

## Overview

### 1. Overview of Government companies and Statutory corporation

*Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Chhattisgarh State Warehousing Corporation, a Statutory Corporation, is governed by the Warehousing Corporation Act, 1962. As on 31 March 2013, the State of Chhattisgarh had 19 working PSUs (18 companies and one Statutory corporation), which employed 20352 employees. The working PSUs registered a turnover of ₹11776.04 crore for 2012-13 as per their latest finalised accounts. This turnover was equal to 7.35 per cent of the State Gross Domestic Product.*

#### **Investments in PSUs**

*As on 31 March 2013, the investment (Capital and Long term loans) in 19 PSUs (including one Statutory Corporation) was ₹15609.61 crore. It grew by 426.81 per cent from ₹2963.05 crore in 2008-09. 79.78 per cent of total investment was towards Capital and 20.22 per cent was towards Long-term loans. The Government contributed ₹2877.27 crore towards equity, loans and grants/ subsidies during 2012-13.*

#### **Performance of PSUs**

*During the year 2012-13, out of 19 PSUs, 12 PSUs earned total profit of ₹214.53 crore and five PSUs incurred total loss of ₹2091.51 crore. One PSU earned “no profit no loss”. The remaining one PSU did not finalise its first account. The losses were mainly incurred by Chhattisgarh State Power Distribution Company Limited and Chhattisgarh State Civil Supplies Corporation Limited to the extent of ₹2012.27 crore and ₹78.88 crore respectively as per their latest finalised accounts. The losses incurred by PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring.*

#### **Arrears in accounts**

*15 PSUs had arrears of 36 accounts as of September 2013. The PSUs need to set targets for the work relating to preparation of accounts with special focus on clearance of arrears.*

#### **Quality of accounts**

*The quality of accounts of PSUs needs improvement. Out of 24 accounts finalised by working PSUs during October 2012 to September 2013, Statutory Auditors had given qualified certificates on 16 accounts.*

*(Chapter – I)*

## 2. Review relating to Government Company

A review on procurement, storage and distribution of rice, wheat and sugar under various schemes of Public Distribution System by Chhattisgarh State Civil Supplies Corporation Limited was conducted. Executive summary of our audit findings is given below.

### **Introduction**

*The Government of India (GoI) issues scheme-wise allotment of foodgrains to the States as per the number of beneficiaries in the States for distribution of the same under Public Distribution System (PDS). On the basis of it, Food, Civil Supplies and Consumer Protection Department (Department) of Government of Chhattisgarh (GoCG) issues district-wise allotment to the Chhattisgarh State Civil Supplies Corporation Limited (Company) for taking advance action for procurement, storage and distribution of foodgrains to the districts. The Company works as a nodal agency for PDS. The main objective of the Company is procurement, storage and distribution of foodgrains under various schemes of PDS so as to ensure their availability to the beneficiaries according to the schemes framed by GoI/GoCG.*

*Decentralised Procurement was introduced (April 2002) in the State for procurement and maintenance of stock of rice at State level in order to provide Minimum Support Price (MSP) to farmers and also to ensure economy in distribution of rice. Wheat is procured by the Company from Food Corporation of India (FCI) at subsidised rate fixed by GoI and sugar is procured by the Company from sugar mills specified by the GoI at the prescribed rate and are distributed to the beneficiaries.*

*The performance of the Company was reviewed to assess economy, efficiency and effectiveness in implementation of various schemes of GoI/ GoCG under PDS during the period 2008-09 to 2012-13.*

### **Planning for procurement of rice, wheat and sugar**

*Keeping in view the requirement of rice to meet distribution under various schemes of PDS, the Department procures paddy from farmers through Chhattisgarh State Cooperative Marketing Federation (Markfed) at MSP and supplies Custom Milled Rice (CMR) to the Company through Markfed. For this purpose, Department issues policy related to CMR every year duly mentioning the tentative quantity of rice for procurement during Kharif Marketing Season which is followed by the Company. For procurement of wheat and sugar, the Company is under obligation to follow the allotment made by the Department.*

### **Storage and transportation of rice, wheat and sugar**

*In the absence of norms of storage losses, data on actual reimbursable losses were not maintained by the Company. Requirement of storage space for reservation in State Warehousing Corporation (SWC)/ Central Warehousing Corporation (CWC) godowns was not assessed properly thereby the Company could not utilise the reservation of godowns in full and paid ₹ 7.58 crore for unutilised storage space. There was huge variation in transportation rates of different base depots in the same division and there was no mechanism for comparison of rates of neighbouring divisions. The Company recovered penalty at lower rate than the prescribed rates from transport contractors.*

### ***Distribution of foodgrains under various schemes of GoI/GoCG***

*The Company distributed less quantity of rice and wheat than the allotments made under various schemes during the years 2009-10 and 2010-11 due to which the benefit of the schemes had not reached fully to the intended beneficiaries. At the direction of GoCG, the Company diverted 7.43 lakh MT rice and 1.91 lakh MT wheat from Central Schemes to State Scheme (Mukhyamanti Khadyann Sahayata Yojana) in violation of GoI instructions resulted in diversion of foodgrains valuing ₹1975.43 crore and wrong claim of ₹899.12 crore from GoI. The Company distributed rice without GoI allotment under Mid Day Meal Scheme and Other Welfare Schemes which resulted in non-receipt of ₹35.78 crore.*

### ***Financial Management***

*There were delays in finalisation of accounts of the Company due to which it could not submit its audited accounts to GoI in time leading to blockage of subsidy claims of ₹760.93 crore and consequent loss of interest of ₹186.81 crore. Dues of the Company of ₹1.48 crore could not be recovered from Fair Price Shops due to ineffective action by the Department.*

### ***Deployment of Manpower***

*The post of District Managers in 18 districts were manned by Assistant Managers/ Assistant Accounts Officers (AMs/AAOs). Thus, there was no supervision on the work of these AMs/AAOs.*

### ***Monitoring and Internal Control System***

*There was lack of coordination among the various agencies which resulted in storage of excess stock and consequent avoidable storage charges. Mismatch in allotted quantity of GoI and GoCG caused excess/ short distribution of foodgrains and submission of incorrect utilisation certificates to GoI by the Company.*

*A well set monitoring and internal control system prevails in the Company due to introduction of information and communication technology. However, there is no mechanism to conduct surprise checks of stocks at different storage points and also there is no vigilance wing in the Company.*

### ***Conclusion***

*There were cases of non-utilisation of storage space and excess/less distribution of foodgrains under various schemes. Transport contracts were finalised without comparing rates of neighbouring divisions resulted in huge variation in transportation rates. In the absence of norms of storage losses, data on actual reimbursable losses were not maintained by the Company. Reserving storage space in excess of the requirement led to under utilisation of storage space. The Company did not recover the penalty at prescribed rates from the transport contractors. The Company diverted foodgrains from Central schemes to State scheme. Rice was distributed in Mid Day Meal Scheme and Other Welfare Schemes without GoI allotment. Delay in finalisation of accounts led to non-receipt of subsidy from GoI. The Company had not prescribed any mechanism to conduct periodical surprise check at storage points.*

*(Chapter - II)*

### 3. Transaction Audit Observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

There was loss of ₹ 4.35 crore in five cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

*(Paragraphs 3.2, 3.5, 3.6, 3.7 & 3.9)*

Loss of ₹ 1.27 crore was incurred in two cases due to defective/ deficient planning.

*(Paragraphs 3.3 & 3.8)*

Placement of orders worth ₹ 47.26 crore on ineligible bidders in one case due to finalisation of rate contracts in a non transparent manner.

*(Paragraph 3.1)*

#### **Gist of some of the important audit observations are given below:**

Irregular finalisation of rate contracts by **Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited** for vegetable seeds resulted in placement of orders worth ₹ 47.26 crore on ineligible bidders.

*(Paragraph 3.1)*

Failure of **Chhattisgarh State Beverages Corporation Limited** to recover excise duty of ₹ 2.97 crore from the suppliers and deposit with the Excise Department resulted in extension of undue benefit to the suppliers and loss to the State exchequer to that extent .

*(Paragraph 3.5)*

There was loss of ₹ 32.40 lakh in **Chhattisgarh State Industrial Development Corporation Limited** due to non recovery of penal interest from the allottee.

*(Paragraph 3.6)*

There was loss of revenue of ₹ 36.68 lakh to **Chhattisgarh State Power Distribution Company Limited** due to reduction in contract demand in violation of provision of the Chhattisgarh State Electricity Supply Code.

*(Paragraph 3.7)*

There was avoidable expenditure of ₹ 1.08 crore by **Chhattisgarh State Power Generation Company Limited** on outsourcing of operation & maintenance of 'Dual Flue Gas Conditioning System' at Power House -II of Korba Thermal Power Station.

*(Paragraph 3.8)*

There was avoidable payment of penal interest of ₹ 45.46 lakh due to non/short payment of advance income tax in respect of **Chhattisgarh State Power Holding Company Limited**.

*(Paragraph 3.9)*