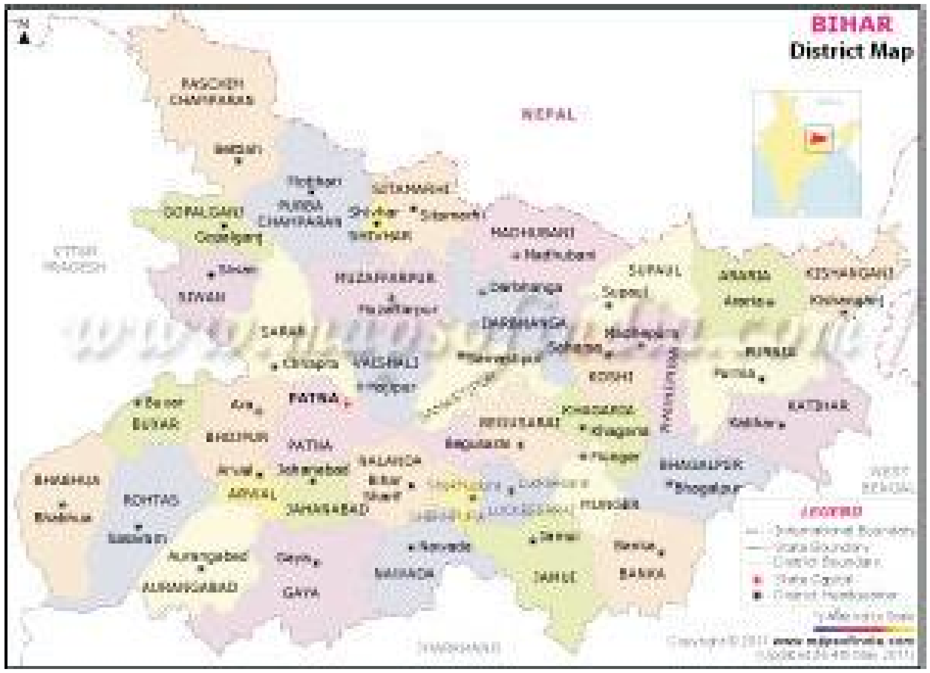
Chapter
II

2. Performance Audit relating to Government Company

2.1 Performance Audit of Bihar State Food & Civil Supplies Corporation Limited



Public Distribution System in Bihar

Executive summary

Introduction

Bihar State Food & Civil Supplies Corporation Limited (Company) was incorporated in April 1973. The activities of the Company extend to lifting of food-grains for Government schemes and distribution thereof, procurement of grains under the Minimum Support Price (MSP) Scheme, operation of Liquefied Petroleum Gas centres, distribution of levy sugar and supply of food items to jails. The present performance audit for the period 2006-11 was conducted with a view to assessing the effectiveness and the efficiency with which their activities were carried out and whether they were in conformity with the prescribed procedure.

As a State nodal agency, its share in total procurement in the State ranged between 14.29 per cent and 14.71 per cent in respect of wheat and 7.84 per cent and 10.71 per cent in respect of paddy during the period 2007-11. The distribution of foodgrains during the period 2006-11 under different schemes was 99.94 per cent of wheat and rice procurement.

Procurement

The Company procured paddy ranging between 11.25 per cent and 87.20 per cent of the target during 2006-11. In respect of wheat, the procurement was between 15.30 per cent and 68.56 per cent of the target during 2006-11. However, the procurement in respect of paddy and wheat was less than 20 per cent of the target during 2010-11. There was no planning for identification of the procurement centres and farmers prior to commencement of procurement seasons. There was no monitoring by the

Company of the procurement activities pursued by different DLOs.
In DLO Gaya, a sum of ₹ 81.27 lakh remained blocked due to non-lifting of grains under SGRY.

Storage Management

The Company had 387 godowns with a total storage capacity of 1.35 lakh MT. The Company created additional capacity by constructing only one small godown at Jamui (1000 MT capacity) during 2006-11.

Following the Government decision (September 2008) to create 47000 MT capacity, the Company submitted an estimate of ₹ 33.48 crore. Neither there was any follow-up action by the Company nor did the Government take any action to augment the storage capacity till now (November 2011).

The Government decision (July 2008) to utilise the identified 44 damaged godowns of 45,250 MT capacity at the estimated repairing cost of ₹ 4.32 crore did not materialise as the repair was not complete, even though the Company released ₹ 7.86 lakh for repairing of five godowns with the capacity of 4,400 MT. The repairing of remaining 39 godowns had not been taken so far (November 2011) and the Company could not create storage capacity of 45,250 MT.

Repairing of 38 own damaged/incomplete godowns to create an additional 3,800 MT capacity was pending since March 2009.

Out of 21,243 quintals of paddy procured during 2008-10 in two DLOs Bhojpur and Nalanda, 16,169.06 quintals of paddy valuing ₹ 1.47 crore was lying unmilled for nearly 30 months resulting in blocking of fund and deterioration in its quality could not be ruled out.

Transportation and handling

Absence of effective pursuance with District Administration resulted in blockage of ₹ 20.08 crore in respect of nine DLOs till May 2011 on account of handling and transportation charges and consequent interest loss.

The Transporting Agents in Madhubani and Araria did not provide the required number of trucks on time which resulted in lapse of allotment of 7.76 lakh quintals of foodgrains during 2006-08 resulting in loss of contribution margin of ₹ 2.38 crore to the Company besides non-supply of foodgrains to the targeted beneficiaries.

Distribution

Due to short lifting of 68.72 lakh MT of foodgrains under various schemes during 2006-11, the Company was deprived of margin money of ₹ 203.45 crore.

The Company diverted foodgrains from one scheme to another without return of the same quantities to the original scheme to ensure that the targeted beneficiaries were not deprived of the intended benefit of the scheme. As a result of the diversions, the Company earned profits of ₹ 25.74 crore and also incurred loss of ₹ 25.53 crore.

The Company also suffered loss of ₹ 52.11 lakh due to non- disposal of 3,346 quintals of levy sugar in time.

In Gaya District, intended benefit did not reach 85.06 per cent and 37.07 per cent of beneficiaries for 2007-08 and 2008-09 respectively under Nutrition Programme for Adolescent Girls (NPAG) Scheme.

In DLO Nalanda, the Company could not issue 104 quintals of wheat in the absence of any action plan for the implementation of Government scheme for disbursement of grain for protection from starvation at the rate of one quintal per Panchayat.

In DLO Nawadah, there was non-issuance of 599.60 quintals of rice under MDM Scheme during the period April 2010 to May 2010 which adversely affected the scheme implementation.

The Company extended its activities in distribution of Liquefied Petroleum Gas (LPG) for which it was receiving ₹ 22.17 per cylinder from IOCL (June 2011) towards its margin. The average yearly refill sold to consumers registered with the Company during 2006-11 was below one and there was deterioration in the overall performance of the Company and resultant loss of contribution margin.

Financial Management

The contribution margin to meet their cost of operation approved in 2002 had not been revised for the last nine years (till July 2011) despite huge increase in

the transportation and handling cost in 2010-11 as compared to the cost prevailed in 2002. Proposed increase (November 2009) in existing margin ranging between ₹ 21 to ₹ 35 per quintal to ₹ 45 per quintal had not been approved so far and as a result the Company could not recover ₹ 84.02 crore during 2009-11. The Company further submitted (February/March 2011) proposals to increase the margin money for all the Schemes which was pending decision by the Government (November 2011).

The difference between the procurement price of sugar and sale price to FPS dealers was reimbursed by the Government at the approved rate of margin. The Ministry of Consumer Affairs and Public Distributions had prescribed norm of yearly revision of margin on receipt of requisite proposal. The admissible margin remained unchanged since October 2005. The Company though submitted a proposal (December 2006) for upward revision of margin to meet the price equalization, it was pending at the level of State Government (November 2011).

The differential margin of sugar claims of ₹ 3.43 crore for the period September 2006 to March 2007 submitted to FCI had not been entertained due to non-submission of valid certificates. In addition, the Company was yet to submit (November 2011) its claim for ₹ 68.24 crore for the period from August 2009 to November 2010 due to non-receipt of utilisation certificates from their DLOs.

Human Resource Management and Internal Control

Total number of working employees as on 31.01.2011 was 1040.

During 2006-11, there had been shortage of accounts personnel and AGMs which resulted in the accounts of the Company being in arrears since 1990-91.

The Company had not prepared Accounts and Internal Audit Manuals.

Internal Audit Reports prepared for the period upto 2009-10 were not placed before the BoD so as to resolve shortcomings in the areas of interest for the Company.

As on 31 March 2011, number of employees held responsible for shortages of foodgrains stood at 257. Out of a total claim of ₹ 29.94 crore including interest receivable on account of shortages of foodgrains, a sum of ₹ 5.73 crore had been recovered from them and ₹ 24.21 crore was yet to be recovered.

Computerisation of business activities.

The Company decided (March 2007) to computerise their business activities.

Due to poor planning, the computerisation activities of the Company were incomplete even after a lapse of nearly 49 months depriving the Company of the opportunity to save a sum of ₹ 4.72 crore, as envisaged.

Miscellaneous

Claims against FCI for the short supply of 431 bales of jute bags valuing ₹ 65.55 lakh were pending settlement since July 2009 due to non-fixation of final rates by FCI.

During 2006-11, at four DLOs against the procurement of 4,58,156 Jute bags, only 1,72,526 (37.66 per cent) bags were utilised indicating that the bags were purchased without proper assessment of their requirement resulting in blocking of funds of ₹87.40 lakh.

Conclusion and Recommendations

Company's procurement of paddy and wheat touched the level of less than 20 per cent of target in 2010-11 and as a result started losing contributory margins. It may consider improving the level of procurement by identifying procurement centres and farmers well before the start of procurement season.

Company's storage management needs improvement as its initiation for creation of additional storage capacity by construction of additional godowns, repair and usage of their own damaged godowns, hiring the godowns of co-operative societies did not materialize during the review period. The Company may step up its activities for acquisition of additional storage capacity.

As transport agents did not place their trucks in time, the Company lost an opportunity to lift the allocated foodgrains and therefore the

management of transport agents requires to excercise strict control over them.

Instances of diversion of foodgrains from one scheme to another were noticed whereby its intended beneficiaries were deprived of the benefits of the scheme. The Company may institute adequate control mechanism where such diversions are avoided and in the case of unavoidable diversions, the mechanism may ensure replenishment of the diverted quantity so that the benefit reached the targeted beneficiaries.

The continuous non-revision of contributory margin and non-submission of claims for reimbursement in time had deprived the Company of its dues. The Company may persuade the State Government to revise its margin adequately to cover its cost of operations and ensure submission of its claims in time with valid certificates.

The non-preparation of accounts since 1990-91 results in erosion of its public accountability and may lead to occurrence of fraud. The Company may ensure preparations of its accounts up to date.

2.1 Introduction

2.1.1 Bihar State Food & Civil Supplies Corporation Limited (Company) was incorporated in April 1973, as a wholly owned Government Company under the Companies Act, 1956. The Company was established for undertaking the business of purchasing, transporting, storing, and distributing foodgrains and also to act as an agent of the Government in procurement and distribution of foodgrains; to plan, formulate and set up mills, or assist in setting up of rice and flour mills. The activities of the Company extends to:

- Procurement of grains on Minimum Support Price fixed by the Government of India under the Minimum Support Price Scheme on behalf of Food Corporation of India (FCI).
- Lifting of foodgrains for Government Schemes from FCI and distribution thereof through Fair Price Shop (FPS) dealers and other agencies, as authorised by the District Administration.
- Operation of departmental stores, Liquefied Petroleum Gas (LPG) centres, distribution of levy sugar and supply of food items to jails.

According to Bihar Reorganisation Act, 2000, the apportionment of assets and liabilities of the Company was to be done between Bihar and Jharkhand, but it was yet to be completed (November 2011). However, the administrative control of 187 godowns located within the territory of the Jharkhand State and services of 352 employees of the Company had been transferred (January 2011) to the Government of Jharkhand.

The Company as a State nodal agency is entrusted with procurement and distribution of foodgrains in the State, its share in total procurement ranged between 14.29 and 14.71 *per cent* in respect of wheat and 7.84 and 10.71 *per cent* in respect of paddy procured in the State during the period 2007-08 to 2010-11. The distribution of foodgrains during the year 2006-11 under different schemes was 99.94 *per cent* of wheat and rice procurement.

The review on procurement featured in the Report of the Comptroller and Auditor General of India (Commercial) for the year 2005-06, Government of Bihar was yet to be discussed in the Committee on Public Undertakings (November 2011).

Organisational set up

The Management of the Company was vested in a Board of five Directors appointed/nominated by the State Government. Managing Director, the Chief Executive of the Company, was assisted by three Chief Managers, one Company Secretary at the Head Office (HO), and 35 District Managers (DMs) in the field. The DMs were assisted by the Assistant Godown Managers (AGMs). The average tenure of the MD during 2006-11 was around one year.

2.2 Scope of Audit

The present performance audit conducted between April and July 2011 covered the activities of the Company with regard to procurement and lifting of foodgrains for various Government Schemes and their distribution during 2006-11 within the State of Bihar. For this purpose a test check of records of the Head Office of the Company and nine[1] out of 35 District Level Offices (DLOs) (more than 25 *per cent* of the total DLOs) was carried out. The selection of DLOs was based on their geographical location and the volume of work which was about 29 *per cent* of total lifting valuing ₹ 4848.09 crore made by the Company in the past three years upto 2010-11.

2.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- the activities relating to procurement, storage, transport and distribution of foodgrains to FPS dealers and other agencies were managed in an efficient, effective and economical manner and in conformity with the prescribed procedures;
- the allotment of foodgrains under various schemes were promptly lifted so as to prevent lapse of allotted quantity and loss of contribution margin;
- the margins/commissions fixed by the Government were adequate to meet the administrative expenditure of the Company;
- the foodgrains lifted against one scheme were utilized for the same scheme;
- the Company raised the bills for reimbursement of the amount within the stipulated period and in accordance with the rates fixed by Government of India (GoI);

[1] Begusarai, Bhojpur, Darbhanga, Gaya, Muzaffarpur, Nalanda, Nawadah, Patna and Samastipur.

- the reimbursement of all the elements of cost by the State Government had been received by the Company from FCI; and
- the internal control mechanism and internal audit system in the Company were adequate and effective.

2.4 Audit Criteria

The audit criteria adopted for assessing the achievement of the audit objectives were:

- Guidelines/instructions of the State and Central Governments with regard to procurement and distribution of foodgrains under various schemes;
- Targets fixed for procurement, distribution of foodgrains and milling of paddy;
- Incidental charges for procurement and distribution of foodgrains set by the GoI;
- Decisions of BoD, circulars, etc;
- Terms and conditions of handling and transport contracts; and
- The provisions contained in the Public Distribution System (Control) Order, 2001.

2.5 Audit Methodology

A mix of the following methodologies was used:

- Scrutiny of records of the Company, collection of data from records of the Company, financial statements, release order (RO) registers, monthly returns, etc;
- Assessment of sufficiency of incidental charges fixed by the GoI for procurement and distribution of foodgrains;
- Scrutiny of records relating to allotment under various schemes, lifting of foodgrains and distribution thereof;
- Examination of agenda papers and minutes of meetings of the BoDs;
- Scrutiny of stock accounts, purchase registers, monthly returns, etc. and examination of records relating to appointment of Transport Agents (TAs);
- Examination of the internal control procedures prescribed by the Company; and
- Interaction with the Management.

2.6 Stages of Performance Audit

We explained the audit objectives to the Company during an 'Entry Conference' held in May 2011.

- Subsequently, audit findings were reported to the Company and the Government (October 2011).
- An 'Exit conference' with the Management was held in December 2011.
- The replies of the Management/Government were not received.
- The views expressed by the Management on preliminary observations had been considered and suitably incorporated wherever necessary while finalising the Report.

2.7 Audit Findings

The audit findings have been grouped under the following themes;

a. Procurement
b Storage Management
c. Transportation and handling
d. Distribution
e. Financial Management
f. Human Resource Management and Internal Control
g. Computerisation of business activities
h. Miscellaneous

2.8 Procurement

2.8.1 Shortfall in procurement of grains against target

The Company could not achieve the yearly targets of procurement of paddy and wheat

The target of procurement of grains for the Company under Minimum Support Price (MSP) Scheme is fixed by the State Government. Under the Scheme, procurement of wheat and paddy is made at MSP from the farmers and subsequently wheat and rice (after milling of paddy) are delivered to FCI which in turn reimburses the incidental charges to the Company incurred on its procurement. Purchase centres are established by the concerned DLO which ensures achievement of target of procurement by advertising for procurement from farmers, maintenance and operation of purchase centres and joint verification with FCI authority for quality assurance of foodgrains, etc. We observed that the Company could achieve the procurement of paddy ranging between 11.25 *per cent* and 87.20 *per cent* of the target. In respect of wheat, the achievement was between 15.30 *per cent* and 68.56 *per cent* of the target during 2006-11. However, the achievement in respect of paddy and wheat was less than 20 *per cent* of the target during 2010-11 ***(Annexure-7).***

We observed in nine[2] DLOs that there was no planning for identification of the procurement centres and farmers prior to commencement of the procurement seasons. There was no updation of necessary details regarding the availability of the quality grains and availability of crop yields, etc. Further, there was no effective monitoring by the Company of the

[2] Begusarai, Bhojpur, Darbhanga, Gaya, Muzaffarpur, Nalanda, Nawadah, Patna and Samastipur.

procurement activities pursued by different DLOs. Thus, due to lack of planning and monitoring, the Company could not adhere to the procurement target.

The Management stated (September 2011) that the procurement was less than target due to various reasons viz. non fixation of incidental charges by the GoI, limited storage capacity, delay in acceptance of procured grains by FCI and insufficiency of the admissible rent for storage by the Government .

The reasons attributed for less procurement does not fall outside the command of the Company and would have been addressed through better planning and coordination with District Administration/State Government. Moreover, GoI had fixed the incidental charges within the currency of the respective procurement season.

2.8.2 Blocking of funds of ₹ 81.27 lakh on account of unlifted grains under Sampoorna Gramin Rojgar Yojana (SGRY)

A sum of ₹ 81.27 lakh remained blocked due to non-lifting of grains under SGRY

The FCI had issued (May 2006) release orders for 1,26,200 quintals of rice under SGRY and accordingly the DLO Gaya had deposited an amount of ₹ 86.45 lakh. The DLO Gaya lifted only 7,559.92 quintals of rice, leaving 1,18,640.08 quintals valuing ₹ 81.27 lakh unlifted. Due to non-lifting of the said grains, the objective of the Scheme was defeated and an amount of ₹ 81.27 lakh was pending recovery since past six years having consequential loss of interest. Moreover, the Scheme had been dispensed with (31 March 2007).

The Management stated (November 2011) that the huge quantity was to be lifted from FCI godown at Gaya besides the regular allotment with scheduled period. Due to non-availability of sufficient stock at Gaya, only 7559.92 quintals of rice was lifted. The matter was also reported to concerned authorities to take necessary steps to revalidate the release orders but no revalidation orders were received.

The reply of the Management was not acceptable as in case of non-availability of grains, the Company should have obtained the refund of excess amount deposited with FCI.

2.9 Storage Management

2.9.1 The foodgrains after lifting from the FCI godowns are stored in the Company godowns. For storage of foodgrains, sugar and other articles, the Company had 387 godowns (owned-151, hired-236) with a total storage capacity of 1.35 lakh MT spread over in 38 districts of Bihar (July 2011). The Company created additional capacity during 2006-11 by constructing only one small godown at Jamui (1000 MT capacity).

Following observations reveal the status of action taken by the Company towards creation of additional storage space.

2.9.2 The Government decided (September 2008) to create 47000 MT godown capacity[3] in 80 blocks of eight flood affected districts[4]. The cost of construction of the godowns was to be met by the Government. Accordingly, the Company was directed to submit an action plan for the construction of godowns to the Government by September 2008. The Company complied with the directions and submitted an estimate of ₹ 33.48 crore (excluding cost of land) for the purpose. There was neither any follow-up action by the Company nor the Government took any action to augment the storage capacity till now (November 2011).

The Management stated (November 2011) that the matter was pending at Government level.

2.9.3 The Government decided (July 2008) that the Company would utilize damaged godowns of Bihar State Cooperative Marketing Union (Biscomaun) after getting them repaired on their own expenditure. The expenditure on repairing would be adjusted against the rent payable to Biscomaun. The Company identified 44 damaged godowns of 45,250 MT capacity in 20 districts, the repairing cost of which was estimated at ₹4.32 crore. We observed that against a demand of ₹ 34.07 lakh for 10 godowns, the Company released (November 2010) a sum of ₹ 7.86 lakh only for repairing of five godowns of 4,400 MT capacity. However, the Company was not able to utilise these godowns as the repairing work was incomplete (November 2011). The repairing work in 39 godowns had not been taken so far (November 2011). Thus, even after a lapse of nearly three years, the Company could not create storage capacity of 45,250 MT.

2.9.4 Repairing of 38 damaged/incomplete godowns owned by the Company, at the rate of ₹ four lakh per godown (totaling to ₹ 1.52 crore) to create an additional 3,800 MT storage capacity was pending since March 2009.

2.9.5 The Government had consented (January 2011) to construct 423 godowns of 2.84 lakh MT capacity in 38 districts for the Company by March 2013. The budgetary assistance for creation of storage capacity was ₹ 20.78 crore from Government and ₹186.78 crore from loan from Rural Infrastructural Development Fund (RIDF) by the Food & Consumer Protection Department. The Company had submitted (January 2011) estimates for the construction of godown on the basis of model estimates provided by the PWD, Government of Bihar. The Company stated (November 2011) that sanction of the loan of ₹ 157.64 crore from RIDF had been obtained and Government had consented for ₹ 49.92 crore as grant. The work for construction would be started from January 2012.

In addition to above, we further observed the following in the management of godowns:-

- In all selected districts, the physical verification of stock was not done since April 2006.

[3] Seven godowns of 1000 MT capacity and 80 godowns of 500 MT capacity.
[4] Saharsa, Madhepura, Supaul, Purnea, Araria, Kisanganj, Katihar and Khagaria.

- There was no adherence to the FIFO system in issuing the foodgrains.
- There was no electrical installation in the godowns of selected districts.
- The provision of alleyways (3 feet) and gangways (5 feet) for proper operation of stored goods were not adhered to in DLO Begusarai and Muzaffarpur.
- The 100 *per cent* weighment was not done while receiving the food-grains from FCI in the absence of electronic weighment system in any of the godowns. The Company had, however, placed orders for 307 platform scales, and 10 scales had been installed so far (November 2011)
- The records relating to inspection of godowns were not found.
- During 2006-2011, none of the nine DLOs test checked, procured the chemicals viz Aluminium phosphate tablets, Zinc phosphate, Malathion, Detamethrim and Aluminium Phosphide which was essential for prophylactic and curative control.
- Test check of records pertaining to four DLOs[5] revealed that the 1943 quintals of rice, 1035 quintals of wheat and 56 quintals of sugar valuing ₹ 24.45 lakh were damaged during 2006-2011 due to improper packaging, lack of proper action against flood, damage by rodents, storage in damaged godowns, etc.

2.9.6 Blocking of fund of ₹ 1.47 crore due to non-milling of paddy

The paddy procured under MSP Scheme was required to be milled within the stipulated period to prevent deterioration in the quality of paddy. As per milling contract, the Miller was required to deliver Custom Milled Rice (CMR) equivalent to 67 *per cent* of out turn ratio of the paddy to the Company.

We observed in two DLOs Bhojpur and Nalanda test checked, that out of 21,243.65 quintals of paddy procured during 2008-10, only 5,074.59[6] quintals were sent for milling and balance 16,169.06 quintals of paddy valuing ₹ 1.47 crore was lying unmilled which resulted in blocking of fund to that extent. Further, the paddy had remained unmilled (November 2011) for nearly 30 months and deterioration in its quality could not be ruled out.

2.10 Transportation and handling

2.10.1 Non-recovery of transportation & handling charges of ₹ 20.08 crore

A sum of ₹ 20.08 crore was receivable from Government

As per practice in vogue, the Company was incurring expenditure on transportation of grains from FCI godowns to their own godowns, which was reimbursed by District Administration. It was noticed that an amount of ₹ 20.08 crore was receivable from Government till May 2011. We, in test

[5] Dharbhanga, Begusarai, Muzaffarpur and Nawada.
[6] Bhojpur-895.52 quintals, Nalanda-4179.07 quintals.

check observed, that in nine DLOs, the matter for recovery of handling and transportation charges was not pursued effectively with the District Administration. This resulted in blocking of funds amounting to ₹ 20.08 crore of the Company with consequent interest loss as the Company was paying interest on overdraft. (November 2011).

2.10.2 The transportation and handling of foodgrains from FCI godowns to the Company godowns was done by Transporting Agents (TAs) appointed by the Company on annual rate contract basis. TAs were appointed through open tenders with a provision to extend the contract for next two years without calling for fresh tenders. In the absence of a rate contract, the transportation was being done by Depot Managers by hiring trucks from the open market, classifying it as "Departmental Transporting". The irregularities in transporting & handling of foodgrains were as under:

2.10.3 Loss of ₹ 2.38 crore due to non availability of sufficient number of trucks for lifting

The Company sustained loss of margin of ₹ 2.38 crore due to non-lifting of 7.76 lakh quintals of foodgrains as trucks were not made available for transportation

The foodgrains allotted against various schemes were required to be lifted by the Company within a prescribed time period. As per agreement, the TAs were required to provide sufficient number of trucks to lift the foodgrains for which FCI issued ROs. In test check, we noticed that TAs appointed at DLOs (Madhubani and Araria) did not provide the required number of trucks on time and as a result allotment of 7.76 lakh quintals[7] of foodgrains lapsed during 2006-08. This resulted in loss of contribution margin of ₹ 2.38 crore to the Company besides non supply of foodgrains to the targeted beneficiaries.

The Management stated (November 2011) that security deposit and bank guarantee of the TAs were forfeited and they were disqualified for further transactions. One TA had also been black-listed.

2.10.4 Irregular payment for transportation

In case of DLO, Patna we observed that against an advance for transportation and handling charges of ₹ 1.64 crore made to one AGM during the period from January 2008 to September 2009, adjustment bills of ₹ 1.53 crore were submitted by the concerned AGM upto March 2010. Against the submission of bills, ₹ 1.15 crore had been adjusted as per its admissibility. The bills for the remaining amount of ₹ 11.08 lakh had not been submitted. Thus the total balance amount of ₹ 49 lakh was pending submission/adjustment (November 2011**).**

2.11 Distribution

2.11.1 The Company, being a nodal agency, lifts foodgrains from FCI against the allotments made by the Central/State Government under various Schemes. The Company through their 35 DLOs deposits the cost of foodgrains , except for free supply foodgrains to FCI and obtains Release Orders (ROs) from FCI

[7] Araria-3.75 lakh quintals & Madhubani-4.01 lakh quintals.

for lifting and distribution to FPS dealers and other designated agencies of the District Administration. During the period 2006-11, we observed that:

- the lifting of foodgrains under free issue and highly subsidised schemes ranged between 75.40 and 91.32 *per cent* (Annapurna), 52.23 and 98.93 *per cent* (AAY), and 60.07 and 83.29 *per cent* (MDM), whereas lifting of priced foodgrains ranged between 17.34 and 101.45 *per cent* (BPL) and 1.73 and 100 *per cent* (APL) ***(Annexure-8),***

Lifting of foodgrains against allotment under all the Schemes remained unstable

- the lifting of foodgrains against allotment in all the Schemes was unbalanced during the period 2006-07 to 2010-11. The unlifted quantity of foodgrains had varied between 22.40 lakh MT in 2006-07 and 5.73 lakh MT in 2010-11 ***(Annexure-9),***

Due to short lifting of grains, the Company was deprived of ₹ 203.45 crore as margin money

- due to short lifting of 68.72 lakh MT of foodgrains during 2006-11, the Company was deprived of margin money of ₹ 203.45 crore ***(Annexure-9).***

The Management cited (September 2011) non-availability of grains at FCI depots, limited storage capacity and non-availability of weigh-bridges at FCI depots etc. as the reasons of short lifting.

The reasons cited by the Management regarding non-availability of grains and weigh-bridges at FCI depots are not tenable due to the fact that the problems of storage could be managed by hiring godowns as had been done during 2009-10, and the FCI had always enough stock of foodgrains as indicated by the allotment order of the Government.

2.11.2 Diversion of foodgrains from one Scheme to another

During 2006-11, the Company operated five major Government Schemes under which the Government provided the foodgrains at the rates fixed to the beneficiaries targeted under each of the schemes. Under the schemes like Annapurna, Mid-Day-Meal (MDM) and SGRY (since dispensed with) the foodgrains are provided free of cost by FCI to the Company for distribution to the targeted beneficiaries. For other schemes such as BPL, APL and AAY, rates of purchase from FCI, rates of sale to FPS dealers and the amount of margin claimable from Government vary vastly . There is no system to prevent diversion of foodgrains drawn under one scheme to other schemes.

The Company diverted foodgrains from one Scheme to other

A test check of six DLOs in respect of 2006-07 to 2010-11 regarding the annual receipt and issue of foodgrains under various schemes revealed that there was large scale diversion of foodgrains from one scheme to another. ***Annexure-10*** contains the details of such diversion of foodgrains from one scheme to another. While the Company earned profit of ₹ 25.74 crore from such diversion, they also incurred loss of ₹ 25.53 crore from the same diversion during the period 2006-11. There was nothing on record to show that such diversions had been compensated by return of same quantities of food-grains to the original scheme to ensure that the targeted beneficiaries were not deprived of the intended benefit of the scheme as a result of above diversion.

2.11.3 Loss of ₹ 52.11 lakh due to non-disposal of levy sugar

The Company lifted 1,74,014 quintals of sugar from notified sugar mills during the period September 2006 to February 2007, out of which 1,24,773 quintals of sugar had been issued to the FPS dealers. The balance 49,241 quintals of sugar were undelivered for more than two years and the FPS dealers were reluctant to lift sugar due to its poor quality.

The Company did not seek permission of the Government for sale of the sugar in the open market, its quality had deteriorated due to rainy season and its prolonged storage. Out of the 49241 quintals of sugar, the Company could sell only 45,895 quintals in more than three years during March 2007 to May 2010. The Company, however, could not dispose of 3,346 quintals of sugar valuing ₹ 52.11 lakh which was lying in the various godowns of four DLOs and had been declared unfit for human consumption.

The Company sustained loss of ₹ 52.11 lakh due to poor quality of sugar

Thus, due to failure of the Company to dispose of the sugar in time, the Company sustained a loss of ₹ 52.11 lakh[8].

The Management reiterated (November 2011) that the disposal of sugar was slow as it was meant for BPL consumers who were financially weak to purchase on time. As far as the disposal of 3346 quintals of sugar declared unfit for human consumption, instructions in this regard from the Government were awaited.

The reply of the Management was not acceptable as the Company failed to disburse the levy sugar within stipulated period which resulted in deterioration in quality of sugar in its prolonged storage and consequently 3346 quintals of sugar became unfit for human consumption.

2.11.4 Non-achievement of objective under Nutrition Programme for Adolescent Girls (NPAG) Scheme

Under the scheme of NPAG, free foodgrains at the rate of 6 kg. per beneficiary/per month are to be provided to identified under-nourished adolescent girls (age group 11-19 years). For this purpose, foodgrains at the BPL rates would be provided to the States for the Scheme. The Company was provided margin money at the rate of ₹ 37 per quintal of grain.

The Company could not achieve 85.06 *per cent* and 37.07 *per cent* of target for 2007-08 and 2008-09 under NPAG Scheme

In Gaya district, we observed that during 2007-10, only 13,491.51 quintals of foodgrains were lifted against targeted allotment of 36,945.60 quintals and the percentage of lifting against allotment ranged between 14.94 *per cent* and 63.93 *per cent*. Further, out of the foodgrains lifted, 11,798.46 quintals remained un-issued. Thus, under the Scheme, the foodgrains could not reach 85.06 *per cent* and 37.07 *per cent* of the beneficiaries during 2007-08 and 2008-09 respectively. The Company was also deprived of margin money of ₹ 8.68 lakh. It was further observed that the Company had not devised any efficient system of desired feedback from the State Government authority (CDPO) to assess the lifting and issuance of foodgrains under the Scheme.

[8] 3346 quintals* ₹ 1557.35 per quintals.

There was lack of initiative on the part of Company, due to which 11798.46 quintals of foodgrains remained un-issued as Stock Issue Orders (SIOs) could not be generated.

The Management accepted (November 2011) the audit observation and stated that due to shortage of time the entire quantity of grains could not be lifted on time and the FCI authority also did not revalidate the lapsed ROs. They had also requested the concerned programme officer to issue sub allotment for distribution.

2.11.5 Non-disbursement of grains procured for protection of starved people

The Company could not issue 104 quintals of wheat for protection from starvation under OMSS

The Company received (January 2010) one time allotment of 8,463 quintals of wheat in respect of 38 districts of Bihar under Open Market Sales Scheme (OMSS) from the State Government for protection from starvation at the rate of one quintal per panchayat.

We observed that at DLO Nalanda, although entire allotted 249 quintals of wheat had been lifted, only 145 quintals of wheat were issued leaving 104 quintals of wheat remaining un-issued (November 2011) in the absence of any action plan for the implementation of the Scheme.

The DLO concerned stated (November 2011) that instruction of the Government for disposal of 104 quintals of wheat was awaited.

2.11.6 Short Supply of grain under MDM Scheme

Under MDM Scheme, the Company obtained district wise allotment of rice from FCI for free distribution to various schools through approved agencies. At DLO, Nawadah, out of 8529.98 quintals of rice lifted from FCI for the months of April 2010 and May 2010, only 7930.32 quintals of rice had been supplied by the DLO for distribution to schools. The balance quantity of 599.66 quintals of rice had not been supplied due to reasons that the schools did not accept supply of fraction quantity. However, the Management did not produce any documentary evidence of denial of acceptance of fraction quantity of foodgrains by the school authorities. This resulted in non-issuance of 599.60 quintals of rice, which adversely affected the Scheme implementation.

2.11.7 Distribution of Liquefied Petroleum Gas (LPG)

The Company in addition to the procurement and distribution of foodgrains extended their activities in distribution of Liquefied Petroleum Gas (LPG). The DLO, Muzaffarpur was working as sole Distributor of Indian Oil Corporation Limited (IOCL) for the sale of LPG since November 1992. The Company had been receiving ₹ 22.17 per cylinder (June 2011) from IOCL towards their margin. As per agreement with the IOCL, the Company was required to effect minimum sales of LPG in accordance with the policy that would be formulated from time to time. Further, the Company was also required to lift in each month the minimum number of LPG filled cylinders and to maintain the minimum stock, so that the requirement of customers was met uninterruptedly. The Company, however, did not provide information regarding minimum number of filled LPG cylinders to be lifted per month and the minimum stock to be maintained.

Average yearly refill sold to consumers during 2006-11 remained below one

The total number of consumers registered with the Company was ranging between 2.08 lakh and 2.49 lakh and number of refills sold ranging between 1.43 lakh and 1.54 lakh during 2006-07 to 2010-11. Thus, the average yearly refill sold to consumers during this period was below one. Further, as compared to 2006-07 though the percentage of consumers increased by 19.39 *per cent* in 2010-11, there was only 6.52 *per cent* increase in the number of refills sold in the corresponding period. This showed deterioration in the performance of the Company and resultant loss of contribution margin.

As per agreement, the Company was required to exercise due and proper care for the protection of the refills and other equipments of IOCL and maintain proper cylinder storage facility. We observed that the Company failed to address the problem of the safety of equipments as is evident from the fact that events of theft in the godowns, where LPG refills were stored, were very frequent and unchecked and 289 LPG cylinders were reported stolen during the period December 2006 to June 2010. The Company had to indemnify IOCL by making payment of ₹ 5.60 lakh against loss due to theft which included theft of a total of 110 cylinders on three occasions in just three months between September and November 2006.

The Company also did not secure claims from the insurance company for all the losses due to theft of cylinders as stated above for want of sufficient documents and evidences.

The Management stated (November 2011) that the action had been taken against the defaulting officials and the necessary action was being taken to recover the claim from the insurance company (November 2011).

2.12 Financial Management

2.12.1 Loss of ₹ 84.02 crore due to non-revision of margin rate

The Company could not recover operational cost of ₹ 84.02 crore due to non-revision of margin rate

The Company was provided with contribution margin to meet their transportation and handling cost, godown rent, establishment cost and other expenses as per the rates approved in 2002 by the State Government for implementation of the various Schemes. Since then during the last nine years (till July 2011), the State Government did not make any revision in these rates despite huge increase in the transportation and handling cost (about 40 *per cent*) and establishment cost (30 *per cent*) in 2010-11 as compared to the cost prevailed in 2002. The Company proposed an increase (November 2009) in the margin rate from the existing rates ranging between ₹ 21 to ₹ 35 per quintal[9] to ₹ 45 per quintal so as to meet their operational cost. In the absence

[9] BPL (Wheat & Rice), Annapurna (Wheat & Rice) and MDM (Rice)- ₹ 35 per quintal, APL (Wheat)- ₹ 21 per quintal, APL (Rice)- ₹ 22.60 per quintal, AAY (Wheat)- ₹ 29 per quintal and AAY (Rice)- ₹ 25 per quintal.

of revision, the Company could not recover their operational cost amounting to ₹ 84.02 crore (***Annexure-11***) during 2009-11. It was also observed that the rates of margin money were 79 *per cent* and 57 *per cent* higher in Madhya Pradesh and Uttar Pradesh respectively as compared to Bihar. The Company had further submitted (February/March 2011) proposals to increase the margin rates between ₹ 52.39 and ₹ 55.00 per quintal for all the Schemes. However, no decision had been taken by the Government (November 2011).

2.12.2 Non-recovery of ₹ 71.67crore due to non-submission of proper claims

The difference between the price at which sugar was purchased by the Company from notified sugar mills and the price at which they were sold to FPS dealers was reimbursed by the Government at the approved rate of wholesalers margin (October 2005) of ₹ 134.43 per quintal. We observed that despite continuously increasing gaps during the period from 2006-07 to 2010-11 between the purchase and sale price of the sugar dealt in by the Company, no revision of the approved rate of margin admissible to the Company could be affected. We further observed that Ministry of Consumer Affairs and Public Distributions had prescribed norm of yearly revision of margin on receipt of requisite proposal, but the admissible margin to the Company remained unchanged since October 2005. The Company though submitted a proposal (December 2006) for upward revision of margin to meet the price equalisation between procurement and sale, it was pending at the level of State Government (November 2011).

₹ 71.67 crore remained unrecovered due to non-submission of proper claims

The Management intimated (November 2011) that the differential margin claims of ₹ 3.43 crore for the period September 2006 to March 2007 submitted to FCI through Government had not been entertained due to reasons such as non-submission of distance certificate from Road Construction Department, Utilisation Certificate from concerned District Magistrate, etc. In addition, the Company was yet to submit (November 2011) its claim for ₹ 68.24 crore for the period from August 2009 to November 2010 due to non-receipt of utilisation certificates from their DLOs. The differential margin claim was to be raised on monthly basis with all required documents and certification for immediate settlement.

Thus, in absence of preferring claims timely with required documents in prescribed form resulted in claims of ₹ 3.43 crore pending since long. This had also resulted in consequential interest loss since the Company had been meeting their working capital through bank overdraft.

2.12.3 Non-recovery of ₹ 89.07 lakh from FCI against delivery of procured grains

A sum of ₹ 89.07 lakh was pending for recovery from FCI on account of wheat and CMR

The wheat procured and CMR after milling of paddy were required to be delivered to FCI. During test check, we observed that a sum of ₹ 89.07 lakh (Patna-₹ 33.51 lakh, and Gaya-₹ 55.56 lakh) was pending for recovery from FCI on account of wheat and rice delivered during the period 2008-10. The claims were unsettled due to lack of persuasion to realise the same.

The Management confirmed (November 2011) the audit observation and intimated that action had been taken to recover the rest amount.

2.12.4 Non-recovery of advance of ₹ 59.88 lakh from FCI due to lack of pursuance

A sum of ₹ 59.88 lakh on account of unlifted grains remained unadjusted

The Company made advance payments to FCI towards the cost of foodgrains under various Schemes for releasing ROs. In case of non-lifting/non-supply of full quantity of stock indicated in the ROs, FCI either refunded the excess amount or adjusted the advance in succeeding month. In two DLOs, (Nalanda and Patna) test checked, we noticed that an amount of ₹ 59.88 lakh[10] against advances for un-lifted grains were pending for adjustment for more than 15 months for want of effective pursuance (July 2011).

The Management stated (November 2011) that necessary action to get the amount refunded from FCI had been taken.

2.12.5 Non-recovery of dues of ₹ 44.92 lakh on account of grains provided under flood relief

The claims of ₹44.92 lakh against grains provided under flood relief remained pending for reimbursement

During 2008-09, in anticipation of the order of Government, DM, Bhojpur passed an order to issue (September 2008) 5,250 quintals of wheat to the flood affected areas of Badhar block. Subsequently, Government allotted (September 2008) 2625 quintals of wheat and 2625 quintals of rice only. Against the actual supply of 5250 quintals of wheat, the Disaster Management Department, Patna, as per Government allotment, accepted the claim for supply of 2625 quintals of wheat only. However, as per Government decision (August 2008) the Company was to be reimbursed for the excess allotment of 2625 quintals of wheat at the economic rate. The Company submitted (January 2009) the claim of ₹ 44.92 lakh including transportation and handling charges to the Government which was pending for reimbursement for more than two years (November 2011).

2.13 Human Resource Management and Internal Control

2.13.1 Internal Control is a Management tool used for providing reasonable assurance that the objectives are being achieved in an economical, efficient and orderly manner. In this context, the Human Resource Planning which is concerned with the flow of people into, through and out of the organisation and involves synchronisation of the need and the supply of labour and their planning to ensure that the organisation will have the right mix of employees and skills when and where they are needed is relevant. It was observed that Internal Control system of the Company was deficient as detailed below:

- The sanctioned strength of manpower of the Company was reduced (January 2002) from 3602 to 948 by the then Managing Director without approval of the BoD of the Company.

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10 Nalanda- 52.16 lakh, Patna- 7.72 lakh.

Internal control system of the Company was deficient

- As against the sanctioned strength, total number of working employees as on 31.01.2011 was 1040 (including 352 employees whose services were transferred to the Government of Jharkhand).
- During 2006-11, there had been shortage of accounts personnel and AGMs in the Company which adversely affected the maintenance of accounts and functioning of the Company. This also resulted in the accounts of the Company being in arrears since 1990-91.
- The accounts of remittances of the DLOs were not reconciled with those of the Head office.
- The Company had not prepared any Accounts Manual. Physical verification and surprise inspection of stock at different godowns of the DLOs was not being carried out.
- Internal audit, an appraisal activity, is service to the entity. Its functions, inter alia, include examination, evaluation and monitoring the adequacy and effectiveness of the accounting and internal control system. We observed that Internal Audit Wing of the Company had shortage of manpower against the sanctioned strength. The Chartered Accountants (CAs) had been engaged to cope up with the work and to do the internal audit works.
- The Company had not prepared any Internal Audit manual.

Internal Audit Reports were not submitted to Board

- On the non placement of Internal Audit reports before the BoDs for the years 2006-07 to 2010-11, the Company stated that there was no such practice. Under the circumstances, the internal audit findings were not available to the Board to resolve shortcomings in the areas of interest for the Company. Thus, the purpose of Internal Audit was defeated.

2.13.2 Misappropriation/theft/shortage of foodgrains by the Company officials

A sum of ₹ 24.21 crore was recoverable from 257 employee for shortages of grains

We observed that as on 31 March 2011, 257 employees (including 75 employees whose services were transferred to Jharkhand) were held responsible for shortages of foodgrains. Out of a total shortage claim of ₹ 29.94 crore including interest, a sum of ₹ 5.73 crore had been recovered from them and ₹ 24.21 crore was yet to be recovered (November 2011).

With effect from April 2009, recovery on account of shortages of foodgrains was being stipulated at the economic rate as fixed by the FCI. However, there was no effective monitoring by the Company of the recovery against shortages. The Company had no information against recoverable amount of ₹ 4.60 crore as on 31 January 2011 from 75 employees whose services had been transferred to Jharkhand with effect from February 2011.

In course of test check in DLO Begusarai, register for recovery of shortage was not maintained. Though two AGMs deployed at two DLOs were held responsible for shortages of grains, the Company had not been able to initiate action under the Public Demand Recovery (PDR) Act for the recovery of ₹ 1.17 crore (November 2011).

Despite held responsible for performing their duties negligently, the Company continued to retain the services of those 153 working employees who constituted nearly 18 *per cent* of the total work force as on 31 March 2011.

The Management stated (November 2011) that, Jharkhand Food & Civil Supplies Corporation Ltd. was to report the recoverable amount including interest against shortages/defalcation in respect of the employees whose services had been transferred to Jharkhand, and the DLOs had been instructed to maintain ledger and send monthly statement in respect of the recovery made and to initiate necessary action in applicable cases under PDR Act or to file criminal/civil suit.

2.14 Computerisation of business activities

The Central Vigilance Committee on Public Distribution System in the State of Bihar in their report submitted (August 2009) had observed as follows:

"To weed out corruption in the Public Distribution System, it was the information technology that could help. Human intervention was to be minimal. System was to be derived in such a way that issue of foodgrain from FCI godowns and that received by the FPS should match". However, the Company did not pay proper heed to the concern shown by the Committee.

The Company decided (March 2007) to computerise their business activities to evolve a system to electronically generate Stock Issue Orders (SIOs); generation of information in respect of day-to-day collection of fund for each scheme; weekly data of Release Order (RO) procured from FCI; the quantity lifted from FCI depots and stored in Company godowns and to develop monitoring system for inventory Management. For the purpose, the Company decided to install in their headquarters a server with back up server and one computer printer, UPS, Computer operator with internet connection at each of the district offices of the Company.

The installation of the above system was perceived to bring transparency in the functioning of the Company. Besides, a saving of ₹ 4.72 crore in three years (since the system becoming operational in October 2007) was also estimated as with the help of the installed system, preparation of SIOs in the period could cost ₹ 1.37 crore only against ₹ 6.09 crore if the work was done manually.

Thereafter, the Company invited tender in March 2007. In this connection, following observations were made:

- The Company did not approach their administrative department or other Government department/PSUs viz. Science & Technology Department, BELTRON, etc. for technological assistance.
- The implementation of the software was to start from October 2007, but even after lapse of nearly 49 months installation of the software was incomplete (November 2011).

- The Company entered into agreement with the tenderer without ensuring electricity and electric generator facility. As observed only eight district offices were provided (July 2011) with alternate power source though belatedly during February 2010 to August 2010.

- The Project Core Committee nominated as per agreement did not monitor the progress of project as per project plan. Also, the performance and working of the tenderer was not regularly reviewed by the Company.

- Test check of the functioning of the tenderer at Bhojpur, Gaya, Samastipur and Nalanda was found to be unsatisfactory.

The computerisation activity remained incomplete since 49 months

Thus, due to poor planning, the computerisation activities of the Company were incomplete even after a lapse of nearly 49 months. Resultantly, the Company was also deprived of the opportunity to save a sum of ₹ 4.72 crore due to electronic generation of SIO, as envisaged.

The Management cited (November 2011) delays at some stages of implementation of the computerisation system and stated that the performance of the tenderer at Bhojpur, Gaya, Samastipur and Nalanda DLOs was satisfactory.

The reply of the Management was not acceptable as the reply did not address all the audit observations and the Company was yet to generate SIOs electronically as envisaged.

2.15 Miscellaneous

Irregularities in the purchase and utilisation of Jute / Gunny Bags

For storage of foodgrains (paddy/rice/wheat) procured by the Company during procurement seasons, jute/gunny bags are required. The Company purchased the jute bags mainly from FCI and through Directorate General of Supplies & Disposals (DGS&D) Kolkata, GoI. During 2006-07 to 2010-11, the Company purchased 5,762 bales of bags (1 bale=500 bags) from DGS&D for a total sum of ₹ 9.67 crore. Besides, 2,669 bales were procured from FCI during 2009 against an advance of ₹ 2.94 crore for 3,100 bales. Thus, a total of 8,431 bales of bags were purchased from the two suppliers during 2006-11.

It was observed that:

- Claims against FCI for the short supply of 431 bales of bags valuing ₹ 65.55 lakh were pending settlement (September 2011) due to non-fixation of final rate by FCI.

- Confirmation of receipt of 1280 bales (640000 bags) valuing ₹ 2.35 crore accounting for 22.42 *per cent* of the total purchases made against RMS 2009-10 and 2010-11 and KMS 2010-11 had not been received from 2 [11], 9 [12] and 5[13] DLOs respectively. The details of their consumption and closing stock from any of the 35 DLOs had not been received. Further, no internal audit of purchases, distribution and consumption of the Jute/Gunny bags was conducted.

Jute/Gunny bags were purchased without assessment of requirement

- Scrutiny of records pertaining to jute bags at four[14] DLOs revealed that during 2006-11, against procurement of 4,58,156 of jute bags, only 1,72,526 (37.66 *per cent*) were utilised. This indicated that the bags were purchased without proper assessment of their requirement which resulted in blocking of funds of ₹ 87.40 lakh on account of purchase of bags.

The Management stated (August 2011) that required action in the light of audit observations were being taken.

Conclusion

Company's procurement activities showed a down trend. The procurement ranged from 11.25 *per cent* to 87.20 *per cent* of target in respect of paddy and from 15.30 *per cent* to 68.56 *per cent* of target in respect of wheat during the performance audit period. Procurement of both paddy and wheat touched less than 20 *per cent* of target in 2010-11. Low level of procurement was attributed to lack of planning for identification of procurement centres and farmers before the commencement of procurement season.

Storage management was poor. The Company had 1.35 lakh MT of storage capacity under 387 godowns. The Company added only one godown with 1000 MT capacity during the last five years ending 2010-11. Government decision to create 47,000 MT capacity by spending ₹ 33.48 crore did not fructify after the submission of the proposal by the Company to the Government. Decision to utilise the capacity of 44 godowns with 45,250 MT after repairing them at the cost of ₹ 4.32 crore did not materialize as 39 godowns were not repaired even after three years. In two DLOs, paddy valuing ₹ 1.47 crore was lying unmilled for more than 30 months.

Monitoring of Transport agents were ineffective as they did not provide trucks in time so as to enable lifting of allocated quantities of foodgrains. Non-provision of adequate number of trucks in time resulted in lapse of 7.76 lakh quintals of foodgrains with a loss of contributory margin of ₹ 2.38 crore.

Diversion of foodgrains from one scheme to another was witnessed. In the case of NPAG, MDM and scheme for distribution of grains for protection

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11 Vaishali & Samstipur.

12 Patna, Samstipur, Motihari, Chapra, Purnia, Katihar, Munger, Bhagalpur & Sitamarhi.

13 Nalanda, Rohtas, Kaimur, Vaishali & Sitamarhi.

14 Gaya, Nawadah, Nalanda and Muzaffarpur.

from starvation, the intended beneficiaries were deprived of the benefit of the scheme.

Continuous non-revision of contribution margin to cover the increased cost of transport and handling of foodgrains since the last nine years from 2002 resulted in non-recovery of ₹ 84.02 crore.

Non-submission of claims in time with adequate valid certificates and non-issue of utilisation certificates kept the Company's claim of ₹ 3.43 crore pending and delayed the submission of claim of ₹ 68.24 crore.

Lack of trained staff resulted in their accounts being in arrear since 1990-91. Internal Audit and computerisation of the activities were incomplete.

Recommendations

The Company may:

- **identify the procurement centres and farmers well in time so as to improve the quantity of procurement,**
- **implement the plans for construction of new godowns and repairing the damaged godowns so that the adequate storage capacity becomes available to ensure lifting and proper storage of foodgrains,**
- **put in place a mechanism whereby the transport agents place their trucks in time to avoid lapse of allotted foodgrains,**
- **install a monitoring mechanism to prevent diversion of foodgrains from one scheme to another so that the benefit reaches the intended beneficiaries,**
- **persuade the Government to revise the margin adequately to cover the cost of operation of transport and handling. Ensure timely submission of claim with adequate documents, and**
- **deploy adequate accounting skilled personnel so that the accounts arrears are cleared and ensure computerisation of the activities of the Company as envisaged so as to ensure minimisation of error.**