

Chapter III

DEPARTMENT OF FOOD, PUBLIC DISTRIBUTION AND CONSUMER AFFAIRS

3.1 Subject Specific Compliance Audit on “Procurement Activity of Jharkhand State Food and Civil Supplies Corporation Limited”

Jharkhand State Food and Civil Supplies Corporation Limited (JSFCL or the Company) acts as a nodal agency for procurement of paddy from farmers, transportation of paddy to millers for milling, selling of Custom Milled Rice (CMR) to Food Corporation of India (FCI) and procurement/lifting of rice and wheat from FCI against monthly/ yearly allotments issued by Government of India (GoI)/ Government of Jharkhand (GoJ) under different Central/ State sponsored schemes and distribution of these food grains to Fair Price Shop (FPS) dealers and other agencies through Door Step Delivery (DSD) agents.

Audit on “Procurement Activity of JSFCL”, covering the years 2019-20 to 2022-23 was conducted at the Company headquarters & selected offices to assess whether procurement of paddy and payment of Minimum Support Price (MSP) to farmers was done on time; procurement and transportation of food grains was efficiently and economically carried out; godowns were managed as per standard practices; funds were utilised effectively and internal controls/monitoring mechanism were in place.

The main audit findings are summarised in the following paragraphs.

During Kharif Marketing Season (KMS) 2018-19 to 2021-22 (period till January 2023), the Company could procure only 16.47 lakh MT of paddy against the target of 18.29 lakh MT due to non-lifting of paddy by the millers and limited storage capacity available with the Primary Agriculture Credit Co-operative Societies (PACCS)/Large Area Multi-Purpose Co-operative Societies (LAMPS).

Paddy was procured from 1,59,354 farmers in the test-checked districts and payment of MSP was to be done in two instalments. Scrutiny revealed that payment of the first instalment was paid to 79 to 98 per cent farmers with delays of upto 775 days from the scheduled date of payment. Similarly, the second instalment was paid to 64 to 100 per cent farmers with delays of upto 370 days. Further, MSP of ₹ 8.64 crore was not paid (April 2023) to 1,741 farmers, even after a lapse of 264 to 1,517 days from the date of procurement.

105 PACCS/LAMPS with dues amounting to ₹ 9.70 crore and 14 millers with dues amounting to ₹ 7.51 crore, were allowed to procure paddy for milling during KMS 2018-19 to 2021-22, in violation of the instructions of the Company. Further, out of these, 25 PACCS/LAMPS and four millers had

again not delivered paddy valued at ₹ 11.22 crore and CMR valued at ₹ 30.09 crore respectively during KMS 2018-19 to 2021-22.

Out of 10.07 lakh MT paddy procured by the PACCS/LAMPS from farmers during KMS 2018-19 to 2021-22, 10,210 MT paddy valued at ₹ 20.77 crore was not delivered to the millers. After milling of the received paddy, 24,215.17 MT CMR valued at ₹ 72.81 crore was not delivered to FCI by the millers.

Against the claimable incidental charges of ₹ 692.73 crore from FCI, the Company preferred claims of only ₹ 93.51 crore during KMS 2011-12 to 2021-22, out of which FCI had reimbursed only ₹ 22.88 crore.

Due to non-availability of food grains in FCI godowns or short availability of vehicles with the transporter, the Company could not lift 88,716 MT of rice and 29,429 MT of wheat valued at ₹ 32.50 crore, during April 2016 to March 2022, out of which claims for refund had not been submitted for ₹ 29.53 crore to FCI.

During Joint Physical Verification of the godowns, issues like waterlogging, lack of electricity and the absence of weighbridges, firefighting equipment, CCTV and security personnel were noticed.

The Accounts of the Company are in arrears since its inception (June 2010). Basic records were not maintained by the districts offices of the Company and this was attributed to shortage of manpower.

3.1.1 Introduction

Jharkhand State Food and Civil Supplies Corporation Limited¹ (the Company/ JSFCL) was incorporated in June 2010 under the Companies Act, 1956, as a public sector undertaking of the Government of Jharkhand (GoJ) under the administrative control of the Food, Public Distribution & Consumer Affairs Department (the Department). The Company acts as a nodal agency for public distribution of food grains and other essential products² as per the policies of Government of India (GoI)/GoJ. The company is headquartered at Ranchi and has 24 District Manager (DM) offices, one in each district, managing the procurement of paddy/other products and distribution, supply of these to Doorstep Delivery³ (DSD) agencies for distribution to eligible beneficiaries through Fair Price Shops (FPS).

The authorised share capital of the Company was ₹ five crore as of March 2023, and its turnover was ₹ 1,875.24 crore during 2022-23.

¹ Re-named as Jharkhand State Food and Civil Supplies Corporation Private Limited in November 2012

² Pulses and other food stuffs viz. salt, sugar etc.

³ Transport and handling contractors

The Company was set up (i) to undertake the business of purchasing, storing, transporting and distribution of food grains (ii) for planning, formulating and setting up mills or assisting in setting up of mills and (iii) to act as an agency of the State Government in procurement and distribution of food grains and other civil supplies.

The main activities of the Company were:

- Procurement of paddy from farmers, transportation of paddy to millers for milling and selling the Custom Milled Rice (CMR)⁴ to Food Corporation of India (FCI), a Central Government Undertaking, at the rate of CMR as fixed by the GoI under the minimum support price (MSP) scheme.
- to procure/lift rice and wheat from FCI against monthly/ yearly allotment issued by GoI/ GoJ under different Central/State sponsored schemes⁵ and distribute these food grains to FPS dealers and other agencies⁶ (as authorised by the district administration) through DSD agents, and
- provide logistic support for transportation and storage of *chana, dal, sugar etc.*

The Management of the Company vests in a Board of Directors (BoD) having seven Directors, including the Managing Director (MD) appointed/nominated by the State Government. The MD acts as the Chief Executive Officer of the Company and is assisted by three General Managers (GMs), one Company Secretary and one Accounts Officer at the Headquarter level. At the field level, there are 24 District Managers (DMs) assisted by Assistant Godown Managers (AGMs).

The Subject Specific Compliance Audit (SSCA) on “Procurement Activity of JSFCL” was conducted to assess whether (i) procurement of paddy from farmers was made as per MSP, and timely payments were made to the farmers (ii) CMR was delivered to FCI by millers and complete claims of incidentals have been made and realised from FCI (iii) procurement/lifting of various food grains and other items from FCI under different schemes was made in accordance with the scheme guidelines and transportation of procured/ lifted quantities was done in an efficient and economical manner (iv) the godowns were managed/ maintained as per rules and standard practices (v) accounts of the Company represent a true and fair picture and all financial transactions were in accordance with the financial rules and funds were utilised economically, efficiently and effectively and

⁴ Processed rice by milling from paddy procured from farmers

⁵ National Food Security Act (NFSA), *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY) and Open Market Sale Scheme (OMSS)

⁶ *Anganwadis* and Government Schools under Mid-day Meal Scheme

(vi) adequate manpower was available and internal controls/monitoring mechanism was in place and effective.

Audit, covering the period from FY 2019-20 to FY 2022-23, was conducted between July 2023 and January 2024 at the Corporate Office, Ranchi, and nine⁷ out of 24 District Manager (DM) offices, selected through the Simple Random Sampling (SRS) method. For activities related to procurement of paddy, the Kharif Marketing Season (KMS) 2018-19 to 2021-22 was considered as KMS starts from November of a financial year and extends upto January of the next financial year.

An Entry Conference (6 July 2023) was held with the Department, wherein the objectives, criteria, scope and methodology of the audit were discussed. The audit findings were discussed in the Exit Conference (21 August 2024) held with the Department and the MD of the Company. The views of the Company/Department have been suitably incorporated in the report.

Audit Findings

3.1.2 Procurement of Paddy

The targets for procurement of paddy under the MSP Scheme are fixed by the Department. Procurement of paddy was to be carried out by the Primary Agriculture Credit Co-operative Societies (PACCS)/Large Area Multi-Purpose Co-operative Societies (LAMPS) appointed by the District Level Monitoring Committee⁸ (DLMC). Under the Scheme, procurement of paddy was to be done from the farmers by PACCS/LAMPS at MSP, dispatched to the tagged millers and CMR (after milling of paddy) delivered to FCI. FCI, in turn, would reimburse the incidental charges⁹ incurred on its procurement to the Company. Management of the paddy procurement process and payment to farmers therein was being carried out with the help of the online *e-Uparjan*¹⁰ portal of GoJ. The concerned DMs were responsible for meeting the targets for procurement fixed by the Department, and to ensure that entries of the quantity of paddy procured in the portal are carried out and

⁷ Chatra, Dumka, East Singhbhum, Garhwa, Koderma, Palamu, Ranchi and West Singhbhum were selected through SRS method using IDEA. Additionally, Hazaribag was also selected as the operations relating to Chatra and Koderma were done by the DM, Hazaribag, up to November 2022

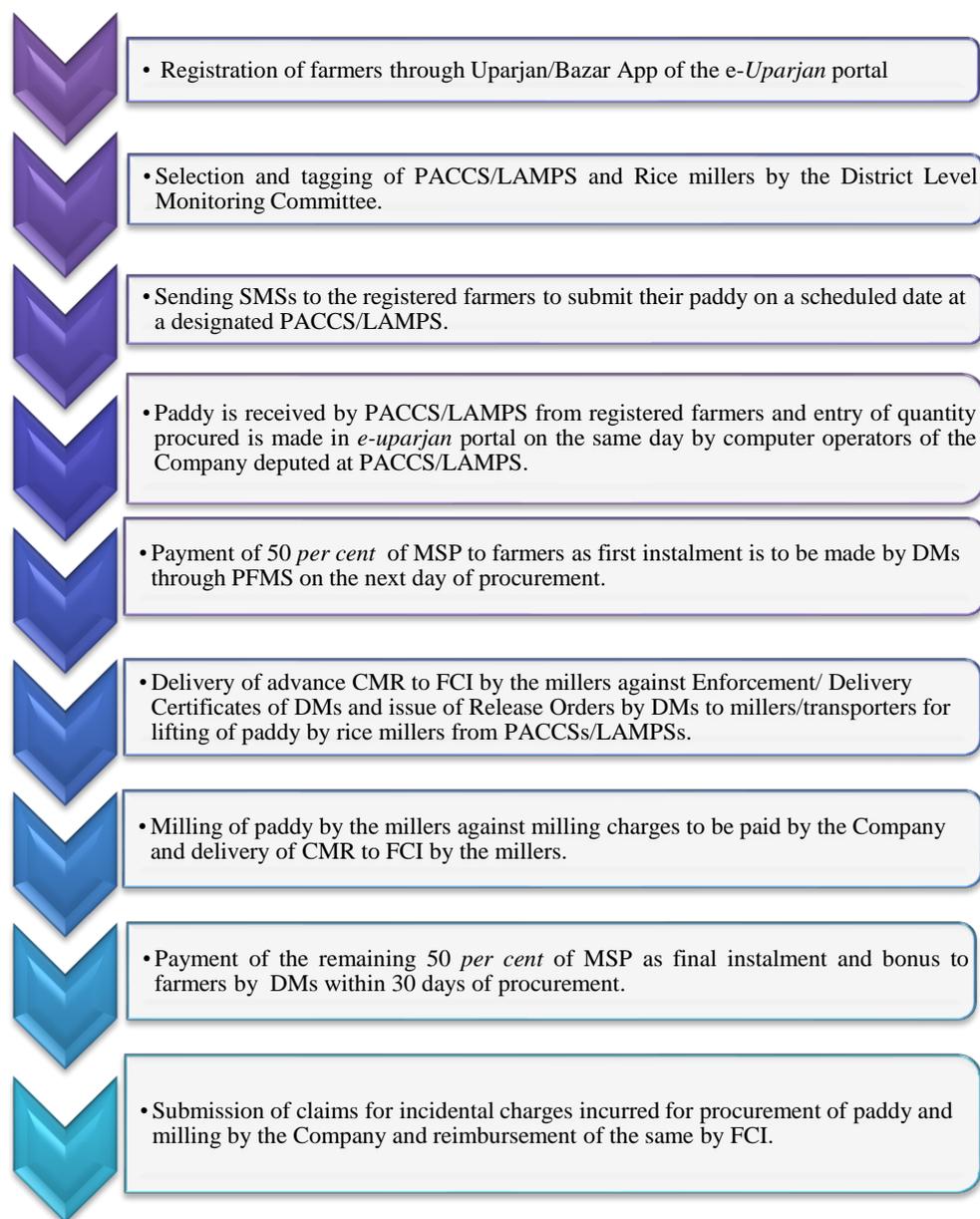
⁸ Committee constituting of members: Deputy Commissioner (as Chairperson); Additional Collector; District Supply Officer; District Co-operative Officer; District Agriculture Officer; District Manager, Food Corporation of India; General Manager, District Industry Centre; Regional Officer, Pollution Control Board and DM of the Company of the concerned district.

⁹ MSP, mandi labour charges, transportation charges, commission to societies, custody and maintenance charges, interest charges, milling charges, cost of new gunny bags and its transportation and packing charges.

¹⁰ A digital platform designed and developed by the National Informatics Centre (NIC), through which a farmer can register himself. Paddy sold by the farmers are entered in the portal by the Department, online payment orders are prepared through the portal and payments are made to the farmers through PFMS.

prepare online payment orders. The mechanism for procurement of paddy is shown in **Chart 3.1**.

Chart 3.1: Flow chart showing the mechanism for procurement of paddy



Audit noted that in KMS 2018-19 & 2021-22, the Company could not achieve the targets set for paddy procurement, as shown in **Chart 3.2**.

Chart 3.2: Targets and achievements of paddy procurement of the Company for KMS 2018-19 to 2021-22



(Source: Compiled from data furnished by the Company)

The Company had procured a total of 16.47 lakh MT paddy valued at ₹ 3,338.48 crore in the State during KMS 2018-22 with the overall procurement being less than the total target of 18.29 lakh MT. Audit observed that non-lifting of paddy by the millers and limited storage capacity available with PACCS/LAMPS were the main reasons for the shortfall in paddy procurement, as against targets set by the Company

3.1.2.1 Delay in payment of MSP to farmers

As per Standard Operating Procedure (SOP) issued (January 2021) by the Department (applicable from KMS 2020-21 & thereafter), payment of MSP for the paddy procured was to be made in two instalments *i.e.* 50 per cent on the next day of procurement and the balance 50 per cent within one month of the date of procurement. Further, all procurement of paddy was to be done online through the 'e-Uparjan' portal for processing of payment to farmers, and all payments were to be made into the bank accounts of farmers through NEFT/RTGS/PFMS. The DMs had to ensure that the PACCS/LAMPS make the necessary entries regarding the quantity of procured paddy into the portal, and prepare online payment orders for release of the estimated amount by the Company for payment to the farmers through PFMS on the same day.

In the nine test-checked districts, Audit observed that a total quantity of 10.07 lakh MT of paddy, valued at 1,899.48 crore, was procured from 1,59,354 farmers, and an amount of ₹ 1,890.84 crore was paid, during KMS 2018-19 to 2021-22. However, during this period, payment of first installment of MSP was made to 1,46,910 farmers (92 per cent) with delays up to 775 days. Similarly, the second installment was paid to 1,22,898 farmers (77 per cent) with delays up to 370 days. It was also seen that MSP of ₹ 8.64 crore was not paid (April 2023) to 1,741 farmers even after a lapse of 264 days to 1,517 days from the date of procurement.

As per the SoP, payment of first instalment was to be made on the next day of date of procurement, while the second instalment was to be released within one month from the procurement date. However, in contrast, Audit noted that delays in payments to farmers were primarily occurring due to the Company's practice of releasing payments only after the millers submitted CMR to FCI, which was not in accordance with the SOP. Further, there were delays in entry of procurement details and quantity of paddy dispatched to the millers by PACCS/LAMPS in the e-Uparjan portal, delays in lifting of paddy by transporters, delay/non-delivery of paddy to millers by PACCS/LAMPS, and delays in delivery of CMR to FCI by the millers.

Details of paddy procured, and payments made there against, are shown in **Table 3.1**.

Table 3.1: Delays in payment of instalments of MSP to farmers, during 2018-19 to 2021-22

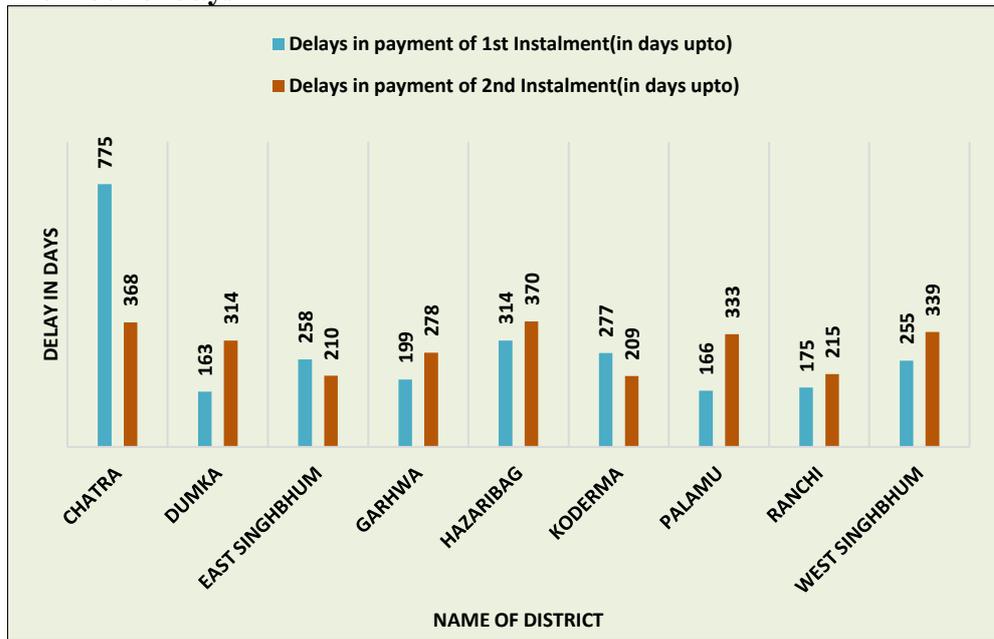
District	Total paddy procured (MT)	MSP to be paid (₹ in crore)	No. of farmers from whom paddy procured	No. of farmers to whom 1 st instalment was paid with delays (per cent)	Delay up to (Days)	No. of farmers to whom 2 nd instalment was paid with delays (per cent)	Delays up to (Days)
Chatra	3,81,741.35	72.49	8,833	7,706 (87)	775	6,754 (76)	368
Dumka	3,16,236.36	60.11	5,853	5,629 (96)	163	4,688 (80)	314
East Singhbhum	27,15,428.73	504.68	29,083	28,481 (98)	258	19,943 (69)	210
Garhwa	6,94,704.49	134.77	9,019	7,168 (79)	199	9,019 (100)	278
Hazaribag	34,06,603.14	642.09	61,218	57,318 (94)	314	47,247 (77)	370
Koderma	5,76,374.51	109.71	12,901	11,298 (88)	277	10,347 (80)	297
Palamu	6,78,409.71	131.61	10,426	8,755 (84)	166	10,426 (100)	333
Ranchi	8,39,829.04	157.15	13,009	11,703 (90)	175	8,318 (64)	215
West Singhbhum	4,60,194.58	86.87	9,012	8,852 (98)	255	6,156 (68)	339
Total	1,00,69,521.91	1,899.48	1,59,354	1,46,910	775	1,22,898	370

(Source: Compiled from data furnished by the Company)

Thus, the farmers, even after submission of paddy could not get payments of MSP in time, despite issue of the SOP by the Government.

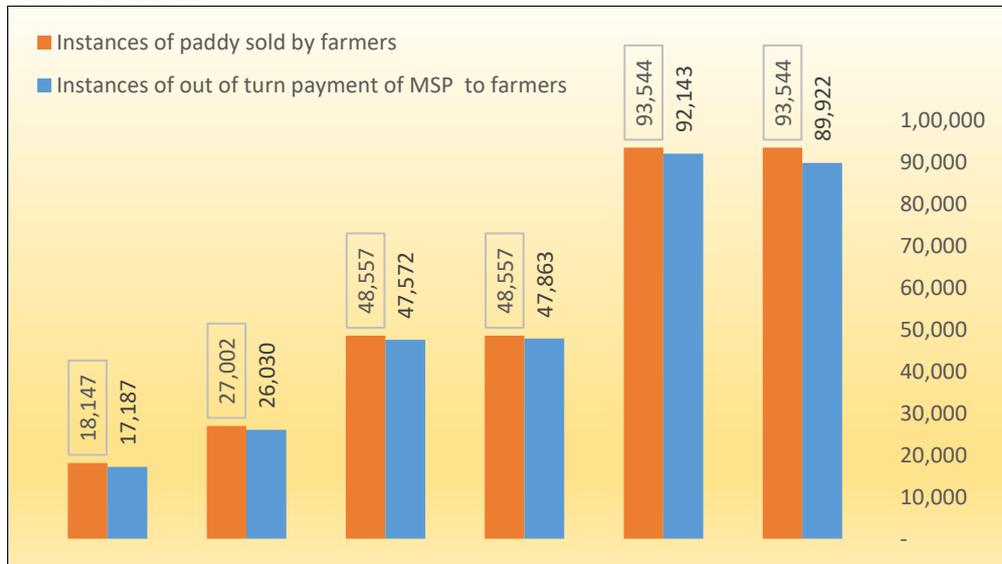
The delay in payment of MSP in the test checked district is depicted in the **Chart 3.3** below.

Chart 3.3: District-wise delays in payment of MSP to farmers, in number of days



Audit matched payment details with the procurement details, both generated from the portal, and observed that payments were made to the farmers by the DMs, without adhering to the order of date of paddy procurement. As a result, farmers who had delivered paddy on later dates were paid before those who had delivered earlier. Instances of out of turn payment of MSP by the DMs to the farmers are shown in **Chart 3.4** below:

Chart 3.4: Out of turn payment of MSP to farmers during KMS 2018-19 to 2021-22



(Source: Compiled from data furnished by the Company)

Thus, out of turn payments were made to the farmers in more than 97 per cent of cases, during KMS 2018-19 to 2021-22.

The Department accepted (July 2024) the facts and stated that delays in payment to farmers were due to procedural reasons. It was also stated that payment of the second instalment was made to farmers after lifting of paddy so that paddy reaches the rice mill and its availability is ensured. The Department also accepted that payments to farmers were not made in the sequence of purchase of paddy and stated that directions have been issued to pay the farmers in the order of date of purchase of paddy during KMS 2022-23.

The reply is not acceptable as the SOP stipulates that all procedural activities related to procurement of paddy must be completed on the day of procurement itself. Further, linking of lifting of paddy and its availability with payment to farmers is not in line with GoJ policy.

Recommendation No 1: The Company may ensure timely entry of details of procurement and quantity of paddy dispatched to the millers by PACCS/LAMPS in the e-Uparjan portal and adhere to the SOP so that MSP is paid to the farmers on time.

3.1.3 Milling of Paddy

Rice Millers, for milling of paddy, are empanelled by the Company for each KMS, on the recommendation of the DLMC (headed by Deputy Commissioner), and tagged with the nearest PACCS/LAMPS. Further, for the purposes of milling of paddy, an agreement is also executed between the miller and the DM on behalf of the Company. As per this agreement, the miller is required to submit advance CMR to FCI or an equivalent amount in the form of advance payment or bank guarantee¹¹ (BG) to the Company, in addition to security money and advance for new gunny bags, within five working days. After confirmation of submission of CMR to FCI or receiving BG or lump sum advance from the millers, DMs issue release orders (RO) to the PACCS/LAMPS for release of the equivalent quantity¹² of paddy to the tagged millers.

During KMS 2019-20, considering the COVID-19 pandemic, the GoJ directed (April 2020) Deputy Commissioners (DCs) of the districts concerned, to ensure that paddy is made available to rice millers without submission of advance CMR to FCI or equivalent amount, either as BG or lump sum advance, from the millers. Further, considering the high yield of paddy during KMS 2020-21 and 2021-22, GoJ again ordered (April 2021 and March 2022) that paddy may be provided by the Company to the millers in advance without submission of CMR to FCI or BG to the Company.

¹¹ Valid for respective KMS

¹² As per cost sheet issued by Department of Food and Public Distribution, GoI, out turn ratio of CMR is 68 per cent of Paddy in Jharkhand

As per GoJ instructions, the DCs were required to appoint a Magistrate for every rice miller, who would take delivery of paddy without submitting advance CMR or BG. Further, daily reports had to be submitted to the DM by these Magistrates regarding delivery of paddy to the millers from PACCS/LAMPSs and submission of CMR to FCI by the millers. The Magistrate also had to ensure that the miller had utilised his full milling capacity for processing the paddy received. All these activities were to be carried out under the monitoring/supervision of the DC and reviewed regularly by the District Supply Task Force¹³.

Further, the Company also instructed (June 2021/April 2022) all DMs to file money suits with FIR against PACCS/LAMPS who failed to deliver procured paddy to the millers tagged to them, and millers who failed to deliver equivalent CMR to FCI.

In this context, Audit observed cases of non-adherence to laid down instructions and guidelines, as discussed in the succeeding paragraphs.

3.1.3.1 Non-adherence of selection criteria of PACCS/LAMPS and millers

PACCS/LAMPS and millers are appointed for each KMS by DLMCs, and as per the eligibility criteria notified by the Company, PACCS/LAMPS and millers were not to be selected if they had any dues outstanding during previous years. Further, the Company had also directed (June 2021 and April 2022) all DMs to file money suits against defaulting PACCS/LAMPS and millers along with FIRs, failing which the DM concerned would be held responsible and necessary action taken.

Audit observed that an amount of ₹ 83.67 crore (June 2021) and ₹ 91.28 crore (May 2022) was outstanding against 703 PACCS/ LAMPS and 30 millers respectively during KMS 2011-12 to 2018-19. However, the DMs concerned had filed FIRs against only 15 millers for an amount of ₹ 75.10 crore. The Company also did not take any action against the DMs for not filing these FIRs.

Audit also noticed in the test-checked districts that:

- A total of ₹ 25.10 crore was outstanding against 256 PACCS/ LAMPS for KMS 2011-12 to 2017-18 in the nine test-checked districts. However, 105 PACCS/LAMPS, who had not delivered paddy valued at ₹9.64 crore during 2011-12 to 2017-18 to the millers, were allowed to procure paddy during KMS 2018-19 to 2021-22, in violation of the notification *ibid*. Of these, 25 PACCS/LAMPS had again not delivered paddy amounting to ₹ 11.22 crore during KMS 2018-19 to 2021-22 to the millers. The DMs

¹³ A committee established at the district level to oversee the smooth distribution of essential commodities like food grains, ensuring adequate supply and price stability across different areas, functioning under the DC

could not furnish any records to Audit to show that the DLMC had been apprised about the outstanding dues against the defaulting PACCS/LAMPS.

- Similarly, 14 millers¹⁴ were selected during KMS 2018-19 to 2021-22 despite having outstanding dues of ₹ 7.51 crore for not submitting equivalent CMR to FCI. Of this, four millers had again not submitted equivalent CMR worth ₹ 30.09 crore to FCI during KMS 2018-19 to 2021-22.
- DM, West Singhbhum, executed (March 2020) an agreement with the miller, “Balajee Rice Mill (Assay Ceramic and Chemicals)” for KMS 2019-20, despite the fact that this agency had not submitted CMR valued at ₹ 6.44 crore for KMS 2011-12, 2012-13 and 2018-19 and irrespective of the order of the Company (January 2020) prohibiting the agency from doing any milling work. Similarly, DM, Hazaribag, executed (February 2020) agreement with another miller, “Hazaribag Rice Mill” who was also prohibited (January 2020) by the Company for non-submission of CMR valued at ₹ 0.08 crore for KMS 2011-12 to 2017-18.

Thus, the Company extended undue benefit of ₹ 41.31 crore¹⁵ to millers, and also did not file FIRs and money suits against these defaulting millers.

The Department stated (July 2024) that PACCS/LAMPS were selected by DLMC and explanations have been called for, from DMs and action would be taken after review of their reply. The Department further stated that before KMS 2022-23, dues were outstanding against only two rice millers and the Department had recommended action against the then DM of West Singhbhum for executing agreements with the defaulting millers.

Reply of the Department is not factual as the dues had been calculated by Audit based on the data of *e-Uparjan* portal furnished by the Company in September 2023. No evidence of settlement of dues, if any, after September 2023 was furnished (July 2024).

3.1.3.2 Short supply of paddy by PACCS/LAMPS to millers

In the nine test-checked districts, Audit observed that a total quantity of 10.07 lakh MT of paddy valued at ₹ 2,039.45 crore had been procured by the PACCS/ LAMPS from farmers during KMS 2018-19 to 2021-22, of which only 9.97 lakh MT of paddy valued at ₹ 2,018.68 crore was delivered to the millers. Thus, 10,210 MT of paddy, valued at ₹ 20.76 crore, had not been delivered to the millers for reasons not available on record. Details of paddy procured *vis-à-vis* paddy not delivered to millers, are shown in **Table 3.2**.

¹⁴ Chatra, East Singhbhum, Hazaribag, and West Singhbhum

¹⁵ Paddy: ₹ 11.22 crore *plus* CMR: ₹ 30.09 crore

Table 3.2: Paddy procured vis-à-vis paddy not delivered to millers

District	Total paddy procured during KMS 2018-22 (in MT)	Paddy not delivered to millers (in MT)			Value of short supply (₹ in crore)		
		KMS 2018-19	KMS 2021-22	Total	KMS 2018-19	KMS 2021-22	Total
Chatra	38,174.13	286.02	384.38	670.40	0.54	0.79	1.33
Ranchi	83,982.90	376.26	-	376.26	0.71	-	0.71
West Singhbhum	46,019.46	223.29	31.40	254.69	0.42	0.06	0.48
East Singhbhum	2,71,542.87	202.24	-	202.24	0.38	-	0.38
Dumka	31,623.64	-	701.08	701.08	-	1.44	1.44
Koderma	57,631.85	-	3,794.54	3794.54	-	7.78	7.78
Hazaribag	3,40,660.32	-	1,124.72	1124.72	-	2.31	2.31
Palamu	67,840.97	-	2,217.30	2217.30	-	4.55	4.55
Garhwa	69,470.45	-	869.28	869.28	-	1.78	1.78
	10,06,946.59	1,087.81	9,122.70	10,210.51	2.05	18.71	20.76

(Source: Compiled from data furnished by the Company)

As such, ₹ 20.76 crore was recoverable from the defaulting PACCS/LAMPS of the nine test-checked districts. Only two DMs (Chatra and Koderma) had registered FIRs against the defaulting PACCS/LAMPS, and in both these cases money suits had not been filed (as of July 2024).

The DCs were required to appoint a Magistrate for every rice miller, who would take delivery of paddy without submitting advance CMR or BG (during KMS 2019-20 due to the COVID pandemic). These Magistrates were also to monitor and submit daily reports on delivery of paddy to millers and submission of CMR to FCI. In this context, records regarding appointment of the Magistrates by the DCs for supervising and daily reporting were not found in any of the test-checked districts, except in Dumka (for KMS 2019-20). Reports regarding paddy procured by PACCS/LAMPS or submission of CMR to FCI by the millers, were not submitted to the DMs in any of the test-checked districts, including Dumka.

The Department while accepting (July 2024) the audit observation stated that the total value of paddy not delivered to the millers in the State was ₹ 30.27 crore¹⁶. The Department also stated that recovery from PACCS/LAMPS was being done, and ₹ 2.64 crore had already been recovered. It was further stated that DMs have been directed to file FIRs and certificate case against defaulting PACCS/LAMPS. The Company also accepted that magistrates had not been appointed.

The reply of the Department is not fully acceptable as no direction to file money suit against defaulting PACCS/LAMPS had been issued by the Department in line with its own order (June 2021, July 2021 and April 2022). Further, in a similar case, the retainer counsel of the Company had also advised (March 2020) filing of money suit for non-delivery of CMR against paddy received by the rice miller as this was a case of defalcation.

¹⁶ KMS 2018-19: 2,588.69 MT; 2019-20: 40.9 MT; 2020-21: 285.07 MT and 2021-22: 12,042.37 MT

3.1.3.3 Inadequate storage capacity of PACCS/LAMPS

Deputy Commissioners, being the Chairpersons of DLMCs, were to ensure adequacy of storage capacity of the godowns of PACCS/LAMPS, and their physical condition, before selection of the PACCS/LAMPS as paddy procurement centres.

Scrutiny of records revealed that in six test-checked districts, the quantity of paddy reported as stored in the godowns of PACCS/LAMPS was more than their storage capacity. District-wise storage capacity of PACCS/LAMPS godowns and quantity of paddy reported as stored (up to the date of first lifting by millers), is shown in **Table 3.3**.

Table 3.3: Storage capacity and reported quantity of paddy stored in godowns of PACCS/LAMPS, in six¹⁷ test-checked districts

District	2019-20			2020-21			2021-22		
	Storage capacity	Quantity reported as stored	Storage against capacity (per cent)	Storage capacity	Quantity reported as stored	Storage against capacity (per cent)	Storage capacity	Quantity reported as stored	Storage against capacity (per cent)
West Singhbhum	1,700	6,248	368	1,600	4,995	312	1,800	17,294	961
East Singhbhum	4,050	23,444	579	5,450	15,810	290	5,450	41,892	769
Ranchi	2,400	6,496	271	3,000	7,436	248	2,700	7,564	280
Koderma	1,600	4,085	255	2,400	9,182	383	3,200	10,662	333
Dumka	-	-	-	2,200	6,168	280	2,800	10,560	377
Hazaribag	4,100	35,142	857	5,800	68,403	1179	8,400	45,935	547

(Source: Compiled from data furnished by the Company)

It may be seen from **Table 3.3** that the quantity of paddy reported to have been stored ranged between 248 per cent to 1,179 per cent of the godown capacity of PACCS/LAMPS. Thus, the DLMCs had selected PACCS/LAMPS without ensuring that they had adequate storage capacity.

The Department while accepting (July 2024) that storage capacity was limited, stated that in some districts, godowns of Bazar Samitis and private godowns were used for storage of procured paddy in adherence to GoJ resolution (December 2023) and additional storage was created as lifting takes place continuously during the paddy season.

The reply is not acceptable as GOJ resolution (December 2023) was applicable only for KMS 2023-24 and approval of DLMC was required for using private godowns. The contention of the Department that excess storage reported was due to continuous lifting is also not acceptable as Audit has only considered the excess quantity stored up to the date of first lifting from the godowns.

¹⁷ Procurement of paddy in Chatra, Palamu and Garhwa districts was done only in KMS 2021-22. Hence not included in analysis

3.1.3.4 Non-recovery of MSP/ bonus/ interest etc., from millers

As per Jharkhand CMR (Liability and Control) Order 2016¹⁸, in case a miller fails to deposit the required quantity of CMR to FCI within the due date, MSP for the equivalent quantity of paddy including bonus (if any), commission to procurement centres, cost incurred in transportation and handling of paddy and interest as applicable, were to be recovered from the millers. Further, the Company directed (April 2022) all DMs to file money suits along with FIRs against defaulting rice millers, failing which the concerned DM would be held responsible and action for departmental proceedings would be taken.

Audit examination in eight out of the nine test-checked districts revealed that 33 millers had not deposited CMR of equivalent quantity to FCI against the paddy lifted by them for milling during KMS 2018-19 to 2021-22. As calculated by Audit, an amount of ₹ 72.81 crore was recoverable¹⁹ from these 33 millers for short deposit of 24,215.17 MT of CMR on 51 defaulting occasions.

It was also noted that:

- DM, West Singhbhum had filed FIR against only one miller out of four defaulting millers, but had not filed money suits against any of these millers.
- DM, Hazaribag, had not filed money suits against four defaulting millers and FIR had been filed against only one of them during KMS 2021-22. It was further seen that the miller against whom FIR was filed, had been appointed again in KMS 2021-22 despite being a defaulter in KMS 2018-19 to 2020-21.
- It was further observed that no action was taken by DMs of the other test-checked districts. The Company had also not initiated any action against the erring DMs for non-adherence to its instructions regarding filing of FIR/money suit.
- Audit also noticed that despite provisions of the Jharkhand CMR (Liability & Control) Order 2016, no clause related to penal action was incorporated in the agreements with the millers to safeguard the Department against such losses.

The Department accepted (July 2024) the audit observations and stated that instructions have been issued to DMs to file FIRs and certificate cases against defaulting rice millers and they had been debarred/blacklisted. It was further stated that there were no dues against any miller during KMS 2020-

¹⁸ Revised in 2020.

¹⁹ Excluding dues of ₹ 39,223 ranging between ₹ two and ₹ 9,113 pertaining to 22 millers.

21, except one defaulter in West Singhbhum (KMS 2019-20). Also, there were no dues against any rice miller in Chatra and Dumka during KMS 2021-22.

The reply of the Department regarding debarring of the defaulting millers is not factual as the Company had allotted work to these millers for the subsequent KMSs, as discussed in **Paragraph 3.1.3.1**. Further, the Department's reply regarding outstanding dues is also not acceptable as Audit has calculated the recoverable amount based on the data of *e-Uparjan* portal furnished by the Company in September 2023.

3.1.3.5 Undue benefit to millers

A miller has to lift the paddy procured by PACCS/LAMPS from farmers for milling and further deposit equivalent CMR to FCI. As per agreement executed by the DMs with millers for milling of paddy to CMR for each KMS, the miller has to deposit one lot²⁰ of CMR in advance with FCI, security deposit²¹ (SD) and advance²² for new gunny bags (GBs). In case, no advance CMR is deposited by the miller, a lump sum²³ advance through RTGS had to be deposited to the DM within five days from the date of agreement between the miller and the DM. Further, only the equivalent quantity of paddy against the value of CMR/lump sum advance/BG, submitted by the miller, would be provided to the latter by the DMs. Though GoJ relaxed²⁴ the provision for submission of advance CMR with the condition that DCs will appoint a magistrate for those millers to whom advance paddy would be provided for KMS 2019-20, 2020-21 and 2021-22, the millers were still required to submit the SD and cost of GBs.

Audit observed that in the test-checked districts, only 63 out of 235 millers had submitted SD during KMS 2018-19 to KMS 2021-22, as shown in **Table 3.4**.

Table 3.4: Non-deposit of Security Deposits by millers in the test-checked districts, during KMS 2018-19 to 2021-22

KMS	Total number of millers	Millers who did not submit Security Deposit			Districts (Number of millers)
		No. of Millers	Amount (₹ in lakh)	Percentage	
2018-19	54	40	20.00	74	Chatra (3), Dumka (7), East Singhbhum (18), Hazaribag (1), Koderma (1), Ranchi (4) and West Singhbhum (6)
2019-20	46	18	18.00	39	Dumka (8), Hazaribag (2), Koderma (2) and West Singhbhum (6)

²⁰ 290 quintal CMR

²¹ ₹ 50,000 for KMS 2018-19 and ₹ one lakh thereafter

²² ₹ 25,000, ₹ 40,000, ₹ 68,684 and ₹ 50,000 for KMS 2018-19, 2019-20, 2020-21 and 2021-22 respectively

²³ ₹ 10 lakh, ₹ 10.50 lakh and ₹ 10.50 lakh for KMS 2019-20, 2020-21, and 2021-22 respectively, including SD and advance for new GBs

²⁴ Order relaxing the clause of advance CMR and provision of advance paddy were issued in April 2020 (2019-20), April 2021 (2020-21) and March 2022 (2021-22)

KMS	Total number of millers	Millers who did not submit Security Deposit			Districts (Number of millers)
		No. of Millers	Amount (₹ in lakh)	Percentage	
2020-21	50	44	44.00	88	Dumka (8), East Singhbhum (22), Hazaribag (6), Koderma (2), Ranchi (1) and West Singhbhum (5)
2021-22	85	70	70.00	82	Chatra (3), Dumka (7), East Singhbhum (22), Garhwa (10), Hazaribag (6), Koderma (2), Palamu (14), and West Singhbhum (6)
Total	235	172	152.00	73	

(Source: Compiled from data furnished by the Company)

As can be seen from **Table 3.4**, 172 (73 per cent) millers had not deposited SD amounting to ₹ 1.52 crore. The Company did not take any action against non-submission of SD by the millers, and thus, lost the opportunity to adjust the losses against short supply of CMR.

It was further observed that:

- SD of nine millers under DM, East Singhbhum, had expired (between June 2020 and August 2020) before the submission of required CMR against the supplied paddy.
- One miller under DM, West Singhbhum, who had deposited a cheque dated March 2020 for ₹ 20 lakh as SD, had not submitted 553.26 MT CMR valuing ₹ 1.67 crore. However, the validity of the said cheque had expired before it could be encashed.

Thus, due to inaction of the DMs in revalidating the SDs, even a partial recovery of outstanding dues could not be made.

- Audit further observed that during the period 2019-20 to 2021-22, the PACCS/LAMPS had delivered a total of 1,62,745.91 MT of paddy valued at ₹ 332.52 crore during KMS 2019-20 to 2021-22 without deposit of advance CMR to FCI or deposit of equivalent amount to DMs (as per exemption provided by GoJ). However, in contravention of the orders of the Government, no Magistrates were appointed by the DCs in the nine test-checked districts to enable monitoring of milling activity.
- Further, as per Jharkhand CMR (Liability and Control) 2016 (as amended in 2020), each miller was required to use 30 per cent of his milling capacity, for milling of paddy provided by the Company, and only after that, the millers were allowed to use their milling capacity for other/own commercial purposes. However, for KMS 2019-20, 2020-21 and 2021-22, GoJ had directed the DCs to ensure full utilisation of the milling capacity for milling of paddy provided by the Company without deposit of advance CMR or BG.

Scrutiny of milling capacity of 63 millers, delivery certificates and date of submission of CMR to FCI, during KMS 2018-19 to 2021-22, revealed that a total of 3,15,565.83 MT of CMR was delivered to FCI in

the nine test-checked districts. However, 1,99,166.75 MT (63.11 *per cent*) of CMR was milled, with delays ranging between one and 286 days, by utilising only 30 *per cent* of the milling capacity (after taking into account a cushion of four days *i.e.* 48 hours for aeration of CMR, one day for bagging, and one day for transportation).

Non-appointment of magistrates (as discussed above and in **Paragraph 3.1.3.2**) led to inability in ensuring full utilisation of the milling capacity for paddy provided by the Company.

The Department accepted (July 2024) the audit observation and stated that the DMs had been directed to furnish information in this regard and remedial action would be taken. It was further stated that instructions have been issued to file FIR and certificate cases against defaulting rice millers and a committee at the headquarter level had been constituted to monitor the same. The Department also stated that regular instructions were issued to districts to ensure 30 *per cent* utilisation of milling capacity of the rice mills and attributed inadequate storage capacity in Jharkhand to the delay in submission of CMR. However, the reply was silent on expiry of SD, and non-filing of money suits against the defaulting millers.

3.1.3.6 *Short claim of incidentals for paddy procurement*

The expenses incurred by the Company on payment of MSP to farmers, milling charges, commission to PACCS/LAMPS, interest paid on loans (if any), administrative charges, cost of new Gunny Bags *etc.*, were to be reimbursed by FCI to JSFCL. This reimbursement was to be based on the quantity of CMR submitted to FCI and against claims submitted by the DMs. The claims were to be submitted to FCI at the earliest, after the end of the season, along with the annual accounts of the Company audited by auditors, appointed by the Comptroller and Auditor General (C&AG) of India, and documentary evidence²⁵, as well as detailed justification for each item.

The Company, although incorporated in June 2010, had not finalised its accounts since inception despite pursuance by the Principal Accountant General (Audit). Audit observed that the Company had claimed only ₹ 93.51 crore as incidental charges from FCI during KMS 2011-12 to 2021-22, against incidental expenses of ₹ 692.73²⁶ crore. It was also seen that, out of this, it could get reimbursement of only ₹ 22.88 crore from FCI.

²⁵ For payment of MSP, notification for market fee, copy of agreement with societies, stock flow statements for acquisition and distribution, utilization certificates of GBs, details of transportation *etc.*

²⁶ Gunny bags, Commission to PACCS/LAMPS, Administrative Charges, Transportation and Handling Charges, Market Fee, Custody and Maintenance Charges, Usage Charges for packing of procured paddy and Interest Charges

The reasons for non/short claim of incidental charges by the Company and less reimbursement by FCI were non-finalisation of annual accounts of the Company and non-submission of complete documentary evidence, as required.

The Department accepted (July 2024) the facts and stated that the claims of incidental bills were delayed due to delay in finalisation of the accounts of the Company.

3.1.3.7 Irregularity in empanelment of suppliers for Fortified Rice Kernel (FRK)

In accordance with the GoI's decision (October 2021) to supply fortified rice to address nutritional deficiencies in the country, the Ministry of Consumer Affairs, Food and Public Distribution, GoI, directed State Governments to prepare an action plan for procurement of fortified rice for supply under the National Food Security Act (NFSA). Accordingly, the Company authorised an agency²⁷ for e-tendering followed by reverse e-auction for empanelment of suppliers of Fortified Rice Kernel (FRK). The agency was to submit an evaluation sheet of participating bidders to the Company for finalisation of the tender through a Tender Evaluation Committee (TEC) consisting of GM (Human Resource and Vigilance), GM (Finance and Budget) and GM (Operations) of the Company.

Audit observed that an e-tender was invited (December 2022) for empanelment of suppliers, for supply of FRK with three micronutrients in 20 Kg bags, for KMS 2022-23 and 2023-24. As per eligibility/pre-qualification condition in the Request for Proposals (RFP) floated on 22 December 2022, only suppliers having their own FRK manufacturing unit were eligible to apply/register for empanelment. The Company further reserved the right to split the contract quantity among the eligible L1, L2 and L3 bidders in the ratio of 50:30:20 at the approved rate as per the guidelines of Central Vigilance Commission (CVC) if the L2 and L3 bidders agreed to supply FRK at the approved rate.

Audit noticed that 11 bidders had participated in the RFP, of which seven were found (February 2023) to be technically qualified. Based on technical evaluation and recommendation of the e-tendering agency, the TEC recommended (3 February 2023) granting permission to the e-tendering agency to conduct reverse e-auction. However, only five out of seven technically qualified bidders had submitted their rates in the reverse e-auction bid.

The e-tendering agency submitted (February 2023) the evaluation sheet of these bidders to the TEC, with M/s Manikanta Concern as the L1 bidder at the rate ₹ 58.79 per Kg. The TEC also recommended splitting the contract

²⁷ C1 India Pvt. Ltd.

quantity among L1, L2 and L3 bidders in the ratio of 50:30:20 respectively, as they had agreed to supply FRK at the L1 rate. Thereafter, district-wise supply orders were issued (March 2023) by the Company to all the three agencies.

Audit scrutiny, however, revealed that the L1 bidder was only a trading firm and was not eligible to participate in the tender as it did not have any manufacturing unit of FRK at the time of applying/registering for empanelment. It was further seen that the Consent for Establishment (CoE) of FRK plant was accorded to the L1 bidder only in August 2023 by the Telangana State Pollution Control Board *i.e.*, after five months of issue of the supply order. Further, L2 and L3 bidders were also not manufacturers of FRK, as per Udyam Registration Certificate, issued by the Ministry of Micro, Small and Medium Enterprises, GoI.

In addition, no documentary evidence to prove that the selected bidders were manufacturers of FRK at the time of award of work, were available with the Company.

In reply, the Department stated (July 2024) that the tender was finalised by the outsourced agency and the Company had sought their explanation.

The reply of the Department is not acceptable as the TEC of the Company had recommended the approval of the technical as well as financial bids.

Recommendation No. 2: The Company may ensure that PACCS/LAMPS submit the full quantity of the paddy procured to millers and millers submit the full quantity of CMR to FCI. Action may be initiated against defaulter PACCS/LAMPS and millers, as well as the erring officials of the Department for not taking action for recovery of MSP/bonus/interest.

Recommendation No. 3: The Company may ensure timely submission of claims of MSP and full incidental charges to FCI, along with all requirements.

Recommendation No. 4: The Company may ensure compliance with all codal requirements for empanelment of suppliers as well as PACCS/LAMPS and millers.

3.1.4 Food Grain Procurement

GoI enacted (September 2013) the NFSA, 2013, to provide food and nutritional security by ensuring access to adequate quantity of quality food at affordable prices. According to NFSA, every person holding priority households (PHH)²⁸ ration cards was entitled to receive five kilograms of

²⁸ In Jharkhand, PHH (Priority Household) refers to households that are eligible for subsidised food grains under the National Food Security Act (NFSA), 2013. The State Government identifies PHH households based on socio-economic criteria, such as income level, occupation, and vulnerability. PHH categories primarily include

food grains, per person per month, at subsidised²⁹ prices from the State Government under the Targeted Public Distribution System. Further, households covered under the *Antyodaya Anna Yojana (AAY)*³⁰ were also entitled to receive thirty-five kilograms of food grains, per household per month.

The Company was appointed as the nodal agency by the State Government to procure/lift rice and wheat from FCI against monthly/yearly allotments as fixed by GoI under NFSA and deliver these food grains to DSD agents for distribution to Fair Price Shop (FPS) dealers.

The FCI issues Release Orders (ROs) to the DMs of the districts for release of rice/wheat from tagged FCI godowns, as per district-wise allotments under NFSA. The Company was to pay the cost of rice and wheat to FCI in advance, at the rate of ₹ 3 per Kg and ₹ 2 per Kg, respectively. For transportation of these food grains from FCI to the Company godowns, the Company was to get ₹ 75 per quintal as operational grant from GoJ. The DMs, on behalf of the Company, would claim the cost of rice and wheat, as well as cost of transportation, from the District Supply Officer (DSO) of the respective districts. Further, Stock Issue Orders (SIOs) were to be issued by the DSOs to DSDs as per number of beneficiaries under PHH and AAY for lifting of food grains from the Company godown and delivery to FPS dealers.

3.1.4.1 Omission to claim refunds for the short lifting of food grains under NFSA

Audit observed that based on the monthly allotment fixed by GoI, the Company had procured 67.59 lakh MT of rice and 15.60 lakh MT of wheat from FCI against ROs, during 2018-19 to 2022-23. However, it could not lift 16,808.09 MT of rice and 10,838.08 MT of wheat, valued at ₹ 7.21 crore³¹ from FCI during 2018-19 to 2021-22. The short lifting against ROs was due to non-availability of food grains in tagged FCI godowns and insufficient number of vehicles/delay in providing vehicles by the transport service provider of the Company for lifting of food grains.

Further, it was also observed that the Company could not lift a total of 88,716 MT of rice and 29,429 MT of wheat valued at ₹ 32.50 crore, during April 2016 to March 2022 from FCI. However, against a total amount of ₹ 32.50 crore paid as advance cost of rice and wheat to FCI, the Company claimed a refund of only ₹ 2.42 crore. Out of this, ₹ 0.69 crore was refunded by FCI to the Company and ₹ 2.28 crore was adjusted (December 2023)

economically weaker sections, such as small and marginal farmers, daily wage labourers, and other disadvantaged groups and exclude households with high income, government employees, taxpayers, or those with large landholdings

²⁹ Free of cost since 01 January 2023

³⁰ AAY household constitutes the poorest of the poor without any stable income

³¹ (16,808.09 x 1,000 x ₹ 3) plus (10,838.08 x 1,000 x ₹ 2)

against outstanding dues³² of DM, Jamshedpur. Thus, claims for a total amount of ₹ 29.53 crore³³ were not submitted by the Company to FCI for refund.

Thus, due to omission to claim refunds for the short lifting, the Company could not realise ₹ 29.53 crore from FCI.

The Department accepted (July 2024) that there was short lifting of food grains due to shortage of food grains at FCI godowns.

However, the reply was silent regarding non/short availability of vehicles for lifting of food grains and non-submission of claims to FCI for refund of ₹ 29.53 crore.

3.1.4.2 Additional expenditure of ₹ 3.46 crore on transportation

FCI issues ROs to the Company for lifting food grains from their respective tagged godowns based on monthly allocation. Accordingly, the Company lifts food grains from the FCI godown based on these ROs/allocations.

In six test-checked districts, Audit observed that due to shortage of food grains in the designated/tagged FCI godowns, FCI was unable to supply 7,78,271.35 MT of food grains as per the ROs issued. As a result, FCI redirected these ROs to other untagged FCI godowns, located farther away (from the tagged godowns). As a result, the Company had to incur an additional amount of ₹ 3.46 crore³⁴, during June 2022 to March 2023, on transportation of food grains from untagged godowns.

Though the DMs reported (November 2022 to May 2023) the matter to the Company, the latter did not take action to claim reimbursement from FCI for the additional expenditure incurred on transportation from untagged godowns.

The Department accepted (July 2024) the facts and stated that it was binding on the Company to lift the food grains in order to distribute them to the beneficiaries in time. It was also stated that the Company had repeatedly requested FCI for reimbursement.

Audit could not get evidence that the Company had claimed reimbursement for the additional expenditure of ₹ 3.46 crore from FCI.

³² ₹ 2.31 crore

³³ ₹ 32.50 minus (₹ 0.69 plus ₹ 2.28) = ₹ 29.53 crore

³⁴ DM, West Singhbhum: ₹ 1.18 crore; DM, East Singhbhum: ₹ 1.24 crore; DM, Ranchi: ₹ 0.96 crore; DM, Garhwa: ₹ 0.04 crore; DM, Dumka: ₹ 0.02 crore; DM, Hazaribag: ₹ 0.02 crore

3.1.4.3 Short Lifting of food grains under PMGKAY and Mid-Day Meal (MDM) Scheme

The Government of India launched (March 2020) the *Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)*³⁵ for beneficiaries covered under NFSA, by providing them additional five kilograms of food grains, per person per month, free of cost, over and above the normal NFSA entitlement.

Further, the Mid-Day Meal (MDM) was also being implemented by the State to improve nutrition and attendance of school children. Under the Scheme, rice was to be provided to schools from FCI godowns. Allotments, for lifting of rice by GoJ through the Company, were made on a quarterly basis by GoI, and operational grants against transportation cost were to be reimbursed at the rate of ₹ 75 per quintal, by the District Superintendents of Education (DSE) of the districts concerned.

Details of rice and wheat procured and lifted by the Company under PMGKAY and MDM during 2020-23 are shown in **Table 3.5**.

Table 3.5: Details of rice and wheat lifted against allotment

(Quantity in MT)

Year	PMGKAY (April 2020 upto December 2022)						MDM		
	Rice			Wheat			Rice		
	Quantity allocated by GoI	Quantity lifted by the Company	Quantity short lifted by the Company	Quantity allocated by the GoI	Quantity lifted by the Company	Quantity short lifted by the Company	Quantity allocated by the GoI	Quantity lifted by the Company	Quantity short lifted by the Company
2019-20	-	-	-	-	-	-	77,803.45	75,388.05	2,415.40
2020-21	9,20,699.73	9,16,654.67	4,045.06	74,627.17	72,143.74	2,483.43	92,250.23	92,250.23	0
2021-22	8,70,103.73	8,64,596.57	5,507.16	5,72,965.33	5,71,736.69	1,228.63	94,124.73	94,124.73	0
2022-23	7,59,774.85	7,27,590.60	32,184.25	2,62,900.22	2,62,641.32	258.91	94,856.64	94,856.64	0
Total	25,50,578.31	25,08,841.84	41,736.47	9,10,492.72	9,06,521.75	3,970.97	3,59,035.05	3,56,619.65	2,415.40

(Source: Compiled from data furnished by the Company)

As can be seen from **Table 3.5**, the Company did not lift 41,736.47 MT of rice and 3,970.97 MT of wheat from FCI under PMGKAY. It was further seen that the allotment had lapsed as the PMGKAY scheme was closed after December 2022. Similarly, 2,415.40 MT of rice was short lifted during 2019-20 under MDM. Thus, eligible beneficiaries and children were deprived of the benefits of the schemes during 2019-20 to 2022-23.

Short lifting of food grains under PMGKAY and MDM schemes was due to non-availability of food grains in the FCI godowns and insufficient number of vehicles/delay in providing vehicles by the transport service provider of the Company for lifting of food grains from FCI godowns.

³⁵ The Scheme was initially implemented for three months from April 2020 to June 2020 which was extended (June 2020) up to November 2020. The Scheme was again revived (May 2021) and implemented from May 2021 up to December 2022

The Department stated (July 2024) that the full quantity of food grains allotted could not be lifted due to shortage of food grains in FCI godowns under PMGKAY and due to release order of less quantity of food grains under MDM by FCI.

The reply was, however, silent regarding insufficient number of vehicles or delay in providing vehicles by the transport service provider of the Company for lifting of food grains from FCI godowns.

3.1.4.4 Undue benefit to transporters

As per resolution of GoJ, from KMS 2018-19, transportation of paddy to the millers was to be done either by transporters selected by the Company through district-wise tenders, transporters of DSD agents or the transporters designated by the Company. Transportation of CMR, however, was to be done through the millers or the Company. This protocol was redefined from KMS 2019-20 onwards, and transportation of paddy was to be handled by millers/PACCS/LAMPS, with rates fixed either by the Company or by the Department, and overseen by the Company. In case, there was no participation in tenders for selecting transporters, the transportation of both paddy and CMR was to be done by millers/LAMPS/PACCS/the Company as per Schedule of Rates (SOR) decided by the State Level Monitoring Committee headed by Additional Chief Secretary of Department. Additionally, SOP (January 2021) issued by GoJ also mandated that the DMs had to execute an agreement with the transporters for transportation of paddy and CMR to millers and FCI respectively. Further, DMs were required to ensure that transporters have paid minimum wages to their employees and the DMs have deducted and deposited statutory deductions while approving /submitting bills for payment. As per para 30(3) of the EPF scheme, 1952, the principal employer is responsible for payment of both the contribution payable by himself in respect of the employees directly employed by him and also in respect of employees employed by or through a contractor. Thus in this case, JSFCL is the principal employer as it had engaged millers for transportation of paddy/CMR.

Audit observed that transportation of paddy in East Singhbhum, West Singhbhum, Chatra and Ranchi districts, was carried out by millers during KMS 2018-19, while in Dumka, transportation was done by DSD agents during KMS 2019-20 in violation of the resolution of GoJ. Further during KMS 2019-22, millers had transported, both paddy and CMR without issue of any work order or execution of any agreement at the SOR decided by the State Level Monitoring Committee, though required under the SOP.

During KMS 2018-19 to 2021-22, ₹ 40.11 crore was paid by the DMs to the transporters of paddy/CMR in six test-checked districts. However, Audit observed that the DMs had made payments to the transporters without

ensuring that the staff engaged by them had been paid minimum wages and whether employer's contribution towards EPF and ESIC had been deposited.

Further, for lifting of food grains from FCI under NFSA, transporters were selected through open tender by the Company. As per the tender conditions, the transporters were required to pay minimum wages to their staff and deposit employer's contribution towards EPF and ESI, in a timely manner. Audit observed that payments amounting to ₹ 545.29 crore were made to transporters by the Company during 2019-20 to 2022-23, without ensuring payment of minimum wages to staff engaged in transportation, or deposit of employer's contributions towards EPF and ESI.

The Department accepted (July 2024) that separate agreements for transportation were not executed with the millers as the existing agreements with millers for milling of paddy included the provision of transportation for paddy and CMR also. Further, payments to transportation staff were done by the millers themselves. Therefore, the millers are liable for payment of minimum wages, EPF, ESIC *etc.* It was further stated that the millers have been directed (July 2024) to comply with the provisions.

The reply of the Department is not acceptable as the DMs had to execute agreements with the transporters for transportation of paddy/CMR as per SOP. Further, as per Para 30(3) of the EPF Scheme, 1952, the Company is the principal employer and is liable to ensure that the transporters/millers pay minimum wages to their employees and also deduct and deposit EPF contribution, ESI *etc.*

Recommendation No 5: The Company may ensure complete lifting of the allocated food grains and timely submission of claims to FCI.

3.1.5 Godown Management

Godown management is vital for a Company engaged in the business of purchasing, storing, transportation and distribution of food grains. Godowns play a crucial role in ensuring smooth functioning of food grains supply through proper inventory management, logistical support, quality control, and emergency preparedness.

The Company had 222 godowns (215 own and seven rented) in the nine test-checked districts of the State. However, only 184 godowns, with a total capacity of 1,02,625 MT (**Table 3.6**), were being utilised and 38 godowns, with a capacity of 16,350 MT, were lying idle. The Company was managing these godowns through 107 Assistant Godown Managers³⁶ (AGMs).

³⁶ Chatra: 11, Dumka: 10, East Singhbhum: 11, Garhwa: 10, Hazaribag: 10, Koderma: 6, Palamu: 15, Ranchi: 19 and West Singhbhum: 15.

Table 3.6: Capacity-wise details of functional godowns in the test-checked districts

Capacity Range (MT)	No. of godowns	Capacity (MT)
Upto 500	123	37,575
500 – 1,000	49	49,000
1,000 – 1,500	2	3,000
1,500 – 2,000	0	--
Above 2,000	3	7,500
Owned by the Company	177	97,075
On rent	7	5,550
Total	184	1,02,625

(Source: Compiled from data furnished by the Company)

It was further observed that the 38 idle godowns could not be utilised due to lack of approach roads (6), waterlogging (2), dilapidated condition (29) and storage of EVM machines (1). During 2018-19 to 2022-23, the Company had paid ₹ 99.99 lakh as rent (for the period between June 2010 and July 2023) for seven godowns.

The Company had also not prepared any SOP/manual for functioning of its godowns.

3.1.5.1 Poor maintenance of godowns

In the nine test-checked districts, it was seen that the DMs had reported the status of godowns under them to the Company on two occasions (2022 and 2023) during the period covered by Audit (2018-23). Several deficiencies, including waterlogging, lack of approach road *etc.* were included in the reports. Joint physical verification of 83 godowns in the test-checked districts conducted by Audit, along with the officials of the Company, during July 2023 to December 2023, revealed the following deficiencies.

Lack of godown infrastructure and maintenance

- **Lack of electric connections**

Only seven (Chatra: 2, East Singhbhum: 2 and Ranchi: 3) out of 83 godowns had electricity connections. In the absence of electricity connections, weighing machines could not be charged and lighting in the godowns was inadequate.

The Department accepted (July 2024) the facts and stated that directives have been issued to all DMs to make proper arrangements for electricity connections.

- **Lack of weighbridge facility**

None of the godowns were found to be equipped with a weighbridge, and inward and outward stock were stated to have been weighed manually with weighing machines (battery operated), which was time consuming and

cumbersome. Though two newly constructed godowns under Baharagora Block had installed weighbridges, these were not operational (October 2023) as electricity connection was not available.

The Department accepted (July 2024) the facts and stated that installation of weighbridges in godowns is under process.

- **Lack of approach roads**

Six godowns (Ranchi: 3 and East Singhbhum: 3) were not in use as they did not have approach roads.

Photograph 3.1: Godown at Baharagora under DM, East Singhbhum, not in use due to lack of approach road (04.10.2023)



Audit also noticed cracks and leaks in the walls and roofs of several godowns. Further, cases of water logging and godown buildings with no roofs were also noticed.

Photographs 3.2 & 3.3: Status of godown buildings



Lack of security and loss mitigation mechanism

- Fire-fighting equipment/ CCTV cameras were not installed in any of the godowns. No contingency measures were in place to address theft, power outages or emergencies like fire, natural disasters *etc.*

- Monitoring and tracking movement of vehicles, used for transporting food grains, was not done through a GPS system. In the absence of monitoring, risk of out stocking, theft, delay and mismanagement on the part of transporters could not be ruled out.
- No security personnel were deployed in the godowns. It was seen that five³⁷ AGMs had reported theft cases from the godowns to the Company.
- Though the AGMs were responsible for storage and handling of food grains in the godowns and maintenance of proper stock records, Audit observed that in 49 out of 83 godowns, handing and taking over of charge by the AGMs had never taken place. Absence of handing/ taking over of charge by the AGMs led to non-maintenance of continuous records of stock in the godowns and theft of food grains could not be ruled out, as discussed in the succeeding paragraph.

The Department stated (July 2024) that GPS has been installed in all vehicles and transporters were responsible for the safety of food grains during transit.

The reply is not convincing as the Company did not have any mechanism to monitor/track the movement of these vehicles.

Procedural lapses in management of godowns

The Company did not have manuals or a SoP for management and operation of its godowns. It was noticed during audit that the Ministry of Consumer Affairs, Food and Public Distribution, GoI, had circulated (February 2018) steps to be taken by the FCI to avoid damage to food grains. As per the circular, first in first out (FIFO) principle was to be followed, under which food grains that were procured earlier had to be distributed first, to ensure that older stocks are liquidated, both across years and even within a particular year.

During JPV of the godowns, audit observed that food grains were being transferred directly from inward trucks to outward trucks in five godowns³⁸ without ensuring FIFO and weighting of inward food grains from FCI.

In one godown (Bairya under Palamu), Audit observed that rice bags were received (July 2023) from FCI and stored without weighing and some of the bags were damaged and open (21 July 2023). Rice in two bags stored in the godown was found to be spoiled and not fit for human consumption.

Twenty rice bags of 50 kgs capacity, unloaded from FCI trucks at Bairiya godown under DM Palamu, were test-checked randomly and weighed (21

³⁷ Chatra, Kadru-I, Karandih, Mander and Satgawan

³⁸ Chainpur and Lesliganj godown under Palamu, Tandwa godown under Chatra and Barhi and Ichak godown under Hazaribag

July 2023) in the presence of Company staff. It was found that all these bags were underweight with their weight ranging between 27 Kg and 49.350 Kg.

Photographs 3.4 & 3.5: Shortage in quantity of rice in sealed bags of 50 Kgs noticed during field visits (21.07.2023)



Two bags of rice were also found to contain bits of cement and dust at Chaipur godown under DM Palamu, and Baharagora godown under DM, East Singhbhum. In five bags at Chainpur godown, wheat and rice were mixed. Packets of salt were also found lying in the open in the godown at Chiyanki, Palamu.

Photographs 3.6 to 3.9: Deficiencies noticed in storage of items during field visit (19.07.2023)





It was seen that GoI had developed (July 2021) a Standard Operating Procedure (SOP) for periodic inspection on monthly basis and surprise inspections, and the State Government was to ensure strict compliance of the SOP. However, in 54 out of the 83 physically verified godowns, stock verification had never been carried out as stated by the concerned AGMs. AGMs of the remaining godowns stated that physical verification of stock had been done occasionally. It was further seen that except two godowns (Dumka and Saraiyahat) under Dumka district, the rest were managed by employees of the Rural Development Department, GoJ, on additional charge who lacked expertise in godown management, leading to maintenance deficiencies.

Instances of food grains spoiled and not fit for human consumption, food grains lying unutilised for long periods *etc.*, noticed during JPV in East Singhbhum, Garhwa and Chatra districts, are detailed in **Appendix 3.1**.

Thus, the Company had not developed any mechanism for physical verification of stock in accordance with the Standard Operating Procedure (SOP) of the GoI (July 2021) for periodic and surprise inspections. Further, records produced to Audit by AGMs at several godowns were incomplete, as no handing/taking over of charge had taken place. Deficient monitoring and poor management of godowns resulted in spoilage and mishandling of food grains, infestation by insects, non-reconciliation of stock and absence of physical stock verification.

The Department stated (July 2024) that food grains were received after weighing at FCI godowns and FCI was intimated accordingly, if food grains received from any depot were found short in weight. Further, districts have been directed to submit reports regarding spoilage and appropriate action would be taken after getting the reports.

The reply is not factually correct as the Company had not taken up the issue of shortage of food grains received with the FCI as noticed (July 2023) during physical verification in the godown at Bairyra under DM, Palamu. Further, it was noticed from the records maintained at the godowns that the allocated and lifted quantity of rice in Palamu during July 2023 were same despite shortage noticed by Audit. The reply is also silent regarding shortage of food grains in sealed bags received at JSFCL godowns, absence of handing over/taking over of charges of AGMs, absence of physical verification reports, theft of food grains *etc.*

Recommendation No 6: The Company may ensure adequate storage infrastructure. It may develop and implement Standard Operating Procedures for effective management and operation of its godowns, including provisions for periodic inspections, to mitigate the risk of spoilage or theft of stored food grains.

3.1.6 Financial Management

Financial management is the cornerstone of every successful organisation, providing the framework for effective decision-making, resource allocation, and risk management. By optimizing financial resources, organisations can achieve their goals, enhance profitability, ensure sustainability, and create value for stakeholders.

3.1.6.1 Violation of provisions of the Companies Act, 2013

As required under Section 173 of the Companies Act, 2013, the Company was to hold the first meeting of the Board of Directors (BoD) within thirty days of the date of its incorporation, and thereafter hold a minimum of four BoD meetings every year. Further, as per provisions³⁹ of the Companies Act, every Company was to prepare books of accounts and financial statements annually and the supplementary audit⁴⁰ of the financial statements was to be conducted by the CA&G.

Audit observed that the Company had conducted only six BoD meetings between 2019-20 and 2022-23 against the required 16 such meetings for the period.

Further, cash books were not maintained properly in the field units as they were not written for the complete period and not closed monthly, details of closing balance were not provided, transactions were not verified by the competent authority *etc.* It was further seen that the cash books were maintained on receipt basis instead of on accrual basis and the entries were

³⁹ Section 209 of the Companies Act, 1956 and Section 128 (1) of the Companies Act, 2013

⁴⁰ Section 619 of Companies Act 1956, and Section 143 (6) (a) of the Companies Act 2013

copied from the bank statements. Bank Reconciliation Statements (BRS) were also not prepared in any of the test-checked districts.

Absence of proper maintenance of accounting records was the main reason for non-preparation of accounts for the Company and also showed lack of internal control in the Company to safeguard its interests.

Supplementary audit by the C&AG could also be not taken up as the Company has not finalised (March 2024) its accounts since inception (June 2010). In the absence of audited accounts, the Company could claim only ₹ 93.51 crore as incidental charges from FCI during KMS 2011-12 to 2021-22, against incidental expenses of ₹ 692.73 crore related to paddy procurement, as discussed in **Paragraph 3.1.3.6**.

The Department accepted (July 2024) the facts and stated that BoD meetings could not be held due to COVID-19. However, it was assured that a minimum of four BoD meetings a year, will be conducted. It was also stated that difficulties had arisen due to shortage of manpower and that efforts were being made to maintain records in a proper manner. Further, the Department assured that accounts of the financial year 2010-11 onwards would be finalised.

3.1.6.2 Non-filing of annual returns to the Registrar of Companies

As per the Companies Act, 2013, every Company is required to file with the Registrar of Companies (ROC), annual returns in four⁴¹ e-Forms, within sixty days from the date of annual general meeting (AGM) or where no AGM is held in any year, within sixty days from the date on which the AGM should have been held, together with the statement specifying the reason for not holding the AGM. Companies that fail to file their annual returns, and the officers of the Company in default, are each liable for a penalty of ₹ 50,000 and a further penalty of ₹ 100 per day on continuous failure, subject to maximum of ₹ five lakh for the Company and ₹ 50,000 for the officers.

As the Company had not prepared annual accounts since inception, it could file only the annual returns relating to registration and other details of the Company in form MGT-7. Thus, omission to file annual returns, as required under the Act, may attract penalty under the Companies Act, 2013.

The Department accepted (July 2024) the audit observation.

⁴¹ (i) Form 23AC- XBRL and (ii) Form 23ACA-XBRL for Balance Sheet and Profit and Loss Statements, (iii) Form MGT7 for Annual return regarding registration and other details of the Company and (iv) Form AOC4-XBRL for financial statement and other documents

3.1.6.3 Divergent impression of financial performance of the Company

The Companies Act, 2013, requires that every Company should prepare and keep books of accounts and other relevant papers reflecting the “true and fair” view of the Company’s affairs.

The Company was incorporated (June 2010) under the Companies Act, 1956, as a nodal agency for public distribution of food grains and other essential products as per the policies of the GoI/GoJ. After incorporation (June 2010) of the Company, opening balances of assets and liabilities of the Company for the financial year 2010-11 were derived from the closing balances of assets and liabilities of 10 units⁴² of the erstwhile Bihar State Food and Civil Supplies Corporation (BSFC) situated in Jharkhand, as per accounts of these units as on 31 January 2011. Thereafter, management of activities and accountings of these units were being done by JSFCL.

Scrutiny of financial records of the Company revealed that opening balances of assets and liabilities of the Company for the financial year 2010-11 were forwarded by BSFC to JSFCL without breakup and required details (tally data, Bank Reconciliation Statements and trial balances) and without being authenticated by the MD and BOD of BSFC. Further, the financial statements of BSFC for 2010-11, submitted to C&AG for supplementary audit, also included these 10 units situated in Jharkhand.

Audit further observed that the Company had engaged two different CA firms for the preparation of provisional accounts and financial statements for the financial year 2018-19 for the purpose of filing income tax returns and to raise loans. Scrutiny of the financial statements prepared by the two firms revealed that the Company had submitted two different statements for the financial year *i.e.* 2018-19 for the two different purposes, which showed different positions of the Company. While the financial statements submitted to the Bank of India for raising loan showed a profit of ₹ 96 crore, the financial statement submitted to the Income Tax Department showed a loss of ₹ 152 crore. Thus, the Company misrepresented the true and fair view of its financial performance.

In reply, the Department stated (July 2024) that it had called for explanation from the CA firms, who, in response, had stated that due to unavailability of appropriate records/evidence to confirm the basis, accounts for the period 2018-19 were prepared on information/records made available to the firms and were submitted with disclaimer. The Department further stated that differences were mainly due to different grouping of ledgers, non-

⁴² 10 Districts of erstwhile Bihar State Food and Civil Supplies Corporation (BSFC), namely, (i) Chaibasa (ii) Dhanbad (iii) Dumka (iv) Giridih (v) Gumla (vi) Hazaribag (vii) Jamshedpur (viii) Palamu (ix) Ranchi and (x) Sahibganj

consideration of receivables for prior period and income considered on accrual basis for tax purpose.

The reply of the Department is not convincing as the financial statements were related to the same period for which basic records/source would be the same. Further, it could not be clarified why preparation of two financial statements for the same financial year by two different CA firms was necessary.

3.1.6.4 Fund Management

The Company was the nodal agency for procurement of paddy from farmers through PACCS/LAMPS and was responsible for payment of MSP to the farmers.

Audit observed that GoJ had provided ₹ 518.96 crore⁴³ to the Company as revolving fund for payment of MSP to farmers against procurement of paddy which was utilised for payment of MSP, cost of gunny bags, payment to millers, cost of transportation *etc.* However, ₹ 300 crore, receivable from PACCS/LAMPS, millers and FCI, has not been received by the Company, as of July 2024.

It was further seen that the GOJ had not provided revolving funds after 2018-19 and the Company had incurred ₹ 859 crore out of its own funds on payment of MSP to farmers during KMS 2020-21. During KMS 2021-22, the Company had to avail bank loan of ₹ 775.64 crore for payment of MSP to farmers due to non-availability of revolving fund against which ₹ 38.21 crore was paid as interest.

Further, operational grant at the rate ₹ 75 per quintal, was also to be provided by GoJ through the DSOs, for transportation of food grains from FCI godowns to the Company godowns under NFSA scheme. The Company was to accordingly receive an operational grant of ₹ 834.34 crore from GoJ for FYs 2019-20 to 2023-24. However, out of this, ₹ 13.50 crore was yet to be received from GoJ (as of April 2024).

The Department accepted (July 2024) the facts and stated that the bank loan was taken as revolving funds were not provided by GoJ after 2018-19.

3.1.6.5 Payment of avoidable interest

For meeting procurement, milling and transportation expenses on paddy *etc.*, the Company decided to take loan/s from financial institutions. Expression of Interest (EoI) was invited (September 2021) through open tendering from commercial banks, for Overdraft/Cash Credit (OD/CC) limit of ₹ 1,650 crore for paddy procurement scheme for KMS 2020-21. Bids received from 10 bidders, were subsequently opened (October 2021) in which Indian Bank

⁴³ KMS 2011-12: ₹243.96 crore, KMS 2012-13: ₹75 crore and KMS 2018-19: ₹200 crore

stood at L1 with interest rates of 4.5 *per cent* (six months) and 5 *per cent* (annual).

However, Audit noticed that the Company had carried out negotiations with L1 to L5 bidders in violation of the CVC provision which stipulates that post tender negotiation is not allowed, except with the L1 bidder. During negotiation (October 2021), Bank of India (L4 bidder) offered an interest rate of 4.7 *per cent* for Working Capital Demand Loan (WCDL), which was not part of the EoI and was also in contravention of CVC guidelines which stipulate that the terms of acceptance should match the terms of offer. The Company, on the direction of the MD, then decided (October 2021) to request L1 to L7 bidders to offer their rates for WCDL, instead of OD/CC (as per original EOI), without going for retendering.

In the final offer, both Bank of India and State Bank of India were L1 at the fixed rate of 4.5 *per cent* per annum for WDCL. Acceptance letters were issued (November 2021) to both the banks and an agreement for WDCL (₹ 776 crore) was executed (November 2021) by the Company with the Bank of India. However, it was seen that the SBI had withdrawn (December 2021) its offer citing unavailability of C&AG audited accounts of the Company. Thereafter, another agreement for WDCL (₹ 776 crore) was executed (December 2022) with the Bank of India. Audit observed that the rate of interest was changed from fixed to floating at the time of execution of the agreements, for reasons not available on records. As of July 2023, the Bank of India disbursed ₹ 1,076 crore as WCDL at a floating interest rate ranging from 4.50 to 5.40 *per cent*.

As per Audit calculation, interest of ₹ 32.98 crore was required to be paid (as of 21 July 2023) at the fixed rate of interest. However, the Company had paid ₹ 40.68 crore as interest at the floating rate. Thus, the Company had to pay additional interest of ₹ 7.70 crore.

The Department, in its reply, stated (July 2024) that all the banks offered WCDL loans at the floating rate of interest as per RBI guidelines.

The reply of the Department is not acceptable, as fixed rate of interest (4.5 *per cent*) was clearly mentioned in letter of acceptance issued (November 2021) to Bank of India. Further, as per RBI Master circular⁴⁴ regarding interest rates on advances, even after introduction of the Base Rate system, banks had the freedom to offer all categories of loans on fixed or floating rates.

3.1.6.6 Loss due to non-finalisation of accounts

GoI directed (November 2018) the State Governments to submit their claims for final incidental charges incurred during procurement of paddy and food

⁴⁴ RBI/2010-11/72 DBOD No. Dir.BC.9 /13.03.00/2010-11 dated 1 July 2010

grains, along with audited accounts and supporting documents, as well as detailed justification for each item at the earliest, after the end of the season, and in any case not later than 12 months from the end of the financial year in which the season ended. Further, for States which had not submitted their final claims within four years of commencement of KMS, only MSP, statutory taxes, and cost of gunny bags would be fully reimbursed. Again, as per provisions of Principles of Procurement Incidentals (PPI), effective from April 2021, GoI was to impose (July 2022) a notional cut of five *per cent* of subsidy along with a further two *per cent* deduction per year beyond five years of the season, in case audited/finalised accounts had not been submitted by the Company.

Audit observed that the total receivables of the Company from FCI as final incidentals were ₹ 654.51 crore during KMS 2011-12 to 2021-22. Since the Company had not finalised (as of March 2024) its accounts since inception, a notional cut of ₹ 29.98 crore (as of March 2024) would be imposed by GoI as per their decision (July 2022) for the period from 2011-12 to 2017-18, against the total receivable of ₹ 176.36 crore up to 2017-18, as five years have already elapsed.

The Department accepted (July 2024) the facts and stated that accounts for the financial year 2010-11 were being revised and would be finalised after obtaining balances from BSFC.

3.1.6.7 Non recovery of dues

As per provisions of the resolution (February 2016) of the Department, the Company was to claim monthly operational grant (at the rate of ₹75 quintal), through the DMs, for transportation of food grains from District Supply Officer (DSO), District Superintendents of Education (DSEs) and District Social Welfare Officers (DSWOs) for NFSA, MDM⁴⁵ and Wheat based Nutrition Programme (WBNP)⁴⁶ respectively.

Audit observed that the DMs of Giridih, Latehar and Ranchi, had claimed (between May 2018 and June 2023) ₹ 24.94 crore⁴⁷ as operational grant for transportation of food grains for the period from October 2017 to March 2022 under NFSA, with a delay of two to 62 months. However, the same had not been reimbursed (June 2024) by the DSOs of the concerned districts.

Similarly, the Company could not get (November 2023) reimbursement of operational grant of ₹ 79.83 lakh and ₹ 2.06 crore from District Superintendents of Education (DSEs) and District Social Welfare Officers (DSWOs) respectively against the claims raised by the concerned DMs for

⁴⁵ On quarterly basis

⁴⁶ On quarterly basis

⁴⁷ Giridih: ₹ 0.08 crore (March 2022); Latehar: ₹0.94 crore (May 2021); Ranchi: ₹23.92 crore (October 2017 to March 2020)

supply of food grains to Schools and Anganwadi Centres under MDM Scheme (2020-21) and WBNP (2020-23).

Thus, operational grant of ₹ 27.80 crore was outstanding against the DSOs, DSEs and DWSOs for more than 13 to 74 months (as of July 2024).

The Department accepted (July 2024) the facts and stated that recovery of claims is being pursued with the departments concerned.

3.1.6.8 Short recovery from District Co-operative Officer

GoJ directed (June 2014) that funds for procurement of paddy seeds were to be arranged from the revolving fund provided to the Company. Accordingly, the Company provided (June 2014) ₹ 20.50 crore to 24 District Co-operative Officers (DCOs) under the Agriculture, Animal Husbandry and Co-operative Department, as loan from its revolving fund and decided (July 2014) to charge interest at the rate of 12 per cent per annum.

Audit noticed that the Company had requested (August 2022) the DCOs to refund the principal amount with interest by August 2022. Against the outstanding amount of ₹ 35.22 crore (including accrued interest of ₹ 14.72 crore) as of September 2023, the DCOs had repaid principal amount of ₹ 13.37 crore only. Thus, the Company could not recover (September 2023) ₹ 21.85 crore, being outstanding loan including interest accrued, from the DCOs.

The Department accepted (July 2024) the facts and stated that recovery of balance amount would be made.

Recommendation No 7: The Company may take immediate steps to ensure that its accounts since inception are finalised and audited so that provisions of the Company's Act, 2013, are complied with and claims against incidental charges for paddy procurement can be raised.

3.1.7 Deficient Human Resource Management

Human Resource Management (HRM) plays a pivotal role in the success and sustainability of any organisation. Effective recruitment strategies not only ensure the availability of skilled personnel but also contribute to the creation of a diverse and dynamic workforce, fostering innovation and adaptability.

Audit observed that the Company had sanctioned posts of 431 regular employees in addition to 399 posts sanctioned (June 2013) for deployment of personnel on contractual basis at different levels in the headquarter and the field. However, against 431 regular sanctioned posts, only 31 employees (Regular: 01; on deputation: 24; and on contract: 06) and against 399 contractual posts, 35 employees (Regular: 20 and on contract: 15) were deployed in the Company at headquarter and field offices. The remaining 764 sanctioned posts (Regular: 400 and Contractual: 364) were vacant.

Further, 333 persons (Computer operator: 297; Assistant Accountant: 33; Peon: 02; and Driver: 01) were engaged through an outsourced agency without approval of the BoD of the Company. Details of sanctioned posts *vis-à-vis* personnel deployed there against, are shown in **Table 3.7**.

Table 3.7: Manpower in the Company

Sanctioned posts <i>vis-à-vis</i> Men-in-position		Sanctioned posts for contractual employees <i>vis-à-vis</i> Men-in-position		Posts filled through Outsourced Agencies	
Sanctioned	Men-in- Position	Sanctioned	Men-in-Position	Sanctioned	Men-in- Position
431	31	399	35	0	333

(Source: Compiled from data furnished by the Company)

Further, the DSOs were given additional charge of DMs in all the districts and block level employees of the Rural Development Department of GoJ, were holding additional charge of AGMs for management of godowns.

Thus, acute shortage of manpower led to poor performance of the Company, affecting the overall organisational effectiveness. In the absence of regular manpower, the Company could not maintain basic records for preparation of its financial accounts, delayed/did not submit claims to FCI for incidental charges, delayed payment of MSP to farmers *etc.*

The Department in its reply stated (July 2024) that the Company had deployed computer operators/data entry operators on need basis through an outsourced agency to maintain the supply chain. Further, BoD had sanctioned (December 2019) 300 posts of Accountant-cum-Computer Operators against 30 sanctioned regular posts.

The reply is not convincing as the outsourced staff were engaged through an agency without approval of the BoD of the Company. Further, the posts sanctioned (December 2019) by the BoD have not been filled (July 2024) resulting in acute shortage of manpower affecting the day to the day of the Company.

ENERGY DEPARTMENT

3.2 Compliance Audit Paragraphs

Jharkhand Bijli Vitran Nigam Limited (JBVNL)

3.2.1 Avoidable expenditure and undue benefit to suppliers

Non-adherence to provisions of the Delegation of Powers and terms and conditions of Notice Inviting Tender by the Management of Jharkhand Bijli Vitran Nigam Limited resulted in avoidable expenditure of ₹ 5.93 crore and undue benefit of ₹ 1.79 crore to four suppliers.

As per Clause 32 of the Notice Inviting Tender (NIT), in the event of an order being placed on a tenderer, the tenderer may be requested to give his concurrence that he is willing to accept additional orders on the same terms and conditions, if the repeat/extension order is placed within 12 months from the date of acceptance/placement of order. The bidder was also required to submit an undertaking that he will supply additional quantity, if required, on the same rate, terms and conditions. Further, as per Delegation of Power (DoP) of Jharkhand Bijli Vitran Nigam Limited (JBVNL), the authority, who has accepted the original tender, can place repeat/extension order over the accepted tender, up to 50 per cent in each case.

Four NITs for procurement of four items⁴⁸ were floated (October 2020) by JBVNL. While accepting all the terms and conditions of the NITs, the bidders had submitted undertaking to supply additional quantity, if required, on the same rate, terms and conditions, if extension order is placed within 12 months from the date of acceptance/placement of order. After finalisation of the tenders, purchase orders (POs) were issued (between February 2021 and September 2021), for quantities within the limits of budgetary provisions, to the L1 bidders, as well as other bidders who had accepted L1 rates. Details of the POs issued to the suppliers are shown in **Appendix 3.2**.

Scrutiny (February 2023) of records of JBVNL further revealed that four fresh NITs were floated (between October 2021 and March 2022) by the Company for supply of the same four items, without issuing repeat/extended orders to the existing suppliers to supply additional quantity of the items at the agreed rate as per the terms and conditions of the existing contract. Audit noticed (February 2023) that during fresh bidding, JBVNL accepted (February 2022/June 2022) rates higher than the previously accepted L1 rates and purchase orders were accordingly issued (February 2022/June 2022) to the suppliers, resulting in avoidable expenditure of ₹ 5.93 crore (as detailed in **Appendix 3.2**).

⁴⁸ (i) LT XLPE AB Cable (ii) DPC Aluminum winding wires and strips (iii) 63 KVA Distribution Transformer and (iv) 5 MVA Power Transformer.

Further scrutiny revealed that fresh POs were also issued to four suppliers who had already submitted undertakings to supply additional quantities at the lower rates, thereby extending them undue benefits of ₹ 1.79 crore.

Thus, non-adherence to the provisions of DoP and terms and conditions of the NITs resulted in avoidable expenditure of ₹ 5.93 crore. Further, four suppliers who had previously agreed to supply items at a lower rate, were extended undue benefit of ₹ 1.79 crore.

The matter was reported to the Department in April 2023; their reply was awaited (February 2025).

3.2.2 Idle Expenditure

Non-installation of Communication equipment (SIM) in the Distribution Transformers (DTRs) meters and modems by Jharkhand Bijli Vitran Nigam Limited (JBVNL) not only defeated the purpose of installation of the DTR meters in four towns but also resulted in idle expenditure of ₹ 4.31 crore, since July 2020.

Ministry of Power (MoP), Government of India (GoI), launched (September 2008) the Restructured Accelerated Power Development and Reforms Programme (R-APDRP) Scheme. The main objectives of the Scheme were to reduce Aggregate Technical and Commercial (AT&C) losses and establish reliable automated systems for collection of accurate base line data by adoption of Information Technology in the area of energy accounting. The approved DPR of the Scheme (Part-B) also included Distribution Transformer (DTR) Metering Cubical with General Packet Radio Service (GPRS) based Adaptive Multi Rate (AMR) compatible meter and modem for communication of energy data. The main objective of installing the GPRS based AMR compatible meter and modem in DTRs was to calculate the DTR-wise losses (difference between energy input in the DTR and energy billed to the consumers connected to the respective DTRs). Further, the communication equipment required for installation in the modems, *i.e.* Subscriber Identity Module (SIM), for communication of energy consumption data from DTRs, were to be provided by JBVNL.

Audit scrutiny revealed that out of 30 towns covered under the Scheme (Part-B), works for design and supply of equipment had been executed through contractors on turnkey basis in eight towns whereas in the remaining 22 towns, JBVNL executed the works departmentally. Audit further observed that in four out of these eight towns, the GPRS based AMR compatible meters and modems for communication of energy data, were to be installed in the DTRs. In the remaining four towns, the items for provision of AMR compatible meter and modem had been excluded from the scope of work of the turnkey contract.

Audit further noticed that 2,491 GPRS based AMR compatible meters and modems, at a cost of ₹ 4.31 crore, had been installed in the DTRs in these

four towns. However, JBVNL had not provided SIM for installation in these modems even after expiry of three to five years since completion of work (between March 2018 and July 2020). In the absence of communication equipment i.e. SIM in the installed DTR meters and modems, energy consumption data could not be fetched from the DTRs, defeating the objective of installation of the DTR meters and modems.

As such, expenditure of ₹ 4.31 crore on installation of the DTR meters and modems has remained idle, since July 2020 in these four towns. The matter was reported to the Department (November 2023); reply was awaited (February 2025).

Jharkhand Urja Utpadan Nigam Limited (JUUNL)

3.2.3 Avoidable generation loss

The Managing Director, JUUNL, did not exercise powers provided in Delegation of Power (DoP) to award the repair work on single tender basis, leading to delays in finalisation of work order for repair of powerhouse equipment. This resulted in avoidable generation loss of 85 MU power, valued at ₹ 8.46 crore, in Subernarekha Hydel Project, Sikidiri, Ranchi.

Jharkhand *Urja Utpadan Nigam Limited* (JUUNL) has a hydel power plant namely, Subernarekha Hydel Project (SRHP) at Sikidiri in Ranchi district, with a capacity of 130 MW (two units x 65 MW). The source of water for power generation is the Subernarekha River. Both the units of the power plant are in a series, i.e. water used by the first Powerhouse I (PH-I) is subsequently utilised by Powerhouse II (PH-II) for power generation.

Scrutiny (April 2023) of records of SRHP revealed that during annual maintenance shutdown (24 May 2019 to 24 June 2019) of the Plant, faults were noticed (8 June 2019) in the stator winding of PH-I. Defects were found in B phase of the stator windings of the generator during Insulation Resistance (IR) testing. Without rectifying this fault, power generation from PH-I was not possible. However, PH-II was ready for power generation

Considering the emergent nature of the work, the Project Manager (PM), SRHP, Sikidiri, proposed awarding the work to the agency who had executed the same work on an earlier occasion, and an estimate of ₹ 7.60 lakh was prepared (June 2019) for rectifying the defect. However, the Managing Director directed (June 2019) PM, Sikidiri, to execute the repairing work through short tender. Accordingly, a short tender notice for 'repair and replacement of defective stator bars with testing of complete stator winding (BHEL make 11 KV, 65 MW Hydro Generator)' was invited in June 2019. However, only one bidder participated in the tender. Though the time for submission of the bid was extended twice (26 July 2019 and 16 August 2019), no fresh bidder participated.

Further, the Company re-tendered (18 October 2019) the work only once

under the provisions of Delegation of Power (DoP) for acceptance and processing of single tender and the bid was opened on 07 November 2019. Again, only the same agency (M/s Rajmane & Hedge Services Private Limited) participated in the re-tender. The work, with an estimated cost of ₹ 7.60 lakh, was finally awarded (December 2019) to the agency and the work was started on 23 January 2020. The agency submitted (January 2020) an analysis report suggesting that Earth Leakage Core Imperfection Detector (ELCID) test was required to be conducted to detect imperfections in the health of the stator core insulation. The PM, Sikidiri, intimated (March 2020) the agency that the condition of stator core insulation was found healthy in the ELCID test and requested it to resume the work. However, the work was hampered due to the national lockdown declared (March 2020) for containing the COVID 19 pandemic, and the work was executed in a phased manner and completed in all respects, over 95 days in different phases. Finally, PH-I was commissioned and put in operation on 21 June 2021 after incurring an expenditure of ₹ 22.24 lakh.

Audit scrutiny of records revealed the following:

- PM, Sikidiri/GM (Technical) had apprised (June 2019) the Managing Director (MD) regarding the necessity of the work to be executed on an emergency basis, and had sought approval for opening of single tender, so that the plant could be made functional for generation during the ensuing monsoon season. However, the MD returned (July 2019) the proposal with direction to 'Act as per Delegation of Power'.
- GM (Technical) again submitted (August 2019) a proposal to the MD seeking approval of the Chairman-cum-Managing Director (CMD), Jharkhand *Urja Vikas Nigam* Limited (JUVNL), for acceptance/ processing the single tender so that PH-I may be made operational. However, the CMD, JUVNL observed (September 2019) that there was no justification in seeking his approval as the MD was fully competent to take a decision in the matter. The CMD expressed grave concern over the MD's act, which had resulted in unwarranted delays and directed the MD to take needful decision without further delay.
- In compliance to the directions of CMD, MD directed (September 2019) GM (Technical) of the Company to indicate the urgency of the work. GM (Technical) stated that the urgency had been felt earlier, in anticipation of normal/good monsoon, but in the present scenario, there was no urgency. The MD, then directed that the work be executed through re-tendering as per DoP.
- Finally, the MD awarded (December 2019) the work to the single bidder on nomination basis, as per provisions in the DoP (Clause 4 a(ii)) which authorised the MD to award work up to ₹ 50 lakh without calling for tender for emergency work.

Thus, delay in finalisation of tender for repairing of PH-I resulted in its shut down for the period of 23 months (*i.e.*, 08 July 2019 to 20 June 2021) and SRHP suffered generation loss of 84.807 Million Units (MU) valuing ₹ 8.46 crore from 01 October 2019 to 20 June 2021 considering three month period taken for repair.

In reply, the Management stated (September 2023) that the tender was invited for engagement of the agency for execution of work in a transparent manner and two-time extensions were allowed as per DoP to deal with the case of single bid and finally the work was awarded (24 December 2019) to M/s Rajmane and Hedge Service Pvt. Ltd. on nomination basis after exhausting all possible options of the tendering process.

Reply is not acceptable as repair work of the stator was to be done on an emergency basis, as apprised by Project Manager/General Manager (Technical) to the Managing Director. Had the MD exercised his powers as per DoP in July 2019 to award the work on single tender basis, the Company could have avoided the potential generation loss of 84.807 Million Units (MU) valuing ₹ 8.46 crore.

Ranchi

(INDU AGRAWAL)

The

**Principal Accountant General (Audit)
Jharkhand**

Countersigned

New Delhi

(K. SANJAY MURTHY)

The

Comptroller and Auditor General of India