipt of online application would ensure proper scrutiny from the angle of technical and financial aspects.

The reply of the Government is awaited (October 2015).

Allotment of land to large industries at rates applicable for small industries

2.8.5 As per SIP 2009-14, small industry means industrial enterprise falling under definition of Small Enterprises under Micro Small and Medium Enterprise Act, 2006 and is in possession of provisional registration certificate issued by DTIC. Audit scrutiny revealed that in Sirgitti Industrial Area, Bilaspur the Company allotted (September 2010) 1.037 acre land under SSI category to a firm for setting up of newspaper printing and publishing unit at the rate of ₹ 12 lakh per hectare. The Company also allotted (July 2014) 2.009 acre land to another firm under SSI category for setting up of packaged drinking water plant at the rate of ₹ 40 lakh per hectare (details in ***Annexure - 2.15***).

We observed (July 2015) that the newspaper printing firm is one of the leading print media group in India, publishing 35 newspaper editions in eight States whose total investment in plant and machinery was much more than the limit of ₹ five crore specified in MSME Act 2006 for classifying an industry as SSI. Further, packaged water manufacturing firm is a Miniratna Company (Category-1) of GoI having investment in plants and machinery of ₹ 33.03 crore. Accordingly, these allottees should not have been treated as SSI and land premium should have been recovered at the prevailing rate for large/medium industries i.e. ₹ 20 lakh per hectare for newspaper printing firm and ₹ 60 lakh for packaged water manufacturing firm.

The Company had suffered loss of ₹ 86.33 lakh due to allotment of land to large scale industries at rates applicable for small scale industries.

Thus due to adoption of lower rate of land premium, the Company has suffered loss of ₹ 21.59 lakh towards land premium and ₹ 64.74 lakh towards lease rent over the period of lease of 99 years as detailed in the *Annexure - 2.15*.

The Government stated (October 2015) that these firms are SSI units as per provisional registration certificate issued by DTIC and CSIDC has no other means to decide their status.

The reply is not acceptable because the Company, being final authority for allotment of land and to protect its interest, should not have solely depended on the provisional certificate issued by DTIC and it should have also verified the SSI status as stipulated in SIP. It is pertinent to mention that on being pointed out by Audit⁹ a similar case of allotment of land to a newspaper printing firm at industrial area, Sirgitti, Bilaspur the Company had recovered (September 2010) the land premium at the rate applicable for large/ medium industries.

Recommendation:

The Company should immediately recover the amount of differential amount and also evolve a system for verification of SSI status.

Loss of ₹52.49 crore due to non recovery of land premium at commercial rates

2.8.6 Rule 16 (i) of Land Allotment Rules (LAR) 1974 enables the Company to allot the land to the industries in its industrial areas for auxiliary purpose (railway siding, restaurants, post office, banks, STD booths, etc.) at commercial rates. The Company also allots land for commercial purposes in its industrial areas at commercial rates.

We observed that in two cases the Company allotted (between August 2012 and September 2014) 14.33 hectare land to two industries for construction of railway sidings at lower rate applicable for large and medium industries instead of higher commercial rates fixed by the Company. Due to adoption of lower rate of land premium the Company suffered loss of ₹ 10.75 crore towards land premium and ₹ 35.46 crore towards lease rent over the lease period of 99 years as detailed in *Annexure - 2.16*.

The Company had suffered loss of ₹ 52.49 crore in six cases of allotment of land due to non recovery of land premium at commercial rates.

Further, in four cases the Company allotted 5.894 acre land at Sirgitti Industrial Area, Bilaspur for setting up of service centers for car/vehicles under SSI category. We observed that allotment of land in these cases at the rates applicable for SSIs was not justified as vehicle service center is not an industry and should not have been treated as SSIs. The service center is purely commercial activity and hence land premium should have been recovered at the commercial rates. Thus, unjustified adoption of lower rate of land premium applicable to SSIs, has resulted in loss of ₹ 1.56 crore towards land premium and ₹ 4.72 crore towards lease rent over the period of lease of 99 years as detailed in *Annexure - 2.17*.

The Government stated (October 2015) that the allotment for railway siding to the units is for captive use and not for commercial use. Hence same was allotted at

⁹ Para no 6.2.31 of Audit Report (Civil and Commercial) of CAG of India for the year ended 31 March 2008, Government of Chhattisgarh

industrial rate and not at commercial rates. Regarding allotment of land to service centers, the Government stated that the land was allotted to these allottees at SSI rates on the basis of provisional certificate issued by DTIC wherein the units were mentioned as SSI.

The reply is not acceptable because as per LAR 1974 railway siding is an auxiliary purpose and BoD of the Company also reiterated (May 2010) that the allotment of land in industrial areas for railway siding is to be made on commercial rates. The reply regarding service centers is also not acceptable as the Company should not have solely depended upon the provisional certificate issued by DTIC and it should have also verified the SSI status as per provision of SIP.

Recommendation:

The Company should recover the land premium for auxiliary/commercial purpose at commercial rates from allottees and evolve a system for verification of SSI status.

Post allotment monitoring

After allotment of land it is the responsibility of the Company to see whether the industries have been setup within stipulated period, conditions of allotment have been fulfilled and user charges are paid on time. In this regard we observed the following deficiencies.

Non-recovery of user charges of ₹26.27 crore from allottees

2.8.7 As per provision of lease deed the lessee shall pay the user charges on or before 10th of January of each year (Clause 2) and if the dues are not paid within one month, interest at the rate of 18 *per cent* per annum for first year and 24 *per cent* per annum after first year would be charged (Clause 3). In case the amount remains unpaid for six months, the lease would be terminated after 21 days' notice given by the lessor (Clause 26). The Clause 39 of lease deed also provided that all sums recoverable under lease deed may be recovered as arrears of land revenue. As on 31 March 2015, ₹ 26.27 crore from 1112 allottees pertaining to period 2010-15 were recoverable towards user charges as detailed in the ***Annexure - 2.18***.

On test check of records we observed that the system of recovery of user charges and its monitoring was inadequate. There is no system of raising bills towards user charges before commencement of the calendar year to remind the allottee to pay the dues within the time. On further scrutiny of 50 cases of default allottees¹⁰ (***Annexure - 2.19***) we observed that in 29 cases the Company has not issued notice of 21 days to the allottees for cancellation of lease deed despite non-payment of lease rent for one to five years. In 11 cases though the Company issued notice after delay of one to five years but lease deeds have not been cancelled so far. Further in 10 cases though the lease deed has been cancelled but no action has been taken to recover the user charges as land revenue.

Failure of the Company to take action as per provision of lease deed has resulted in non-recovery of user charges of ₹ 26.27 crore from allottees.

¹⁰ 11 out of 55 for Durg, 28 out of 188 for Bilaspur and 11 out of 50 for outside industrial areas.

The Management stated (July 2015) that the Company has started online system for payment of user charges since October 2014. The Management also stated that it issues notices to the allottees having huge outstanding and assured to issue 21 days' notice to default allottees in future as suggested by audit.

It is true that the Company has implemented online system, however, it failed to produce the details of year wise outstanding of allottees in respect of industrial areas under jurisdiction of HO Raipur which indicated that the online system is not able to generate the desired data to know the actual position of arrears.

Recommendation:

The Company should take immediate action against the defaulting allottees to recover the outstanding user charges as per the provisions of lease deed.

Non-recovery of ₹ 3.75 crore from the entrepreneurs who have not complied with the conditions for concession in land premium

2.8.8 For promotion of industrial investment in the State, SIP 2009-14 provides exemption/concession in premium on allotment of land in industrial areas to the eligible industries. To get the exemption/concession in land premium, entrepreneurs have to furnish eligibility certificate issued by the Directorate of Industries, GoCG. The entrepreneur has to start commercial operation within the scheduled time limit mentioned in the certificate else eligibility certificate would be automatically cancelled.

On scrutiny of 16 cases of allotment of land made on concessional premium during 2010-15, we observed that in respect of 10 cases as detailed in ***Annexure - 2.20***, though the entrepreneurs failed to start the commercial operation within the stipulated time frame, the Company has not taken any action to recover ₹ 3.75 crore which was allowed as concession.

The Government stated (October 2015) that necessary instructions are being issued to the concerned and appropriate action will be taken.

The Company had not recovered ₹ 3.75 crore from 10 entrepreneurs who have not complied with the conditions for concession in land premium.

2.9 Finalisation of Rate Contracts

To ensure timely supply of quality material at economical rate to State Government Departments (user departments) and encourage local SSIs, the Company was made nodal agency for finalisation of rate contracts (RC) for procurement of items as per 'Chhattisgarh State Store Purchase Rules 2002' (Store Purchase Rules). The Company circulates the copy of the RCs to all the user departments and also uploads the same in its website. The user departments directly procure the items from the firms by issuing supply order as per the terms and conditions of RC and make payment to them directly. On scrutiny of 42 out of 212 RCs finalised during 2010-15, we observed the following deficiencies.

Inadequate publicity of notice inviting tender

2.9.1 As per Rule 4.3.3 of Store Purchase Rules, advertisement for Notice Inviting Tender (NIT) for work valuing more than ₹ 20 lakh be published in at least two state level and two national level newspapers. In a test check of 42 rate

contracts, we observed that in 14 cases, the Company has not published the advertisement in required number of newspapers.

While accepting (July 2015) the observation, the Management assured that NIT would be published in required number of newspapers.

No criteria fixed for Earnest Money Deposit (EMD)

2.9.2 EMD is taken to ensure participation of genuine bidders and it should be neither very low nor very high. The Company has not fixed any criteria for fixation of EMD and in absence of the same it is being taken on *ad hoc* basis. In most of the cases the Company has taken EMD of ₹ 50000 and ₹ one lakh whereas in case of tender for bicycle and lab equipment, EMD of ₹ 25 lakh and ₹ five lakh respectively was obtained.

The Government stated (October 2015) that the observation has been noted and the same shall be complied/ implemented.

Lack of monitoring of rate contracts finalised by the Company

2.9.3 The Company, being RC finalising authority, should have a system of monitoring of execution of RCs to assess the performance of RC Holders as well as the difficulties faced, if any, by the user departments. As per clause 22 (3) of RC, the user departments shall send copy of every supply order to the Company and similarly the RC holder shall also submit quarterly statement of supply to the Company. This is important for the purpose of creating database to ascertain whether the supply order is issued to all the RC holders equally within their production capacity or it has been issued to a particular firm(s) by extending undue favour.

We observed that user departments had furnished the copy of supply orders only during December 2011 to February 2014 and RC holders did not submit quarterly statement of supply. Thus in absence of regular feedback the Company could not create any data base of RCs. We also observed that various user departments issued supply order in different formats in deviation to the standard terms and conditions of RC which indicated that the Company failed to implement the RCs in accordance with the terms and condition of the rate contracts.

The Management stated (July 2015) that it could not create database and monitor the RCs due to non receipt of copy of supply orders from user departments. The Government stated (October 2015) that the observation has been noted and the same shall be complied/ implemented.

Recommendation:

The Company should evolve a system for monitoring of RCs.

2.10 Internal Control and Monitoring

Internal controls are safeguards that are put in place by the management of an organisation to provide assurances that its operations are proceeding as planned. The following deficiencies were noticed in the internal control and monitoring mechanism of the Company.

Lack of Management Information System

2.10.1 The Company does not have MIS policy and had not prescribed any periodical returns/ performance reports to be submitted to the higher authorities. In absence of this, the important activities such as status of transfer of land for various projects, implementation of various infrastructure and development projects, land available in industrial areas for allotment, arrears of user charges etc. remained unsupervised of BoD and higher authorities.

The Government stated (October 2015) that the Company has initiated the process for obtaining ISO certification which would cover MIS.

Recommendation:

The Company should implement MIS.

Deficient and ineffective Internal Audit system

2.10.2 Internal audit is an essential component of the internal control. It ensures compliance with the directives, rules and regulations laid down by the Company/ Government.

We observed that the Company had no internal audit wing of its own and it had also not prepared internal audit manual so far (July 2015). The internal audit conducted by the Chartered Accountants was confined mainly to preliminary checking of accounts leaving scrutiny of core area of land allotment, tenders, realisation of user charges etc. Further there was no follow up and corrective action on the audit observations and internal audit reports were not submitted to BoD for perusal.

The Management stated (July 2015) the priority of the Company is to clear the arrears of accounts and observations of audit would be followed once the arrears is cleared. The Government also endorsed (October 2015) the views of the Company.

Lack of physical verification of assets

2.10.3 Physical verification of assets confirms the physical existence of the assets and ensure that they are accounted for properly. On scrutiny of records at HO we observed that the Company had not maintained asset register showing location and quantity wise details of assets. We also observed that no physical verification of assets was conducted during the period 2010-15. Thus the internal control mechanism prevalent in the Company with regard to accounting and existence of assets was very weak.

The Government accepted (October 2015) the observation and assured to take corrective action from current financial year.

Recommendation:

The Company should conduct physical verification of assets regularly.

Conclusion and Recommendations

- **Due to delayed finalisation of annual accounts and incorrect assessment of budgeted income for payment of advance tax, the Company paid ₹ 4.70 crore as penal interest to Income Tax Department.**

The Company needs to clear the backlog of accounts. It should also devise a system for periodical review of budgeted income in order to pay advance tax as per provisions of the Income Tax Act.

- **During 2010-15, the Company established four industrial areas and establishment of four industrial areas was in progress as on 31 March 2015. There were delays ranging between one and five years in execution of these projects due to delay in preparation of detailed project reports, non-availability of land and non-receipt of GoI grants due to non fulfillment of conditions of grant etc.**

The Company should remove the bottlenecks in execution of projects and ensure that the projects are completed within scheduled time.

- **The Company had fixed land premium and maintenance charges for allotment of land in industrial areas on abnormally lower side without taking into account actual cost as per GoCG instructions resulting in loss of ₹ 171.70 crore.**

The Company should fix land premium and maintenance charges after taking into account actual cost in accordance with the instructions of GoCG.

- **In seven cases of allotment of land measuring 446.112 hectare outside industrial areas, the Company had short recovered the land premium amounting to ₹ 262.64 crore due to assessment of same on lower side in violation of Government guidelines.**

The Company should follow Government guidelines while assessing land premium and immediately recover the short realised amount from the allottees.

- **The Company suffered loss of ₹ 52.49 crore in six cases of allotment of land in industrial areas for auxiliary/ commercial purpose due to non recovery of land premium at applicable commercial rates as per Land Allotment Rules, 1974 and decision of Board of Directors of the Company.**

The Company should recover the land premium for auxiliary/ commercial purpose at commercial rates as per applicable rates/ guidelines.

- **As on 31 March 2015 user charges amounting to ₹ 26.27 crore were outstanding from 1112 allottees for the period ranging upto five years. The Company had not taken action against the defaulting allottees for recovery of user charges as per provisions of lease deed.**

The Company should take immediate action to recover the outstanding user charges as per the provisions of lease deed.

- **The Company did not have Management Information System and internal audit wing. The Company had also not conducted physical verification of assets during 2010 -15.**

The Company should implement Management Information System and conduct physical verification of assets regularly.