

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 Corporations Act, 1962. As on 31 March 2014, the State of Chhattisgarh had 20 working PSUs (19 companies and one Statutory corporation), which employed 20950 employees. The working PSUs registered a turnover of ₹ 13734.46 crore as per their latest accounts finalised during the year 2013-14.

Investments in PSUs

As on 31 March 2014, the investment (Capital and Long term loans) in 20 PSUs (including one Statutory corporation) was ₹ 24374.05 crore. It grew by 462.93 per cent from ₹ 4329.85 crore in 2009-10. 50.63 per cent of total investment was towards Capital and 49.37 per cent was towards Long-term loans. The Government contributed ₹ 3587.20 crore towards equity, loans and grants/ subsidies during 2013-14.

Performance of PSUs

During the year 2013-14, out of 20 PSUs, 12 PSUs earned total profit of ₹ 123.66 crore and four PSUs incurred total loss of ₹ 543.80 crore. Three PSUs earned no profit no loss. The remaining one PSU did not finalise its first accounts. The losses were mainly incurred by Chhattisgarh State Power Distribution Company Limited, Chhattisgarh State Civil Supplies Corporation Limited and Chhattisgarh State Power Transmission Company Limited to the extent of ₹ 498.19 crore, ₹ 26.63 crore and ₹ 18.94 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 2014. 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 22 accounts finalised by working PSUs during October 2013 to September 2014 the Statutory Auditors had given qualified certificates for 15 accounts. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of accounts needs to be improved. Reports of Statutory Auditors on internal control of the companies indicated certain weak areas.

(Chapter – I)

2. Review of Statutory Corporation

A review on functioning of the Chhattisgarh State Warehousing Corporation was conducted. Executive summary of our audit findings is given below.

Introduction

Main activity of the Chhattisgarh State Warehousing Corporation (Corporation) during the period 2009-10 to 2013-14 was rendering services of storage of rice, wheat, sugar, grams and other commodities mainly to the Chhattisgarh State Civil Supplies Corporation Limited (CSCSCL) and Food Corporation of India (FCI) by constructing/hiring godowns. The Corporation held 14.02 lakh MT (9.11 lakh MT own and 4.91 lakh MT hired) storage capacity as at the end of March 2014.

Planning and construction of godowns

The Corporation does not undertake any assessment of the future storage requirements and systematic planning to construct godowns as storage requirements are assessed by State Level Committee. It executes construction of godowns as sanctioned under Private Entrepreneur Guarantee (PEG) Scheme, 2009, a Central Scheme and various schemes of the Government of Chhattisgarh (GoCG) as per its instructions issued from time to time to strengthen the Public Distribution System (PDS) in the State.

The Corporation could construct 2.87 lakh MT as against the target of 4.92 lakh MT under PEG Scheme and there was shortfall of 2.05 lakh MT in storage capacity additions as at the end of March 2014.

The Corporation incurred extra expenditure of ₹ 73.36 lakh for construction of godowns at unsuitable land/forest land and ₹ 91.46 lakh blocked up due to construction of godowns at disputed land.

There was violation of Delegation of Powers as the Managing Director sanctioned additional works valued ₹ 67.98 lakh beyond his powers.

The Corporation did not recover risk and cost amount of ₹ 32.30 lakh from a contractor who did not complete the work.

The Corporation short levied penalty of ₹ 84.40 lakh and did not recover business loss of ₹ 3.92 crore from the contractors for delay in construction of godowns and it violated environmental norms by using clay bricks instead of fly ash bricks.

Financial management

The total income of the Corporation increased from ₹ 52.39 crore in the year 2009-10 to ₹ 78.50 crore in 2012-13.

The Corporation suffered loss of interest of ₹ 88.89 lakh due to delay in raising of bills on FCI.

Outstanding claims of ₹ 1.01 crore in Backward Region Grant Fund (BRGF), a Central Scheme and ₹ 1.25 crore in State Schemes were not realised due to lack of pursuance.

The Corporation paid a penalty of ₹ 72.24 lakh due to delay in payment of service tax.

Capacity utilisation of godowns

Overall utilisation of godown capacity was above 90 per cent in all the five years under Review. However, godowns at two branches were never utilised and the utilisation was below 50 per cent in four to 13 branches in case of own godowns and in nine to 14 branches in case of hired godowns.

Operation and maintenance of godowns

Despite recurring losses by six branches in all the years under review, the Corporation did not take any concrete steps to reduce the losses.

In contravention of the provision of storage tariff, FCI withheld ₹ four crore from the bills for storage charges towards storage losses.

The Corporation violated norms by using pesticide below standard norms and by non-disposal of empty chemical containers.

Conclusion

The Corporation was to construct godowns under PEG Scheme 2009 with capacity of 4.92 lakh MT but could only construct 2.87 lakh MT as at the end of March 2014. There was thus a shortfall of 2.05 lakh MT in capacity addition due to delay in construction of godowns because of non-availability of land/disputed land etc.

Storage charges of ₹ 4.55 crore were outstanding for more than three years from Chhattisgarh State Civil Supplies Corporation Limited (₹ 3.22 crore) and Laghu Vanopaj Sangh (₹ 1.33 crore outstanding since May 2002). Out of this, ₹ 2.59 crore related to a case of shortage of rice found in physical verification referred (September 2005) to Economic Offence Wing of the GoCG for investigation which is under progress.

(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 ₹ 22.89 crore in six cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.2, 3.3, 3.6, 3.8, 3.10 & 3.11)

Loss of ₹ 1.77 crore was incurred in four cases due to defective/ deficient planning.

(Paragraphs 3.4, 3.5, 3.7 & 3.9)

Loss of ₹ 5.38 crore was incurred in one case due to inadequate/ deficient monitoring.

(Paragraph 3.1.10)

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

Wrong accounting of interest accrued on Group Leave Encashment Scheme Policy by **Chhattisgarh Rajya Van Vikas Nigam Limited** as income of the Company resulted in avoidable payment of income tax of ₹ 49.05 lakh

(Paragraph 3.3)

There was loss of interest of ₹ 54.74 lakh in **Chhattisgarh State Beverages Corporation Limited** due to non-availing auto sweep facility in current accounts.

(Paragraph 3.5)

The interest income was lower by ₹ 40.66 lakh in **Chhattisgarh State Industrial Development Corporation Limited** due to injudicious investment of surplus funds.

(Paragraph 3.7)

Failure of **Chhattisgarh State Power Generation Company Limited** to carry out capital overhauling of unit 6 of Korba Thermal Power Station in time resulted in avoidable expenditure of ₹ 68.87 lakh.

(Paragraph 3.9)

Non-incorporation of suitable clause on deduction of line loss in Power Purchase Agreements with private power producers by **Chhattisgarh State Power Distribution Company Limited** and allowing line loss on lower side by **Chhattisgarh State Power Trading Company Limited** resulted in extension of undue financial benefit of ₹ 20.54 crore to private power producers.

(Paragraph 3.10)

Acceptance of revision of scheduling of power by **Chhattisgarh State Power Trading Company Limited** in contravention of provisions of Power Purchase Agreements resulted in extension of undue benefit of ₹ 1.37 crore to captive power producers.

(Paragraph 3.11)