

Audit Inspection Report on the accounts of Doiwala Sugar Company Limited, Doiwala Dehradun for the period from October 2011 to March 2016, was carried out in exercise of the power conferred by section 19 of the C & AG, DPC Act, 1971 read with section 143 of the Companies Act, 2013. The Transaction audit was conducted by Sh. Ghanshyam Das Pal, AAO and Sh. Ashish Kumar Nigam, AAO from 20.05.2016 to 04.06.2016 under the supervision of Sh. Sohrab Husain, Sr. AO

The Audit Inspection Report has been prepared on the basis of records/data/information made available by the Sugar Company Limited, Doiwala Dehradun. The office of the Accountant General (Audit) will not be held responsible for any incorrect information or information not received.

PART-I-A

A- INTRODUCTORY

Last audit of the accounts and records of the company was conducted by Sh. Vikas Dhyani, AAO from 06.03.2012 to 14.03.2012 under the supervision of Sh. Rajesh Kumar, Audit Officer and covered the period up to September 2011. During the current audit, accounts and records for the period October 2011 to March 2016 were generally examined.

Following Officers held the post noted against each since last audit to till date

Miss Ravneet Cheema, Executive- Director from October 2011 to 29.5.2012

Shri Man Mohan Singh Rawat –Executive Director-30.05-2012 to till date of Audit

Shri K.P. Agarwala, Chief Accountant from October 2011 to 08.06.2012

Shri Vijay Goel, Chief Accountant from 22.09.2013 to till date.

B. Outstanding paras of previous Audit Inspection Reports:-

Sl. No.	Period	Part II Para Nos.	Part III Para Nos.
1-	4/1991 to 3/1993	2	-
2-	4/1999 to 3/2000	3	-
3-	4/2001 to 6/2002	1, 2	1, 2
4-	7/2002 to 6/2003	1 to 4	-
5-	7/2003 to 12/2004	1, 2	1, 2
6-	1/2005 to 3/2006	1, 2	1
7-	04/2006 to 03/2008	-	1 to 4
8	04/2008 to 9/ 2011	-	1&4

C. Persistent irregularities: Nil

D. Records not put up to audit: Nil

Part II A-REPORT

-----NIL-----

Part II-B REPORT

Para-1 Non-realisation of ` 79.90 lakh due to negligence on the part of Company.

As per Gazette Notification of Government of India, Ministry of Consumer Affairs, Food and Public Distributions, Directorate of Sugar, New Delhi issued from time to time, ten percent Levy Sugar of the total production was being supplied to the Food Corporation of India for public distribution by the Company. Above notification was abolished from the season 2012-13 by the Government of India, Directorate of Sugar and since then all production of sugar is free for sale in the market. Government of India, Ministry of Consumer Affairs, Food and Public Distributions, Directorate of Sugar also revised the price of Levy sugar time to time. It was also directed by the Directorate of Sugar that claim of differential amount of sugar due to price revision would be submitted with the concerned Regional Manager of FCI.

Scrutiny of records revealed that Company submitted claim for reimbursement of differential levy price with Regional Manger FCI, Dehradun as from detail below:

Sl. No.	Period /year	Amount of differential levy price (`)
1.	1990-91	319770
2	1991-92	228508
3	1992-93	678182
4	2002-2003	532476
5	2009-10	5623508
6.	2011-12	607537
	Total	7989983

The above claimed amount was still pending for recovery and the matter was put up before the Board in its 38th meeting held on 28th September 2013 by the Company. Board directed the Company to file a recovery suit against the FCI for recovery of the amount in question. Since more than two years have elapsed, no such action has been taken by the Company, resulting in claim of `79.80 lakh is still pending with F.C.I. Thus it is observed from the above that due to negligence on part of the Company ` 79.89 lakh could not be recovered.

Company stated that as directed by the Board a suit in this regard is being filed through the Company's lawyer against the FCI.

Recovery of dues would be watched in next audit

Para: 2 - Avoidable financial burden due to non-conversion of loan and interest accrued thereon in to Share Capital - ` 227. 00 crore.

Company has been taking loan from the Government of Uttarakhand since formation of the state for sugarcane purchase payment to farmers. Rate of interest ranged between 18 percent per annum to 9.25 percent per annum. Company has not repaid any amount of loan and interest till March 2016 as financial position of the Company was not good. Then in order to avoid financial burden of loan and recurring amount of interest accrued thereon, Government of Uttarakhand, decided (In July 2013) to convert loan amount and interest accrued thereon into share capital of the Company to improve the financial position of company. But Prior to conversion of loan and interest into share capital, Government of Uttarakhand called for information regarding the existing amount of share capital and total amount of share capital after conversion of loan and interest into share capital from Chief Executive Officer, Uttarakhand Sugar, Dehradun vide letter dated 17 July 2013. It was also directed to analyse the Profit/Loss to the Government on conversion of this loan and interest into share capital. As per records produced to audit the desired information for conversion of loan and interest into share capital was not provided to the Government of Uttarakhand till June 2016. It was also noticed that Company has taken loan of `123.89 crore from the GOU till 31 March 2015 and interest thereon has also accrued to `103.11 crore, thus aggregating amount of loan and interest was ` 227 crore. Further, it was also noticed that accumulated loss of the Company was ` 249.03 crore as on 31.03.2015. Thus audit observed that main reason of the loss to the Company was Government loan and interest accrued thereon. If the loan and interest was converted into share capital the financial position of the Company would have improved and financial burden of ` 227 crore on Company could also have been avoided.

Company accepted the audit observation and stated in its reply that proposal of conversion of loan and interest accrued thereon is under consideration of Government of Uttarakhand. The reply is not accepted as the proposal was not submitted to the Government of Uttarakhand till date (May 2016).

Para-3: Loss of ` 7.80 lakh due to not taking corrective action.

Doiwala Sugar Company Limited (Company) engaged Sugar Sales Agents for sale of sugar. Clause 21 of the agreements made between Company and Sugar Agents interalia provided as under:

“In case the agent or his constituents fails to take delivery of the sugar (contracted to be sold on the advice of the Agent) on or before the due date, then irrespective of the fact that the sugar has been resold or not, the agent shall be liable to compensate the Company”.

Some agents could not take delivery in due course resultantly company suffered a loss of ` 7.80 lakh and Company also imposed penalty on the Sugar Agents by the corresponding amount as detailed below.

Sr.N.	Name of Sugar Sale Agent	Amount of dues pending for realisation (`)	Period from which amount is pending
1	M/s J.D. Sales Corporation	151651.00	2002-03
2	M/s Arun Kumar Pradeep Kumar	222400.00	2009-10
3	M/s Mool Chand Shanti Lal	185572.00	2009-10
4	M/s Shri Agersen Traders	61228.00	2009-10
5	M/s SNB Enterprises	158986.00	2009-10
	Total	779837.00	

Scrutiny of records revealed that Company made pursuance with the above agents for realisation of amount of penalty but there was no response from the agents. Then this issue was put up by the Company before the Board in its 38th meeting held on 9.1.2013.

Board directed the Company to take such actions by which amount of penalty could be recovered. But no such action was taken against the agents for recovery of amount of penalty by the Company. Consequently above dues are still pending against the agents. Audit also analysed reasons for non recovery of dues as below:

- (i) The amount of security taken was not sufficient for adjustment of the penalty by the Agents.
- (ii) Company has not taken action against the agents as provided in the Dues and Recovery Act, 1958.

Thus due to passage of time recovery of said dues is remote.

Company accepted the audit observation and stated that Sugar Selling Agents were appointed by our headquarter office and amount of security was fixed by headquarter only. Vigorous pursuance is being made with the Sugar Agents through our headquarter office.

Reply of the Company is not convincing because safety measures were not taken prior to engaging agents and action as provided in Dues and Recovery Act, 1958 was also not taken against sales agents for recovery of dues.

Matter is brought to the notice of higher authority of the Company.

Para-4 Corporate Governance

Corporate Governance is the system by which Companies are directed and controlled in the best interest of the shareholders and others to ensure greater transparency and better and timely financial reporting. The Board of Directors is responsible for the governance of the companies. The Companies Act, 1956 was amended in December 2000 by providing inter alia Directors responsibility statement (Section 217) to be attached to the Directors reports to the shareholders and formation of Audit Committee by companies having paid up share capital of ` 5.00 crore and above (Section 292-A). According to Section 217 (2AA) of the Act, the Board of Directors has to report to the shareholders that they have taken proper and sufficient care for the maintenance of accounting records for safe guarding the assets of the company and for presenting and detection of fraud and other irregularities. According to Section 292-A of the Companies Act 1956 notified in December 2000, every public limited company having paid up capital of not less than ` 5.00 crore shall constitute an Audit Committee at the Board level. The Audit Committee should have a minimum of 3 Directors other than Managing Directors or whole time Directors. It has also been provided in the Act that the Statutory Auditors, internal auditors, if any, and the Director in-charge of finance should attend and participate in the meeting of the Audit Committee but without any voting right. In the case of every company, a meeting of its Board of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year.

During the examination of Minutes Book of the meeting of Board of Directors, it was noticed that 09 meeting were held during the four and half years from October 2011 to March 2016.(meetings were held on 10.05.2011, 28.09.2011, 30.12.2011, 19.04.2012, 9.01.2013, 28.09.2013, 22.8.2014, 26.2.2015, and 24.09.2015,) instead of minimum 18 meeting during the above period as required under Section 285 of the Companies Act 1956 and as the paid up capital of the Company was Rs 6.0 crore. Further, it is also provided in the companies Act, 2013 that “ every Company shall hold the first meeting of the Board of Directors within 30 days of the date of its incorporation and thereafter hold a manner that not more than one hundred and twenty days shall intervene between two consecutive of the Board”. It is also provided in Companies Act that every company, a meeting of its Board of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year.

Due to non holding of the regular Board meeting as envisaged in the Companies Act, 1956 and 2013, the subsidy and loan given by the State Government could not be monitored as per terms and conditions of the sanction orders.

Company accepted the audit observation and stated in its reply that as per Companies Act, 1956/2013 the meetings of the Boards of Directors was to be held at least once in every three months and at least four such meetings were to be held in every one year. But Board meeting as provided in the Companies Acts could not be held as there was no regular Company Secretary. This issue was put up in the Board meeting held on 22.8.2014. Board has directed to appoint a qualified Company secretary on retainer ship basis till the regular appointment is made. Fact remain there was violation of Companies Act 1956 & 2013.

Matter is brought to the notice of higher authority of the Company.

Para-5 Non-maintenance of service books of the employees.

As per SR-196 to 203 it is essential to maintain the Service Book of each employee and same should be verified every year by the Head of the Office who after satisfying himself that the all services of the servant concerned are correctly recorded in each service book.

Doiwala Sugar Company Limited is a Government of Uttarakhand undertaking and is registered under the companies Act, 1956. The main business of the company is to purchase sugarcane from the farmers and manufacture sugar from it.

During Audit, it was noticed that 721 no. of employees were working in this company since long. Most of them are the regular employee of the company. As per general administration rules, a service book of every permanent employee is to be maintained in which every matter relating to service matters of the employee is to be recorded e.g. date of joining in Government service, date of promotion, matters relating to pay fixation calculation of leave etc. Thus, the service book is the most important document for a company as well as a Government employee. It is required to be maintained statutorily also.

Thus, it could not be ascertained that how service matters are being governed in the absence of service books. This issue was also raised in the last audit of the Company, in turn company assured that service books of all the employees will be prepared and will be shown to the Audit party in the next audit. About 5 years have elapsed since last audit, no action had been taken in this regard.

Thus it is evident from the above that no efforts were being made for maintaining fresh service books.

Company stated in its reply that personal file of each employee is being maintained instead of Service Book as per past practice which have all the essential documents/data such as date of appointment, date of birth, date of retirement etc. Reply of the Company is not acceptable because as maintenance of service book is essential for better control.

Matter is brought to the notice of higher authority of the Company.

Para-4 Corporate Governance

Corporate Governance is the system by which Companies are directed and controlled in the best interest of the shareholders and others to ensure greater transparency and better and timely financial reporting. The Board of Directors is responsible for the governance of the companies. The Companies Act, 1956 was amended in December 2000 by providing inter alia Directors responsibility statement (Section 217) to be attached to the Directors reports to the shareholders and formation of Audit Committee by companies having paid up share capital of ` 5.00 crore and above (Section 292-A). According to Section 217 (2AA) of the Act, the Board of Directors has to report to the shareholders that they have taken proper and sufficient care for the maintenance of accounting records for safe guarding the assets of the company and for presenting and detection of fraud and other irregularities. According to Section 292-A of the Companies Act 1956 notified in December 2000, every public limited company having paid up capital of not less than ` 5.00 crore shall constitute an Audit Committee at the Board level. The Audit Committee should have a minimum of 3 Directors other than Managing Directors or whole time Directors. It has also been provided in the Act that the Statutory Auditors, internal auditors, if any, and the Director in-charge of finance should attend and participate in the meeting of the Audit Committee but without any voting right. In the case of every company, a meeting of its Board of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year.

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of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year.

Due to non holding of the regular Board meeting as envisaged in the Companies Act, 1956 and 1913, the subsidy and loan given by the State Government could not be monitored/completed as per terms and condition of the sanction orders. Besides, there was also violation of Companies act 1956 and 2013.

Company having accepted the audit observation and stated that as per Companies Act, 1956/2013 the meetings of the Boards of Directors was to be held at least once in every three months and at least four such meetings were to be held in every one year. But Board meeting as provided in the Companies Acts could not be held as there no regular Company Secretary. This issue was put up in the meeting of Board held on 22.8.2014. Board has directed to appoint a qualified Company secretary on retainer ship basis till the regular appointment is made. Fact remain there was violation of Companies Act 1956 & 2013.

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