COMMITTEE ON PUBLIC UNDERTAKINGS
(1991-92)

(Ninth Legislative Assembly)

SIXTH REPORT

ON

THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1988-89 (NO. 4) (COMMERCIAL) ON THE ANDHRA PRADESH STATE CIVIL SUPPLIES CORPORATION LIMITED.

(Presented to the Legislature on 25th September, 1992)

ANDHRA PRADESH LEGISLATURE (ASSEMBLY) SECRETARIAT
PUBLIC GARDENS, HYDERABAD - 500 486.

COMMITTE ON PUBLIC UNDERTAKINGS
(1991-92)

(CONSTITUTED ON THE 8TH OCTOBER, 1991)

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1. Sri J.K. Reddy

MEMBERS:

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3. Sri Ambati Rambabu
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5. Dr. K. Madan Mohan Reddy
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3. Sri A. Venkata Rao, Assistant Secretary
4. Sri J.S.R. Murthy, Section Officer

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1.	Sri K. Krishna Das	..	Accountant General (Audit - II)
2.	Sri K. Ramachandran	..	Deputy Accountant General
3.	Sri V. Balakrishnamurthy	..	Audit Officer
4.	Sri A.V.G.V. Prabhakar Rao	..	Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1991-92) having been authorised to present this Sixth Report on their behalf on the Report of the Comptroller and Auditor General of India for the year 1988-89 pertaining to Andhra Pradesh State Civil Supplies Corporation Limited.

The Committee held 3 sittings to record oral evidence. The Report was considered and adopted by the Committee on 23-9-1992.

The Committee wishes to express their thanks to the Secretary to Government, Food and Agriculture Department, the Managing Director, A.P. State Civil Supplies Corporation Limited for the Co-operation they have extended and placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit-II) Andhra Pradesh, the other officers and the staff of Accountant General's office and also the Secretary to Legislature, the other officers and staff of Legislature Department in the examination of the General Working and in consideration of audit paras relating to the Andhra Pradesh State Civil Supplies Corporation Limited and in preparation of this report.

J.K. REDDY,
CHAIRMAN,
Committee on Public Undertakings

Hyderabad,
Dated: 23-9-1992.

RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (9th Legislative Assembly)

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1988-89 (No. 4 - COMMERCIAL)

ANDHRA PRADESH STATE CIVIL SUPPLIES CORPORATION LIMITED

1. Introduction :

The Andhra Pradesh State Civil Supplies Corporation Limited incorporated in December 1974 as wholly owned Government Company with the main objective to procure, supply and distribute food grains and other essential commodities to the public and to help the State Government to meet any difficult situation in the field of Civil Supplies, has presently undertaken -

- purchase and storage of rice for supply to the public under Public Distribution System (PDS) through A.P. State Essential Commodities Corporation Limited (APSECC);
- Purchase and storage of levy sugar and its distribution through APSECC under PDS;
- purchase of imported edible oils and their distribution through APSECC under PDS;
- purchase, storage and distribution of levy cement in the State (upto April 1989); and
- distribution of Liquified Petroleum Gas (LPG) and kerosene at few places in the State.

2. Organisational set-up

During the period from April 1983 to March 1989, the Board of Directors of the Company conducted 24 meetings out of which 11 meetings were not attended to by the State Government's nominee Director from Finance Department. (Para 1.3)

The Vice-Chairman and Managing Director (VC & MD) deposed that at the meetings at which the nominee Director from Finance Department was not present, the Board did not take decisions on financial matters.

The Committee observed that the meetings of the Board were held once in three months while the nominee Director from Finance Department did not attend successive meetings of the Board (viz., Board meeting Nos. 52, 53 and 54, 57 and 58, 61 and 62; 64, 65 and 66) and this has contributed to delays in taking decisions by the Board on financial matters thereby defeated the very purpose of nominating financial expert as a Director on the Board of the Company.

The Committee, therefore, recommends that Government shall ensure the nominee Directors to attend the meetings of various Public Undertakings without fail.

3. Trading Activity :

3.1 Subsidy Scheme under Public Distribution System (PDS)

The State Government introduced in November 1982 - a scheme for supply of Rice at Subsidised rates under PDS and this scheme was later modified in April 1983. To meet the requirements of rice under the scheme, Government decided in May 1983 that the allotments of rice from Central Government have to be supplemented by the Company with local purchase of rice from millers/traders in the State and that the Company would procure rice at the rates fixed by Government, distribute the same under the scheme and would claim (from State Government) subsidy for the difference between the cost of sales and the sale value realised. Upto 1990-91 the Company supplied under the scheme a total quantity of 73.34 lakh tonnes of rice (68.36 lakh tonnes on green cards, 2.68 lakh tonnes on yellow cards and 2.30 lakh tonnes to hostels run by Social Welfare Department) and 0.05 lakh tonnes of jowar (in Adilabad District) at a total cost of Rs. 2119.49 crores involving subsidy to the extent of Rs. 770.88 crores. The procurement of rice was organised by the Company through its officials in the cadre of Technical Assistant and payment to suppliers was arranged on the basis of analysis report as to grading and quality of rice. The Company had not created separate cadre of laboratory analyst but the Technical Assistants who were deployed for procurement and storage of rice were also engaged by rotation for analysis of samples in the laboratory, as a result, for the accuracy of analysis report the Company depended more on the integrity of the officials deployed for the work of analysis. Neither any norms were prescribed by the Company for test check of samples by the Manager of the district office and by the Manager/the General Manager of Procurement Wing at the Head Office nor any record of results of samples drawn for test check was maintained by these officers. It was only in May 1989, the Company created 3 posts of Managers in the field for quality control and operated them from October 1989, while the procurement activity was discontinued from May, 1990.

(Para 1.9.1)

The Committee observed that the activity of procurement of rice was undertaken by the Company in June 1983 while 3 posts of Managers for quality control were operated from October 1989, and consequently, out of 78 lakh tonnes of rice procured by the Company upto May 1990, through its officials from the rice millers/traders, more than 70 lakh tones

(90 Per cent were procured prior to formation of regional offices for quality control. The Committee observed further, from the replies that the Company has not created separate cadre of laboratory analyst on the ground that it involved additional expenditure.

The Committee considers that the Company had not made adequate and efficient managements for quality control in respect of its operations relating to procurement of rice for PDS during the period from June 1983 to September 1989; and therefore, recommends that the Company shall ensure simultaneous introduction of suitable systems (including for quality control) for every new activity to be undertaken in future.

3.2 Mid-Day Meal Programme :

Under Mid-day Meal programme launched by Government between November 1982 and April 1985, the Company supplied rice (1.10 lakh tonnes), dal (0.20 lakh tonne) and edible oils (0.03 lakh tonne) and it claimed a total amount of Rs. 4765.74 lakhs towards cost of commodities supplied, while Government released upto April 1985, a sum of Rs. 4192.97 lakhs only. The balance amount of Rs. 572.77 lakhs was pending realisation from Government in Education Department.

(Para 1.9.2)

The VC & MD explained that there was no reply from Education Department and also that he had intimated Government that amounts due to them (Government) would not be released by the Company unless it realised the amount due to it under MDM programme.

The Committee recommends that Government shall arrange the release of the balance amount of Rs. 572.77 lakhs due to the Company expeditiously by making necessary budgetary allocation and furnish a report to the Committee within 3 months.

3.3 Procurement Operations prior to 1980-81 :

The Company as an agent of State Government procured rice, upto 1978-79, for distribution under PDS at the rates fixed by Central Government and owing to poor off-take of rice under PDS, the Company disposed of in open market between November 1976 and June 1980 a total quantity of 0.51 lakh tonnes (out of 1.77 lakh tonnes procured during the period from 1974-75 to 1977-78), with the prior approval of State Government. The

Company's requests of January 1979, October 1980, and May 1981 for reimbursement of loss of Rs. 75.97 lakhs sustained on disposal of rice in open market were still pending with Government. Further, as a part of price support operations for 1978-79 the Company procured a quantity of 1.35 lakhs tonnes of paddy out of which 1.04 lakh tonnes were handed over to Food Corporation of India and the balance quantity of 0.31 lakh tonnes was disposed off in open market. The Company's request of February 1982 for reimbursement of loss of Rs. 26.54 lakhs sustained by it on disposal of 0.19 lakh tonne of paddy was still pending with Government and it had not yet worked out the loss on disposal of balance quantity of 0.12 lakh tonnes of paddy. (Para 1.9.3)

The Committee noticed that there was no representative from Government in Food and Agriculture Department and therefore, recommends that Government shall ensure its representation at all the future meetings of the Committee.

The Committee observed that there was failure on the part of the Company in working out the loss on disposal of 0.12 lakh tonnes of paddy in open market for submission of a claim for reimbursement, while there was abnormal delay on the part of Government in settlement of claims for reimbursement of loss submitted by the Company. The Committee therefore, recommends that Government shall arrange for expeditious settlement of claims of the Company for reimbursement of loss sustained on disposal of rice/paddy in open market.

3.4 Supply of rice to Karnataka State Food and Civil Supplies Corporation Limited (KSFCSC):

During the period from February to July 1981, the Company supplied 0.18 lakh tonnes of rice to KSFCSC and on account of supply of 0.04 lakh tonnes of rice by rice millers in damaged and torn gunny bags despatched in unclean rail wagons, the Company shared the transit loss suffered by KSFCSC to the extent of 50 per cent (Rs. 3.50 lakhs) subject to refund by KSFCSC 50 per cent of amounts realised by it towards insurance claims. However, neither KSFCSC intimated the Company the amounts realised towards insurance claims nor the matter was pursued by the Company. (Para 1.9.4)

The Committee observed that there was failure on the part of the officials of the Company to monitor the despatches which was not investigated into and also that it was only in December 1991 (i.e., two years after it was pointed out by Audit) the Company had taken up the matter with KSFCSC.

The Committee recommends that the Company shall ensure prompt follow-up action in the above matter and also that it shall take action to avoid recurrence of similar failures.

3.5 Levy-free Sugar :

During the period from July to November 1980, the Company purchased 7,024 lakh tonnes of Levy-free sugar (Cost: Rs. 387.77 lakhs) for sale through its retail counters and out of this, a quantity of 1,485 tonnes (Cost: Rs. 82.74 lakhs) was not disposed off on the request of the Commissionerate of Civil Supplies made in October 1986 to keep the same on hand as buffer stock to supplement PDS. The Company had also not initiated action to approach Government for reimbursement of holding costs (interest charges plus godown rent) which worked out to Rs. 37.25 lakhs up to March 1990 (from November, 1986).

(Para 1.9.5)

The Committee observed from the explanatory notes that the Company was initiating action for disposal of levy free sugar in open market for which orders were stated to have been obtained in December, 1991 from Government.

The Committee recommends that the Company shall arrange expeditious disposal of 1,485 tonnes of levy-free sugar and also submission of claim to Government for reimbursement of holding costs and that the Government shall arrange prompt settlement of the Company's claim in this regard.

3.6 Kerosene :

In February 1982, the Company obtained dealership, from Indian Oil Corporation Limited (IOC), for distribution of kerosene in certain areas of Ranga Reddy district. In October 1985, the Ranga Reddy district office entrusted the work of lifting of Kerosene from the storage depot of IOC at Sanathnagar and its distribution through hired tankers to an employee in the cadre of Attender without obtaining adequate security, although the work involved collection of cash of Rs. one lakh a day. No control was exercised over prompt accountal of cash transactions and consequently on reconciliation of accounts in May 1987, the district office noticed that the Attender had misappropriated Rs. 1.30 lakhs by short remitting the sale proceeds.

(Para 1.9.6)

The VC & MD explained that the Attender was suspended in July 1988. As the report of the Enquiry Officer revealed that the Attender was exclusively responsible for the misappropriation, he was dismissed from service in September 1989. He deposed further that the then Assistant Manager and Assistant (Grade-III) were awarded punishment of withholding increment for one year and six months respectively for their failure to supervise the transactions. He deposed also that, for the act of entrusting the work of distribution of kerosene to an Attender the explanation of the then Manager of the district office (who was a special grade Deputy Collector on deputation from Revenue Department) was called for through Government. The VC & MD also deposed that besides lodging a criminal complaint against the Attender with the Police authorities, the Company had also initiated action for recovery of the amount through Revenue Recovery Act (R R Act) but according to the information available there were no properties in his name for attachment.

The Committee considers that entrusting the work of collection of cash of over Rs. one lakh a day to an employee in the cadre of Attender (without obtaining adequate security) was a serious irregularity and also considers that not exercising control over receipt and remittance of sale proceeds for a continuous period of 20 months was a serious lapse on the part of supervisory officers. The Committee, therefore, recommends that the Company shall fix-up responsibility for the irregularity of entrusting the work to an Attender and it shall review the action taken against the supervisory officers to ensure that punishments awarded were appropriate. The Committee desires the Company to furnish a report in 3 months regarding the effective action taken to recover the loss.

3.7 Liquified Petroleum Gas (LPG) :

At the end of March 1989, the Company held 231 LPG burners (Stoves) valued Rs. 1.49 lakhs remaining unsold since 1983-84, while a sum of Rs. 1.45 lakhs was pending realisation from IOC towards cost of LPG in respect of defective cylinders (7 centres).

(Para 1.9.7)

The Committee observed that the stoves were yet to be disposed off, while a sum of Rs. 0.49 lakh (5 centres) pertaining to the period from 1984-85 to 1988-89 was pending realisation from IOC (at the end of March 1991).

The VC & MD deposed that the stoves could not be sold owing to withdrawal of ISI mark in 1984 and that the Company has decided to dispose off these stoves through tenders.

The Committee recommends that the Company shall expedite the disposal of these stoves and also the realisation of balance amount (Rs. 0.49 lakh) from IOC.

3.8 Edible Oil :

(i) Soyabean Oil:

During March and April 1984, the Company lifted from Hindustan Vegetable Oil Corporation Limited, Madras (HVOC) a quantity of 900 tonnes of Soyabean oil, out of which 640 tonnes (Cost: Rs. 89.38 lakhs) could not be sold due to consumer resistance owing to intolerable odour. Despite issue of instructions in August 1984 by Central Government to take back the oil, the supplier had actually taken back the oil between January 1985 and September 1985 and refunded the cost thereof by September 1985. On this transaction, the Company suffered a loss of Rs. 23.46 lakhs including Rs. 8.90 lakhs by way of interest charges attributable to delay in refunding the cost of oil by the supplier.

(Para 1.9.8(i))

The Committee observed that the Company had not preferred any claim on the supplier for reimbursement of Rs. 8.90 lakhs towards interest charges.

The Committee recommends that the Company should examine the possibility of preferring a claim on the supplier (HVOC) for reimbursement of the interest charges Rs. 8.90 lakhs. The Committee desires to have a report on the inordinate delay in taking action in this case.

(ii) Groundnut Oil :

The Hyderabad District office noticed in October 1987 that two stockists viz., M/s Kapadia Oil Industries Limited (KOIL) and M/s Vandana Industries Limited (VIL) for the period from December 1983 to June 1985 for handling the stocks of groundnut oil misappropriated stocks valued Rs. 1.04 lakhs and Rs. 1.35 lakhs respectively. The district office could, however, recovered Rs. 0.97 lakh from KOIL and Rs. 0.68 lakh from VIL. Bank guarantee for Rs. 1.20 lakhs each required to be furnished as per relevant agreements, was neither furnished by the stockists nor insisted upon by the Company. (Para 1.9.8(ii))

The Committee considers that the financial interests of the Company were not adequately secured. No bank guarantee was obtained from the Stockists. The Committee feels that the Company has taken a casual approach and failed to take effective action in this case right from the appointment of stockists. The Committee recommends that the Company shall investigate into the lapses in the above cases and fix responsibility on the officials responsible. The Committee considers also that the case of VIL which was referred to the District Collector, Hyderabad for recovery under RR Act was not properly pursued and therefore, recommends that the Company shall initiate special efforts for recovery of the amount of Rs. 0.67 lakh due from VIL.

3.9 **Fertilisers :**

During the period from July 1982 to August 1984, the Company carried on trading in fertilisers and according to its instructions of July 1982 the district offices were authorised to appoint commission agents after obtaining bank guarantees and cash deposits of Rs. 0.25 lakh each in each case and to supply stocks in multiples of 10 tonnes. However, in 12 cases in East Godavari district, two cases in West Godavari district and one case in Guntur district, the district offices had not only failed to collect bank guarantees but also released huge stocks without ensuring remittance of sale proceeds for the stocks released earlier. Consequently, a sum of Rs. 8.91 lakhs representing sale proceeds of fertilisers misappropriated by 15 stockists remained unrealised since 1983-84. (Para 1.9.9)

The Committee observed, from the explanatory notes, that the suits filed by the Company against 14 stockists from whom a sum of Rs. 8.94 lakhs was due were pending with the courts and that there was non-compliance of instructions and violation of procedures resulting in sorry state of affairs. The Committee observed further that in two cases in West Godavari district in which two stockists misappropriated sale proceeds to the extent of Rs. 3.15 lakhs and Rs. 0.52 lakh respectively, although the district office reported the facts of the cases in August 1985, instructions for filing suits were issued by the Head office only in July 1986 involving a delay of one year.

The VC & MD promised that he would probe into the matters and initiate action on the officials responsible for their lapses.

The Committee also observed that, according to the information furnished by the district offices to the Head Office, out of Rs. 8.91 lakhs representing the value of sale proceeds misappropriated by 15 stockists, a sum of Rs. 5.95 lakhs due from 11 stockists was considered irrecoverable, while the balance amount of Rs. 2.96 lakhs due from 4 stockists was considered doubtful of recovery.

The Committee cannot but conclude that there was gross negligence on the part of the supervisory officers. They are not exercising effective control over the stockists. The Committee, therefore, recommends that the Company shall fix responsibility on the officials concerned for various lapses including issue of fertilisers to M/s Kumar Traders (Gummuluru) of West Godavari district and Sri K. Daveedu of Guntur district from whom the amount pending realisation was Rs. 2.20 lakhs and Rs. 1.50 lakhs respectively.

3.10 Cement :

(i) Loss of demand drafts and issue of release orders against used demand drafts.

Reconciliation of stock and cash accounts of the Ranga Reddy district office revealed (August/November 1988) that 534 demand drafts (DDs) for Rs. 38.82 lakhs in respect of 500 release orders for cement issued during the period from July to October 1986 were neither remitted into the bank nor physically held by the concerned officials and 18 release orders for cement involving Rs. 0.66 lakh were issued by the officials using certain DDs aginst which release orders were already issued in the past. The failure to detect the non-remittance of DDs as also the issue of release orders without obtaining DDs and the delay in obtaining duplicate DDs as also recovery of amounts from the concerned staff resulted in loss of Rs. 17.95 lakhs, up to March 1990, by way of interest charges.

(Para 1.9.10(i))

The VC & MD explained that the above irregularities were noticed by the district office at the time of reconciliation of accounts; a preliminary report was received from the Manager of the district office in November 1988 and an Enquiry Officer was appointed in June 1989. He deposed further that pending receipt of report from the Enquiry Officer, three officials who worked in the district office during the relevant period viz., the then one Assistant Manager and two Assistants (Grade - I) were suspended in June 1989 and owing to non-receipt of report from the Enquiry Officer within a period of six months the three

officials were reinstated in January 1990. He also deposed that according to the report of the Enquiry Officer, which was received in January 1990, (i) one Assistant (Grade - III) who was appointed on daily wage basis was responsible for the loss of DDs as well as for misuse of DDs for second time resulting in issue of release orders without actual collection of DDs (ii) two Assistants (Grade - I) were responsible for not discharging their duties in receipt of DDs and issue of release orders and (iii) two Assistant Managers were responsible for gross negligence in supervising the transactions.

The Committee observed, from the explanatory notes of the Company, that on the basis of its report of June 1989 Government appointed an Enquiry officer to investigate into the lapses on the part of the then Manager of the district office and on the basis of report of an Enquiry officer (appointed by Government) dropped the charges against him. The Committee observed further that the two Assistant Managers were awarded punishment of stoppage of increments, without cumulative effect, for one year and three months respectively and that the two Assistants (Grade - I) were not yet awarded punishment. The Committee observed also that the Company initiated action only in February 1992 to lodge a criminal complaint against the then Assistant (Grade - III) and the Police authorities were yet to register the same.

The Committee observed, from the explanatory notes of the Company, that the Ranga Reddy District office realised a sum of Rs. 37.68 lakhs by obtaining duplicate DDs and a balance amount of Rs. 1.67 lakhs including Rs. 0.33 lakh towards issue of release orders on used DDs was pending realisation. The Committee observed further that one Banker's Cheque for Rs. 0.52 lakh fell into the hands of the Company's transport contractor who submitted it to Andhra Pradesh State Essential Commodities Corporation Limited (APSECC) towards his security deposit as Taluk-level stockist but later obtained refund and that a criminal complaint against him was being lodged by the Ranga Reddy district office. The Committee observed also that the balance amount of Rs. 1.15 lakhs pending realisation comprised (i) Rs. 0.15 lakh the particulars of which were not identified so far; (ii) Rs. 0.33 lakh towards cost of cement released against used DDs and (iii) Rs. 0.67 lakh towards cost of cement released against fictitious DDs.

The Committee is compelled to conclude that there was a total lack of supervision on the working of the subordinates as well as distribution of cement through PDS and that no tangible efforts were made to ensure that the procedure laid down in supply of cements had been made after complied with all the requirements, especially, the Manager of the district office had delegated such a responsible job of issue of release orders to subordinate staff. The Committee considers that although the irregularities committed were very serious involving loss of Rs. 18 lakhs by way of interest charges, Government dropped the charges against the then Manager of the district office despite

his failure to oversee the functioning of his office and subordinates while the Company awarded very mild punishments on the then two Assistant Managers, not yet awarded punishment on the then two Assistants (Grade-I) and had not taken any action on the then Assistant (Grade-III) on daily wages and thus, no severe action was taken against the officials actually responsible. The Committee considers further that evenafter a lapse of 5 years, the Company had not initiated action (i) to investigate into the circumstances leading to the loss of DDs and the circumstances leading to one DD falling into the hands of a transport contractor and (ii) to fix responsibility for the loss of Rs. 18 lakhs by way of interest charges. The Committee considers also that the Company had not examined the scope for initiating criminal action against the officials for the amounts, if any. determined as misappropriated in the above case.

The Committee, after examination of information furnished by the Company. recommends that all the officials responsible for various irregularities and acts of ommission/commission in the above case shall be awarded appropriate punishment. The Committee desires that a report on the action taken should be furnished by the Committee in 3 months time.

(ii) Release of advances to cement factories.

The Company's Head office released between October 1985 and August 1987 advances aggregating Rs. 84.90 lakhs to three cement factories, of which, advances to the extent of Rs. 67.27 lakhs were cleared between August 1986 and November 1988 towards cost of cement supplied by the factories and the advances aggregating Rs. 17.63 lakhs remained unadjusted against one factory to end of March 1990. The release of advances to factories without ensuring the supply of cement against previous advances resulted in loss of Rs. 26.27 lakhs by way of interest charges up to March 1990. Despite instructions of Central Government to cement factories to pay interest at 14 per cent per annum on unadjusted advances, none of the factories paid any amounts towards interest and the Company also did not prefer any claims in this regard. (Para 1.9.10(ii))

The VC & MD informed the Committee that an amount of Rs. 16 lakhs was since recovered from the factory and the balance of Rs. 1.63 lakhs outstanding in books of the Head Office and Rs. 1.10 lakhs outstanding in books of the Guntur district office could not be recovered as the factory became sick and it approached the Honourable High Court when the Company proposed recovery through RR Act. He however, admitted that payment of advances and receipt of cement were continuous processes for which periodical reconciliation was not done.

The Committee considers that the officials at the Company's Head office had failed to arrange reconciliation between the advances released and the value of stocks received and that they also acted against the interests of the Company by not only extending favour to cement factories through release of advances without ensuring supply of cement against previous advances but also by not claiming interest from factories on unadjusted advances (at 14 per cent per annum, as per the instructions of Central Government); these acts of ommission and commission on the part of the officials resulted in locking-up of funds and consequential loss of Rs. 26.27 lakhs by way of interest charges.

The Committee, therefore, recommends that the Company shall investigate thoroughly into the matter and fix responsibility on the officials responsible for the above acts of ommissions and commissions and initiate action to recover the loss to the Government and submit a report to the Committee.

(iii) Claim towards railway freight reimbursement.

The failure on the part of the Adilabad district office to submit a claim for Rs. 1.30 lakhs towards reimbursement of railway freight (for the period from August to November 1985) in prescribed form within the prescribed time of 6 months resulted in loss to that extent owing to rejection of the claim (as time barred) by the Development Commissioner for cement industry (DDCI). (Para 1.9.10(iii))

The VC & MD informed that the amount involved in the claim was deposited by the factory with the DDCI who rejected in June 1988 the Company's claim as time barred. He further informed that, after pursuation by the Company the DDCI condoned the delay in December 1990 and advised the cement factory to settle the claim.

The Committee considers that there was failure on the part of the officials of the Adilabad district office to submit the claim within the prescribed time, and therefore, recommends that the Company shall ensure that recurrence of such failures are avoided in future.

3.11 Amounts pending realisation in respect of trading upto 1982-83:

In respect of the Company's supply of commodities to other organisations during the period from 1979-80 to 1982-83, a sum of Rs. 19.79 lakhs remained unrealised so far and this comprised Rs. 6.65 lakhs from Andhra Pradesh State Trading Corporation Limited (APSTC), Rs. 3.42 lakhs from Kerala State

Civil Supplies Corporation Limited (KSCSC) and Rs. 5.72 lakhs (including Rs. 5.44 lakhs towards interest charges) from Karnataka State Food and Civil Supplies Corporation Limited (KSFCSC). The Company did not pursue its claims effectively and the delay in realisation of these amounts resulted in loss of Rs. 19.49 lakhs by way of interest charges up to March 1989.

(Para 1.9.11)

The VC & MD informed the Committee that KSFCSC rejected the Company's claim for Rs. 5.44 lakhs towards interest charges for delay in payment of cost of rice supplied while KSCSC did not settle the claims for want of its stock receipt vouchers, copies of which had since been supplied by the Company in the recent past and that action has been initiated for realisation of the amount due from APSTC.

The Committee considers that the officer of the concerned sections at the Head office who organised the supply of commodities did not pursue with the customer-organisations for realisation of amounts involving Rs. 17.79 lakhs for several years and this ommission resulted in loss of interest of Rs. 19.49 lakhs up to March 1989. The Committee, therefore, recommends that the Company shall ensure, besides expeditious realisation of the amounts in this case, introduction of suitable systems by which the officials in functional departments concerned at the Head office are made accountable for realisation of amounts due on activities organised by them.

4. Warehousing :

The Company was entrusted with the activity of procurement of rice for subsidy scheme (Rs. 2 a Kg) under PDS in June 1983 and consequently it was procuring rice till it discontinued the activity in May 1990 for want of Government orders (for procurement). For purposes of storing the rice procured, the Company was hiring godowns from Central Warehouse Corporation (CWC) and Andhra Pradesh State Warehouse Corporation (APSWC) and also from private parties. A review of utilisation of godowns in 20 out of 23 districts for the years 1986-87 and 1987-88 revealed that the utilisation of capacity was less than 25 per cent in respect of 300 godown months in 1986-87 and 255 godown months in 1987-88 (godown month - one godown for one month); the maximum utilisation of godown space in respect of these 300 godown-months in 1986-87 worked out to 0.70 lakh tonnes as

against reservation of 6.63 lakh tonnes and that in respect of 255 godown-months in 1987-88 worked out to 1.24 lakh tonnes as against reservation of 6.06 lakh tonnes. A further analysis of capacity utilisation of hired godowns with reservation at 2,000 tonnes and above during the years 1986-87 and 1987-88 revealed large scale under utilisation of capacity in respect of 37 godowns involving 46 spells of 3 months and above. A judicious assessment of requirements in these cases could have avoided reservation to the extent of 6.57 lakh tonnes and could have resulted in a saving of Rs. 65.70 lakhs towards godown hire charges. Further, the Company had not determined, from year to year, maximum and minimum levels for storage space for peak period (December to April), lean period (June to September) and other months separately for heavy/medium-level procurement districts and other districts, keeping in view the district-wise targets for procurement and allotments for distribution.

(Para 1.10)

The Committee considers that the Company could have avoided under utilisation of godown space by monitoring the reservation and the utilisation of space in hired godowns and, therefore, recommends that the Company shall ensure maximum utilisation of godown space in future, as and when it has to undertake this activity again.

5. Levy Sugar :

The Central Government's allotment of levy sugar for the months of September to November 1986 included 13,500 tonnes of L-30 grade sugar on three factories in Karnataka State. These three sugar factories viz., M/s Sri Chamundeswari Sugars Limited at Bangalore, M/s Pandavapura Sahakara Karkhana Limited at Pandavapura and M/s Ugar Sugar Works Limited at Sangli, in their telegrams dated 16th, 19th and 20th August 1986 respectively, advised the Company to take delivery of S-30 grade sugar on payment at Rs. 4,286-20 per tonne (i.e. at Rs. 112-00 per tonne over the rate prescribed by Central Government) as per interim orders of the Honourable High Court of Karnataka. Accordingly, the Company lifted a total quantity of 13,400 tonnes of S-30 grade sugar on payment of higher rate demanded by the sugar factories. The Company noticed in September 1986 (on review of extracts of interim orders of the Honourable High Court of Karnataka obtained by the Company from the sugar factories) that while allowing (in May-June 1986) an increase of Rs. 11.20 per quintal of levy sugar of S-29 grade in the writ petitions filed by all the three sugar factories, the Honourable High Court of Karnataka allowed corresponding difference (Rs. 11.20 per quintal) for other grades of sugar

only in writ petition of M/s Sri Chamundeswari Sugars Limited from which 5,000 tonnes of sugar was lifted. While pointing out the non-coverage of S-30 grade sugar in the interim orders of the Honourable High Court of Karnataka to the remaining two sugar factories from which 8,400 tonnes of sugar was lifted, the Company claimed in September 1986 refund of amounts aggregating Rs. 9.41 lakhs excess collected by them (at Rs. 112 per tonne). There was no response from M/s Ugar Sugars Limited while M/s Pandavapura Sahakara Karkhana Limited clarified in November 1986 that there was an ommission in the interim orders issued by the Honourable High Court of Karnataka about other grades of sugar and that their counsel filed an application in the matter on which orders were awaited. There was no further communication from these two sugar factories since then and the Company also did not pursue the matter thereafter. The payment of differential amount of Rs. 9.41 lakhs to sugar factories at Pandavapura and Sangli which was not covered by orders of the Honourable High Court or the Central Government but represented the payment received by the factories on mis-representation of facts resulted in locking up of funds (Rs. 9.41 lakhs) with consequential loss to the extent of Rs. 3.96 lakhs by way of interest charges upto March 1989. (Para 1.11)

The Company in its explanatory notes, explained that the payment of Rs. 9.41 lakhs towards differential cost of sugar to the factories at Pandavapura and Sangli was made as per the orders of Honourable High Court and hence the funds of the Company were neither locked up nor consequential loss of interest occurred. The Committee observed from the extracts of interim orders of the Honourable High Court of Karnataka that the reply contained in the explanatory notes was factually incorrect.

The Committee considers that there was failure on the part of the officials at the Head office to pursue the Company's claim of September 1986 for refund of Rs. 9.41 lakhs and also to pursue the matter for final orders on writ petition of M/s Chamundeswari Sugars Limited. The Committee takes a serious view of the misrepresentation of facts and inaccuracy in the explanatory notes. The Committee, therefore, recommends that the Company shall investigate into the matter and fix responsibility on the officials responsible for failure to pursue the claim and for his representation of facts to the Committee.

6. Transport Contracts :

6.1 Award of Contracts :

For the movement of food grains both inter-district and intra-district, levy sugar from factories to Mandal Level Stock (MLS) points and pamolein oil from Visakhapatnam to MLS points, the Company had been appointing district-wise transport contractors separately for each commodity and for each year. The appointment of contractors had been on the basis of quotations against tender notifications. Out of 270 contracts awarded during the period from 1985-86 to 1988-89, 85 contracts (31 per cent) were based on single quotation, 60 contracts (26 per cent) were based on two quotations. There was no participation of transport contractors on large scale and this was due to non-indication of approximate quantity/distance or the estimated volume of work to be undertaken either in tender notice for transaction or in the scope and terms of work specified in tender schedule/draft agreement. (Para 1.12.1)

The Committee observed that the tender notice of the Company contained as "Sealed tenders are invited for transport of levy sugar from various sugar factories within and outside the State and other sources like godowns, goods sheds, etc., located anywhere within and outside the State to various places in the districts of A.P.". The Committee also observed that Clause 7 of draft agreement which relates to volume of work provides for as "The Corporation does not guarantee any volume of work at any time during the period of agreement". The Committee considers that the tender notice is too vague to attract the attention of transport contractors and that despite the fact that the number of transport operators in the State is large, there was no large scale participation by transport contractors owing to non-indication of approximate volume of work to be undertaken. The Committee considers also that, keeping in view the volume of transportation work done for each commodity in each district in the previous years as also the requirements/anticipated allotments of each of the commodities for distribution under PDS, the Company could have indicated approximate quantities/volume of work in the tender notice/ tender schedule. In the opinion of the Committee the absence of this information in the tender notice is one of the reasons for not getting competitive tenders by the Company.

The VC & MD did not furnish justification for not indicating earlier the approximate work load but gave an assurance that the Company would indicate in future the approximate quantities in the tender notice/tender schedule.

The Committee may be informed of the fact of compliance of assurance given by the VC & MD.

6.2 Non-rendition of Accounts :

Sri D. Venkateswara Rao, the contractor for transportation of pamolein oil in Nizamabad and Medak districts for the year 1981-82 failed to render account for a quantity of 155 tonnes of pamolein oil for Medak district and a civil suit filed in June 1984 for rendition of accounts or alternatively for recovery of cost thereof (Rs. 14.13 lakhs) was decreed in August 1991 in favour of the Company. Follow-up action was yet (June 1992) to be taken by the Company for recovery of Rs. 2.46 lakhs determined (on reconciliation of accounts) as recoverable from the Contractor. Further, the Contractor was required to furnish bank guarantee for Rs. one lakh in respect of each of his contracts while he furnished only one bank guarantee which was in respect of Nizamabad district. The Head office released the Bank guarantee on the basis of no due certificate issued by the Nizamabad district office and without ascertaining the position in regard to his performance for Medak district. The committee observed from the explanatory notes that the Bank guarantee was released on the plea that the Bank did not agree to extend the validity period of its guarantee. (Para 1.12.2)

The Committee observed that instead of ascertaining the position in regard to the contractor's performance in Medak district and lodging a claim with the Bank for invoking the bank guarantee, the officials at the Head office released the bank guarantee and thus, they failed to safe-guard the interests of the Company. The Committee, therefore, recommends that the Company, besides initiating follow-up action in the court case, shall investigate into the matter and fix responsibility on the officials concerned for the above lapse.

6.3 Transport Contractors on Ad-hoc basis :

For transportation of pamolein oil from visakhapatnam, the district-wise contracts were to expire by 31st May 1985 and owing to delay in finalisation of contracts for subsequent period of one year, the Company had to extend the contractual period of the existing contractors upto 31st July, 1985. As the then existing contractors stopped lifting of oil from 17th June 1985 (demanding payment of transportation charges at higher rates), the Company appointed ad-hoc transport contractors (by obtaining spot tenders) for the period from 20th June to 31st July 1985 and the appointment of ad-hoc transport contractors involved extra expenditure of Rs. 3.41 lakhs. (Para 1.12.3)

The Committee observed that despite the fact that the existing contracts were to expire by 31st May, 1985, the process of inviting tenders for 1985-86 was taken up only on 16th May 1985 and consequently, the Company could not finalise the tenders before expiry of contractual period of existing contractors. The Committee noticed the failure of the Company to investigate the reasons for the delay in initiating action to call for tenders and also recommends that with a view to safeguard the interests of Government and the Company, all precautionary action shall be taken in future. The Committee, therefore, recommends that the Company shall ensure non-recurrence of such delays in future.

6.4 Departmental Movement of Stocks :

(i) Sri B. Satyanarayana, the contractor for transportation of levy sugar in Chittoor district for 1984-85 failed to lift sugar for the period from November 1984 to January 1985 and the district office arranged the movement departmentally (2,872 tonnes) at an additional expenditure of Rs. 1.79 lakhs. As the district office failed to issue a notice to the contractor intimating his failure and the Company's intention to arrange departmental movement at his cost, the recovery of this additional expenditure from the contractor was waived.

The VC & MD informed the Committee that explanation of the then Manager of the district office was called for and the same was awaited.

The Committee recommends that the Company shall investigate into the matter and fix responsibility on the officials concerned for the above failure.

(ii) M/s Balaji Transport Company, the contractor for movement of food grains in Nizamabad district for 1983-84 discontinued the work from May 1983 on the ground of ill-health and consequently, the district office got the work for the balance period done by another contractor at an additional expenditure of Rs. 3.10 lakhs (out of which Rs. 0.05 lakh were realised by adjustment of security deposit). No action was taken either by the Head office or by the district office for recovery of this additional expenditure.

The VC & MD deposed that action for recovery of amount under the RR Act has been initiated in 1990 and also that the explanation of the then Manger of the district office was called for and the same was awaited.

The Committee recommends that the Company, besides ensuring effective follow-up action for recovery of the amount due from the contractor, shall investigate into the matter and fix responsibility on the officials concerned for not initiating action upto 1990 in the above case for recovery of the amount of Rs. 3.05 lakhs from the contractor. The Committee desires to have a report of action taken by the Company in 3 months time.

(iii) Sri D. Shankaraiah, the contractor for movement of sugar in Medak district for 1984-85 failed to lift sugar on several occassions and the district office arranged the movement departmentally (5,479 tonnes) at an additional expenditure of Rs. 2.94 lakhs out of which Rs. 0.82 lakh were realised by adjustment of transport charges payable to the contractor.

The VC & MD deposed that the district office was instructed in 1992 to initiate action for recovery of the amount under the RR Act but the contractor obtained a stay order in the matter from the Honourable High Court of Andhra Pradesh.

The Committee recommends that the Company, besides ensuring effective follow-up action for recovery of the amount due from the contractor, shall investigate into the matter and fix responsibility on the officials concerned for not initiating action (upto 1992) in the above case for recovery of the amount (Rs. 2.12 lakhs) from the contractor.

(iv) Sri Suresh Reddy, the contractor for movement of food grains in Nizamabad district for 1984-85, whose contractual period was extended in January and April 1985 for the period from March to June 1985 (as per terms of agreement), failed to transport food grains during the period from April to June 1985; and consequently, the district office arranged the movement departmentally at an additional expenditure of Rs. 2.20 lakhs out of which Rs. 0.20 lakh were realised by adjustment of security deposit. The Company could not invoke the bank guarantee for Rs. 0.50 lakh owing to pendency of a writ petition with the Honourable High Court of Andhra Pradesh. (Para 1.12.4)

The VC & MD deposed that the terms of agreement provides for extension of contractual period and therefore, the contractual period, which was to expire by February 1985, was extended in January 1985 up to April 1985 and again in April 1985 up to June 1985. He deposed further that the Arbitrator who was appointed in the case determined that the contractual period could be extended only for two months.

The Committee considers that the contractual period of the contractor was extended twice for two months on each occassion and this was due to non-finalisation of tenders for the subsequent period. The Committee, therefore, recommends that the Company, besides ensuring recovery of additional expenditure for the months of March and April 1985 (as per Arbitration award), shall investigate into the circumstances under which the contractual period was extending (in April 1985) for the second time (upto June 1985) and take appropriate follow-up action.

6.5 Diversion of the Company's Stocks :

M/s Tarakaprabhu Transports, the contractor for movement of food grains in East Godavari district for the year 1986-87 diverted in February 1985 a quantity of 9.9. tonnes of rice (Cost: Rs. 0.35 lakh) into black market with the connivance of the stockist at Mamidikuduru but delivered the stock at the destination 12 days after lifting from the Company's godowns at Drawapuri; and a writ petition filed by the contractor against the Company disputing the forfeiture of security deposit (Rs. 0.75 lakh) was pending with the court.

M/s K. Ramamurthy and Company, the contractor for movement of food grains in Nalgonda district for the period from November 1985 to January 1987, diverted a total quantity of 51.2 tonnes of rice lifted in December 1986 and January 1987 from godowns at Chityal and Miryalaguda; out of Rs. 3.17 lakhs determined as recoverable at double the cost, a sum of Rs. 2.20 lakhs was recovered and a writ petition filed for recovery of balance amount of Rs. 0.97 lakh was pending with the Court. Further, the Vigilance cell of the Civil Supplies Department in East Godavari district seized between May 1987 and January 1988, one truck each belonging to the contractors respectively for the year 1986-87 and 1987-88 of Prakasam district for transportation of pamolein oil and one truck belonging to the contractor of Ranga Reddy district for movement of sugar for 1987-88 while

the commodities-in-transit (20 tonnes of pamolein oil and 10 tonnes of sugar) were being disposed of in black market, and the Company recovered from the transport contractors amounts equivalent to double the cost of commodities involved.

(Para 1.12.5)

The Committee observed from the explanatory notes that the Company had not initiated any criminal action under the Essential commodities Act against the transport contractors for diversion of essential commodities to black market, on the plea that it was not empowered to take action under the said Act.

The Committee considers that, for recovery of amounts due from private parties the Company has been referring the cases to Revenue authorities for initiating proceedings under the RR Act and on the same lines, apart from effecting recovery of cost of commodities involved, it should have referred the cases of diversion of essential commodities to black market to the Vigilance cell of the Civil Supplies Department for initiating criminal proceedings under the Essential Commodities Act.

The Committee, therefore, recommends, that in all cases of diversion/misappropriation of Essential commodities, the Company shall ensure initiation of criminal action under the Essential Commodities Act by referring the cases, in time to the competent authorities under the said Act.

.6 Short accountal of Stocks :

At the end of March 1990, a sum of Rs. 17.11 lakhs was pending realisation from 9 transport contractors (including Rs. 10.62 lakhs from 5 contractors referred to in paragraph Nos. 1.12.2, 1.12.4 (ii) (iii) and (iv) and 1.12.5(ii) supra) towards cost of commodities short delivered/not delivered.

(Para 1.12.6)

The Committee recommends that the Company shall ensure expeditious realisation of Rs. 17.11 lakhs due from transport contractors by initiating effective steps under a time bound programme.

7. Inter-district movement of rice by rail :

In the case of movement of rice by road no transit loss was permissible since July 1987 (prior to July 1987, transit loss up to 0.25 per cent was allowed). The movement of stocks of rice from four surplus districts (East Godavari, West Godavari Krishna and Guntur) to other districts during a period of

5 years from 1984-85 to 1988-89 involved despatch of 1.75 lakh tonnes by road and 4.31 lakh tonnes by rail wagons/rakes. While the losses-in-transit by road worked out to 184 tonnes (0.11 per cent), the losses in transit by rail worked out to 3,572 tonnes (0.83 per cent) valued Rs. 106 lakhs. No claims were preferred with Railway authorities towards cost of rice lost in transit by rail. (Para 1.13)

The Committee observed from the explanatory notes that, while working out the economics for transportation by rail, the Company was providing 0.5 per cent towards handling and transit loss while the actual transit loss by rail alone on an average for the five year period, worked out to 0.83 per cent. The Committee observed further that the Company did not prefer claims with Railway authorities on the ground that, for the stocks despatched by rail, "Said to contain" receipts were issued to the Company on which the Railway authorities did not undertake any responsibility for transit losses unless the seals were broken.

The Committee observed also that, after it was pointed out in audit, the Company preferred claims on Railway authorities for Rs. 2.17 lakhs in 10 cases of transit loss for the period from 1988-89 to 1990-91. The Committee observed further that the district offices had not analysed (to keep on record/to inform the Head office) the reasons in individual cases of huge losses in transit by rail, particularly when the seals were in tact and also the reasons for not preferring claims in cases, if any, in which seals were broken.

The Committee recommends, in view of above observations, that the Company shall arrange detailed examination into individual cases of huge losses in transit by rail and ensure that there was no failure on the part of district offices to submit claims with Railway authorities towards transit losses.

8. Sales on credit :

8.1 Supply of edible oils on credit to APSECC :

The Company has been lifting imported edible oils from storage depots of State Trading Corporation of India Limited (STC) on payment of cost thereof from April 1985 (following the withdrawal of 30 days credit facility by STC in April 1985), it was supplying the oils to APSECC on credit (till October 1991) and the actual realisation of sale proceeds from APSECC extended upto 5 months. In the cost structure for imported edible oils prescribed by Government, margin towards interest charges was allowed to APSECC which had no investment on the transaction,

while no such margin was allowed to the Company which had invested huge sums for purchase of oils from STC. The process of initial investment by the Company for lifting the oil and subsequent realisation from APSECC during the three years up to 1988-89 involved additional expenditure to the Company to the extent of Rs. 412 lakhs towards interest charges while income earned by the Company by way of service charges for these three years was only Rs. 70 lakhs. A committee constituted, by the Board of Directors of the Company in September 1987, to study the issue and submit specific proposals but did not submit any proposals so far. (Para 1.14.1)

The Company stated in its explanatory notes, that the Company utilised the accumulations under Price Equivalent Fund on oil for financing the purchase of imported edible oils and hence, there was no loss by way of interest charges.

The Committee considers that there was no justification in allowing margin towards interest charges to APSECC which had no investment on the transaction while not allowing similar margin to the Company; and therefore, recommends that the Company shall approach Government for allowing margin towards interest charges, in the cost structure (for imported edible oils).

8.2 Supply of Commodities on credit to FP shop dealers :

The administrative authorities in Nizamabad District introduced in January 1982 a model scheme for supply of essential commodities on credit to FP shop dealers, under which the Taluk Level stockists (TLSs) were to supply commodities on credit for six days, collect the sale proceeds from FP shop dealers on seventh day and remit the same to the Company's district office. The TLSs failed not only to collect sale proceeds but also to remit sale proceeds collected by them, resulting in accumulation of dues to Rs. 182.33 lakhs by June 1984. The amount outstanding at the time of discontinuance of the scheme in June 1987 was Rs. 31.95 lakhs; of this a sum of Rs. 12.04 lakhs was still pending realisation and this comprised Rs. 10.33 lakhs due from DCMs, Nizamabad which had gone into liquidation in the year 1987 and Rs. 1.71 lakhs due from CMS, Nizamabad and CMS, Bodhan which were merged in the year 1987 and formed into a new society named Indur CMS, Nizamabad. Further, according to the Nizamabad district office, a sum of Rs. 14.71 lakhs representing the sale proceeds collected from FP shop dealers was utilised by the DCMS, Nizamabad for its business and hence, it claimed Rs. 22.54 lakhs towards interest charges on the amount thus utilised by the DCMS. (Para 1.14.2)

The Committee observed from the explanatory notes that the Nizamabad district office had been pursuing the matter with the District administration.

The Committee considers that the scheme, which was introduced by the District-Level administration, without approval of Government, was not effectively monitored resulting in non-remittance/delays in remittance of sale proceeds by the DCMS and the two CMs; and therefore, recommends that the Company shall initiate correspondence with appropriate authorities in Government for expeditious realisation of amounts due from the above three societies.

9. **Defaults by Banks :**

(1) In the following cases of mail transfers there was abnormal delay on the part of the Banks in effecting transfer/rectification entries :

(i) SBI, Hyderabad transferred in May 1981 Rs. 20 lakhs to Srikakulam but debited the Head office account with Rs. 40 lakhs and the excess debit of Rs. 20 lakhs was withdrawn in July 1985.

(ii) SBI, Hyderabad transferred Rs. 35 lakhs in June 1981 to Bhimavaram and SBH, Hyderabad transferred Rs. 7 lakhs in February 1981 to Khammam; and these amounts were credited back to the Head office account respectively in August 1983 and July 1986 as the respective out-station branches failed to respond to the transfer.

(iii) SBI, Hyderabad transferred Rs. 5 lakhs in June 1981 to Visakhapatnam and Rs. 10 lakhs in March 1983 to Nalgonda; and these amounts were credited to the account of the concerned district office respectively in November 1985 and November 1988.

The amount of interest charges in the above 5 cases worked out to Rs. 38.84 lakhs up to June 1989 at simple rate of 15 per cent per annum.

(2) (i) A sum of Rs. 90.60 lakhs representing the amounts involved in 22 mail transfers pertaining to the period from July to October 1986 from Indian Bank at Chittoor were credited to the Company's account at Hyderabad in May, 1987; and the delay in crediting the amounts in time (5 days) resulted in loss of Rs. 9.30 lakhs by way of interest charges (at 15 per cent per annum).

(ii) A review of bank scrolls for the period from 1985-86 to 1987-88 pertaining to SBI, SBH and Andhra Bank at Hyderabad revealed delays in crediting the amounts involved in mail transfers from out-station branches; and the delays in transfer of over Rs. 0.25 lakh in each case were as follows:

Period of delay in months	Number of transfers	Amount (Rupees in lakhs)
(1)	(2)	(3)
1-3	144	228.28
4-6	22	44.49
7-12	37	63.63
13-24	44	84.26
Over 24	10	11.46
	257	432.12

The delays in crediting the amounts indicated above resulted in a loss of Rs. 36.97 lakhs by way of interest charges (at 15 per cent per annum).

(3) Andhra Bank at Pithapuram failed to transfer at regular intervals the amounts (sale proceeds) deposited with it during the period from June 1986 to February 1987 to the Company's account at Hyderabad resulting in accumulation of balance up to Rs. 70 lakhs. While pointing out the above failure in October 1988, the Kakinada District Office claimed Rs. 4.81 lakhs towards interest charges (at 16.5 per cent per annum) for which there was no response from the Bank. (Para 1.15)

The VC & MD deposed that the Company had been operating cash credit with SBI and therefore, it had already addressed SBI to recalculate the interest on cash credit taking into account various errors of omission/commission on its part in effecting transfers/credits and also other banks (SBH and Andhra Bank) to reimburse the interest charges on its cash credit in all cases of errors of ommission/commission on their part in effecting transfers/credits. He deposed further that there was no response in the matter from the Banks. During the course of discussions, the Vice Chairman and Managing Director admitted that in case the banks failed to give credit towards interest charges for delay in rectification of errors/ommissions on their part, the Company was entitled to initiate legal proceedings.

The Committee recommends that the Company shall take up with appropriate authorities of Banks for expeditious settlement of its claims for recalculation of interest charges on cash credit with SBI and for reimbursement of interest charges (on cash credit) with other banks before resorting to legal Proceedings.

10. Delay in realisation of sale proceeds :

(1) The Deputy Tahsildar who was in-charge of MLS points at Vikarabad and Marapally of APSECC in Ranga Reddy district failed to remit sale proceeds to the extent of Rs. 21.51 lakhs pertaining to the period from March 1985 to August 1986; and the amount comprised Rs. 18.96 lakhs representing the amounts involved in erroneous remittances into the bank accounts of APSECC, Rs. 1.14 lakhs representing value of rice stocks released on credit to FP shop dealers and Rs. 1.41 lakhs representing the value of demand drafts not traceable.

(2) The Deputy Tahsildars who were in-charge of MLS points in East Godavari District failed to remit sale proceeds aggregating Rs. 69.10 lakhs pertaining to the period from 1983-84 to 1985-86; and the amount comprised Rs. 15.64 lakhs representing the amounts involved in erroneous remittances into the bank accounts of APSECC, Rs. 51.83 lakhs representing value of sale proceeds short remitted/misappropriated and Rs. 1.63 lakhs representing value of shortages in stocks. (Para 1.16)

The VC & MD deposed that the amounts involved in above two cases were fully recovered by adjustment from commission charges payable to APSECC.

The Committee considers that by effecting recovery from commission charges payable to APSECC, the amounts recoverable from the Deputy Tahsildars have been cleared in the books of the Company by transfer to APSECC. The Committee considers further that the amounts of sale proceeds not realised, excluding the amount involved in erroneous remittances, was Rs. 2.55 lakhs in respect of Ranga Reddy district while it was Rs. 53.46 lakhs in respect of East Godavari district. The Committee, therefore, recommends that the Commissioner of Civil Supplies

and the Vice-Chairman and Managing Director shall ensure that the above cases are got investigated properly and responsibility is fixed on the then Deputy Tahsildars and take effective action, civil or criminal as the case may be to recover the amount.

11. Misappropriation of stocks and sale proceeds :

11.1 At the end of March 1988, a sum of Rs. 218,45 lakhs was pending realisation from the stockists comprising Rs. 88.84 lakhs towards value of shortages in stocks of rice, sugar, jowar and pulses and Rs. 129.61 lakhs towards short remittances/ misappropriation of sale proceeds. Of this, Rs. 84.23 lakhs were realisable from the Deputy Tahsildars/Revenue Inspectors of Revenue Department who were handling the Mandal-Level stock (MLS) points while the balance amount of Rs. 134.22 lakhs was recoverable from other stockists comprising private parties and co-operative societies. Despite the fact that most of these cases of misappropriation of stocks and sale proceeds related to the period from 1982-83 to 1985-86, the Company could not furnish the latest position of amounts pending realisation. According to the information available with the Accountant General (collected from the accounts for the year 1990-91) the amounts pending realisation at the end of March 1991 excluding amounts recoverable from stockists for cement, fertilisers and edible oils and from transport contractors were as indicated below:

Year and Classification	Civil supplies DTs/RIs (number of cases: 30)		Co-operative societies (Number of cases: 26)		Private (number of cases: 26)	
	Misappropriation of		Misappropriation of		Misappropriation of	
	Stocks	Sale proceeds	Stocks	Sale proceeds	Stocks	Sale proceeds
(1)	(2)	(3)	(4)	(5)	(6)	(7)
		(Rupees in lakhs)				
Upto 1983-84	-	0.32	4.25	0.57	13.19	-
1984-85	-	-	1.29	0.38	5.61	0.10
1985-86	0.29	18.05	4.14	12.06	41.48	19.42
1986-87	-	0.80	2.30	-	-	-
1987-88	-	0.38	0.03	-	-	-
Total	0.29	19.55	12.01	13.01	60.28	19.52

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Good	-	18.75	2.45	0.02	10.64	0.10
Doubtful	-	0.80	7.23	12.99	38.60	19.31
Bad	0.29	-	2.33	-	11.04	0.11
Total	0.29	19.55	12.01	13.01	60.28	19.52

Thus, out of Rs. 218.45 lakhs pertaining to the period upto 1987-88, a sum of Rs. 124.66 lakhs was pending recovery at the end of March 1991 and of this, Rs. 0.29 lakhs due from DTs/RIs and Rs. 13.48 lakhs due from private parties and co-operatives were considered bad/irrecoverable while Rs. 0.80 lakh due from DTs/RIs and Rs. 78.13 lakhs due from private parties and co-operatives were considered doubtful of recovery. The Company created provision for these bad and doubtful debts at cent per cent (Rs. 91.61 lakhs) in its accounts for the year 1990-91. (Para 1.17.1 & 1.17.2)

The Committee observed that out of Rs. 84.23 lakhs pending realisation from DTs/RIs, a sum pf Rs. 64.39 lakhs was recovered from the commission charges payable to APSECC and not from the officials concerned and this process resulted only in transfer of amounts, recoverable from officials, from one company to the other. The Committee observed further that with the transfer of its activities to the Company, APSECC has become defunct and had been functioning with skeleton staff deployed for compilation of accounts; and therefore, it would not be able to initiate follow-up action, in these cases, for recovery of the amounts from the DTs/RIs concerned.

The VC & MD deposed that in the case of officials from Revenue Department, only the District Collector/Joint Collector concerned has authority to take disciplinary action and that the District Collectors have been requested to initiate action for recovery of amounts including action through the RR Act but they could not recover amounts since most of the individuals were not having properties. He further deposed that the concerned officials were either suspended or awarded punishment of stoppage of increment(s) with or without cumulative effect depending on gravity of irregularity in the case and in some cases criminal action was also initiated. The Vice-Chairman and Managing Director deposed also that he has not having the

details as to the number of DTs/RIs involved in the cases of misappropriation, the amounts recoverable and recovered from them and also the particulars of departmental action initiated in each case; and also that he would collect the same and submit to the Committee.

The Commissioner of Civil supplies deposed that in the case of discrepancies in cash and stocks handled by Government officials, departmental action was being initiated under CCA Rules and that there might be delays in punishing the guilty officials owing to procedures involved and the amounts involved in some cases might become irrecoverable owing to retirement of officials concerned. The Commissioner, however, furnished an assurance to the Committee that he would pursue the cases, district-wise, and to come up later before the Committee with full details.

The Committee recommends that the Company shall prepare a note indicating details, district-wise, as to (i) value of stocks and sale proceeds of the Company misappropriated by the DTs/RIs since introduction of subsidy scheme in November 1982, (ii) the amounts recovered from the DTs/RIs concerned, (iii) the amounts pending recovery from DTs/RIs including the amounts recovered by adjustment from commission charges payable to APSECC (as the same does not represent recovery from the officials responsible for misappropriation), (iv) names of officials responsible together with the amount for which each such official was held responsible, (v) the amount determined/ ordered as recoverable and the amount actually recovered from each official. (vi) balance amount recoverable, the present stage of action taken for its recovery as also an assessment as to the prospects of its realisation. The Company shall also prepare a separate note indicating, district-wise, particulars of lapses on the part of officials of the Company in referring the cases to competent authorities (District Collector, Joint Collector, etc.) in initiating action against officials involved in cases of misappropriation of stocks, sale proceeds. A report on compliance should be furnished by the Company to the Committee on Public undertakings in 3 months time.

At the time of introduction of subsidy scheme in November 1982/April 1983, the Company through its district offices and in consultation with the district-level administration, appointed in November 1982/June 1983 private parties in most cases and co-operative societies in few cases as Taluk-level stockists (TLSs). As these private parties and co-operative societies indulged in misappropriation of stocks and sale proceeds, the Company dispensed with their stockistship between October and December 1985 by appointing APSECC as its stockist throughout the State excepting few TLS points allowed for continuance by Girijan Co-operative Society Limited. The following observations were made in this connection :

(i) Suitable systems and controls were not introduced by the Company to regulate the receipts, custody and release of stocks by TLSs.

(ii) While most of the TLSs failed to submit periodical returns (for cash and stock) in time, several other TLSs did not submit the returns at all.

(iii) District offices failed to conduct the inspection of godowns and accounts of TLSs and also to ensure timely submission of periodical returns.

(iv) As a result of (ii) and (iii) above, the compilation accounts at district-level fell into arrears and the reconciliation of cash and stock accounts for the years 1983-84 to 1985-86 which was completed between December 1986 and April 1988 revealed several cases of misappropriation of stocks and sale proceeds by TLSs.

(v) Despite abnormal delay in detection of misappropriation cases, the district offices failed to initiate timely action for realisation of amounts through courts/under RR Act.

(vi) In the cases of misappropriation referred to the District Collectors for recovery of amounts under RR Act, the district offices of Ranga Reddy and Mahaboobnagar districts proposed recovery at single cost instead of double cost of commodities involved.

(vii) In several cases referred to the District Collectors for recovery of amounts under RR Act, neither there was feedback from the Revenue authorities nor there was proper follow-up by the district offices.

(viii) Excepting in two cases in which one private party and one co-operative society were involved, criminal action was not initiated in cases of misappropriation of stocks of essential commodities which were meant for distribution under PDS.

(ix) No separate registers were being maintained either in the district offices or at the Head Office for the watching the progress in the action taken/the realisation of the amounts due.

(x) No separate cell was created at the Head office for initiating timely action as also for monitoring the action taken for early realisation of amounts due.

(xi) Due to efflux of time in detection of cases and in initiating action for recovery complemented by absence of a monitoring cell/system, most of the cases of misappropriation became old and thereby reduced the prospects of realisation.

(xii) The position of misappropriation cases was not reported to the Board of Directors. (Para 1.17.3)

The VC & MD deposed that at the time of introduction of subsidy scheme, the TLSs were appointed after collecting Rs. 0.20 lakh as security deposit and a bank guarantee for part value of commodities; and as the norms/systems were not properly formulated, additional bank guarantee was not obtained from TLSs with whom huge stocks were kept. He deposed further that at that time, the officials were concentrating on planning and execution of subsidy scheme and after coming to know of the happenings at TLS points, the Company dispensed with the stockistship of these private parties and co-operatives between October and December 1985 by appointing APSECC as its stockist for the entire state (excepting at few MLS points at which Girijan Co-operative Corporation Limited was allowed to continue as stockist). He deposed also that after departmentalisation of MLS points, the process of which was completed by December 1985, the systems have been improved/perfected and Zonal Managers of Internal Audit wing have been conducting physical verification of stocks and sending reports on misappropriation and other irregularities, if any.

The Commissioner of Civil Supplies, while endorsing the view point of the VC & MD that misappropriation were rendered possible due to inadequate supervision, deposed that according to the present working arrangement, the Joint Collector has to inspect every MLS point once in three months while the Manager and the Assistant Manager of the district office have to cover 8 to 10 MLS points in a month. He deposed further that the official in-charge of MLS point has to verify his stocks once in a fortnight and submit a report to the district office while the latter has to complete reconciliation of stock at the end of each month.

The VC & MD deposed that at a meeting conducted in the recent past by the Commissioner of Civil Supplies and Ex-officio Secretary to Government, all the cases of misappropriation were reviewed and a decision was taken to constitute a separate cell for processing all these cases. He deposed further that the process of realisation of amounts through the District collectors had just started and he would submit a note with full details after some amounts were collected. He deposed also that most of the cases of misappropriation by private parties have been pending with the courts and that all efforts would be made to realise all amounts within a period of six months. The VC & MD could not indicate to the Committee the number of pending cases of misappropriation and the amount involved leaving apart the details of each case but deposed that all the files were at district level and he would ask for the information from the district offices.

The Committee observed that the Company's Head Office failed to introduce system/controls suitable to the new activity of procurement and distribution of rice for PDS, to monitor the functioning of its district offices and to create Internal Audit Wing while its district offices failed to implement the existing systems effectively and to inspect the godowns and accounts of the TLSs. The Committee observed further that, according to the replies contained in explanatory notes, concerned sections at the head office were monitoring the recovery of dues by obtaining periodical returns from the district offices and the Zonal audit offices indicating latest position of recoveries and by conducting periodical review meetings of Managers of the district offices; and that if these replies contained facts, it would not have been difficult for the VC & MD to indicate the number of pending cases and the amount involved.

The Committee considers that the Company could have reviewed the functioning of private parties and co-operatives within a period of one year and such a review could have avoided several irregularities. The Committee considers also that although these misappropriation cases were reported by the district offices, concerned sections at the Head Office failed to initiate appropriate timely action in each case as a result of which a sum of Rs. 91.61 lakhs due from the stockists became irrecoverable (bad) or doubtful of recovery. The Committee considers that there are two issues involved, one is recovery of amounts misappropriated and the other is lapses on the part of the Company's officials at the district offices and at the Head Office attracting administrative action. The Committee considers also that the Company had not initiated action to identify its employees (i) at the District office level whose acts of omission or commission contributed directly or indirectly to the occurrence of several misappropriations

involving the Company's stocks and/or sale proceeds such as, not monitoring the activities of the stockists, not conducting inspection of godowns and accounts of stockists, not initiating appropriate action in time; and (ii) at the Head Office level for not initiating appropriate action in time and not monitoring subsequent developments in each of the cases reported from time to time by the district offices.

The Committee, therefore, recommends that the Company shall prepare a note in respect of pending cases of misappropriation indicating, district-wise the details as to (i) value of stocks and sale proceeds of the Company misappropriated by each of the private parties and the co-operative societies, (ii) amount recovered, (iii) amount pending recovery (iv) whether action taken for recovery was through court or RR Act, (v) the present stage of action taken, (vi) the period of misappropriation, (vii) the month in which the case was detected, (viii) the month in which case was reported to the District Collector for recovery under RR Act/the month in which a case was filed in the court, (ix) the month in which the case was reported to the Head Office (x) details of follow-up action taken by the Head Office, and (xi) reasons for not initiating criminal action under the Essential Commodities Act/Criminal Procedure Code. The Company shall also prepare a separate note indicating the list of officials at the district offices and at the Head Office who were identified as directly or indirectly responsible for various lapses discussed above and the action taken/proposed to be taken against them.

The Committee is constrained to record that there has been failure all round at district level, regional level and Head Office level to enforce financial and administrative discipline in the organisation. Laxity of control and absence of monitoring mechanism led to large scale misappropriation and the Committee finds that due to total lack of timely action against the persons involved, the prospects of recovery of amount is getting dim besides, initiation of severe action is becoming difficult due to efflux of time.

The Committee would like to emphasise that all preventive steps are initiated and implemented faithfully by the Company and a report of compliance sent on the above observations positively in 3 months time.

11.3 Reconciliation of cash and stock accounts :

(a) On reconciliation of cash and stock accounts for the years 1983-84 to 1985-86 (completed between October 1985 and April 1988) the Ranga Reddy district office noticed that Sri B. Kamalakara Reddy, the TLS at Rajendranagar and Hayathnagar stock points for the period from March 1981 to December 1985 misappropriated (i) stocks of rice (91.1 tonnes) and sugar (358.9 tonnes) valued Rs. 20.01 lakhs and (ii) sale proceeds to the extent of Rs. 12.35 lakhs. The amount recoverable from the stockist worked out to Rs. 52.36 lakhs (including Rs. 40.01 lakhs towards value of stocks at double the cost) while the district office requested the Revenue authorities, that too in June/November 1988, for recovery of only Rs. 32.36 lakhs under the R R Act. Further, the same person who was also appointed as stockist at Atmakur in Mahaboobnagar district for the period from October 1983 to March 1985 misappropriated stocks of rice (114.5 tonnes) valued Rs. 3.66 lakhs out of which Rs. 0.30 lakh was recovered by adjustment of his security deposit. The Mahaboobnagar district office also while requesting the Revenue authorities in May 1988 for effecting recovery under R R Act proposed only Rs. 3.30 lakhs instead of Rs. 7.01 lakhs.

The Committee observed from the explanatory notes that the claims of the Company were since rectified (after it was pointed out in audit) proposing for recovery at double the cost for the stocks misappropriated; and that the immovable properties of the former stockist at Balamuru village in Mahaboobnagar which were attached under R R Act and put to auction in February 1990 could not be disposed of owing to grant of stay orders by the Honourable High Court in a writ petition filed by the former stockist. As regards the case pertaining to the Ranga Reddy district office, the Honourable High Court ordered in April 1991 that the Company shall furnish to the former stockist the details for the amount of Rs. 52.36 lakhs proposed for recovery and take appropriate steps for recovery of the amount after allowing him reasonable time for filing his objections, if any. As regard the case pertaining to the Mahaboobnagar district office, the Honourable High Court ordered in April 1991 that the former stockist shall deposit with the court, a sum of Rs. 7.02 lakhs.

(b) Similarly, on reconciliation of cash and stock accounts for the years 1983-84 to 1985-86, the Ranga Reddy district office noticed that Sri S. Yadagiri, the TLS at Medchal and Vallabhanagar stock points for the period from November 1982 to December 1985 misappropriated (i) stocks of sugar (130.4 tonnes) valued Rs. 6.23 lakhs and (ii) sale proceeds to the extent of Rs. 6.95 lakhs. The amount recoverable from the stockist worked out to Rs. 19.41 lakhs (including Rs. 12.46 towards value of stocks at double the cost) while the district office requested the Revenue authorities, that too in June/November 1988 for recovery of only Rs. 13.18 lakhs under the R R Act.

The Committee observed from the explanatory notes that the claim of the Company was since rectified (after it was pointed out in audit) proposing for recovery at double the cost for stocks misappropriated and that the district office had been pursuing the case with the Revenue authorities.

The VC & MD deposed that Sri B. Kamalakara Reddy had been residing in United States of America and hence after allowing reasonable time to his legal heirs action would be taken for filing execution petition. He deposed further that according to the information available, Sri B. Kamalakara Reddy had about 7 acres of wet land and 41 acres of dry land in tribal sub-plan area the attachment of which would be difficult; and that the Company was yet to know whether he was having full title. He deposed also that the where-abouts of Sri B. Yadagiri were not known.

Further, the VC & MD deposed also that the misappropriation of stocks and sale proceeds by Sri B. Kamalakara Reddy (Rs. 32.36 lakhs) and Sri B. Yadagiri (Rs. 13.18 lakhs) were spread over a period of about 5 years and 3 years respectively while the Commissioner of Civil Supplies admitted that this was done with the connivance of some of the Company's officials.

The Committee opines that on the part of the officials of the district office there were serious lapses such as, keeping huge stocks with private parties acting as stockists without obtaining adequate security, not conducting inspection of godowns and accounts of the stockists, not arranging reconciliation of cash and stock accounts and proposing recovery at single cost of commodities, etc. The Committee considers that two aspects are involved viz. taking action for recovery of amounts involved in misappropriation cases and taking disciplinary action against officials directly or indirectly responsible for the misappropriation.

The Committee, therefore, recommends that the Company, besides taking effective follow-up action for recovery of the amounts due in the above cases, shall (i) conduct detailed investigation to ascertain the modus operandi of the stockists, and the circumstances under which the misappropriations were rendered possible and (ii) fix responsibility on officials in the district office for various lapses on their part and finalise disciplinary action against them.

(ii) Inspection of godown maintained by M/s CAM Enterprises, the TLS (since September 1980) at Vijayawada (Rural) in January 1984 revealed a shortage of 1,257 tonnes of sugar. The TLS accepted the shortage in May 1984 and replenished 50 tonnes in October 1986. Out of Rs. 9.66 lakhs determined as recoverable for net shortage of 1,207 tonnes (at double the cost) Rs. 0.76 lakh was recovered by adjustment of commission charges. An insolvency petition filed in October 1988 by the former TLS was pending with the court.

The VC & MD deposed before the Committee that the former TLS was a family partnership firm of which Sri M. Gurunadha Rao was the Managing partner and that the action under R R Act could not be taken owing to pendency of a writ petition till August 1988 (since 1984) followed by insolvency petition since December 1988.

The Committee considers that in this case the prospects of recovery of amount due have been reduced by the insolvency petition filed by the Managing partner of the family partnership firm and also that on the part of the officials of the district office there were lapses such as, keeping huge stocks with a private party acting as stockist and not conducting inspection of godown and accounts of the stockist, etc.

The Committee, therefore, recommends that the Company, besides taking follow-up action including initiation of legal action against remaining partners of the firm, for recovery of the amount due from the former TLS, shall fix responsibility on the officials for various lapses on their part.

(iii) Sri P. Anjaiah, the TLS at Nidmanuru in Nalgonda district for the period from June 1984 to December 1985 misappropriated 102.6 tonnes of rice valued Rs. 2.77 lakhs. Out of Rs. 5.44 lakhs determined as recoverable (at double the cost of rice) the district office recovered Rs. 1.87 lakhs by adjustment of commission charges, security deposit and the proceeds of bank guarantee. The Revenue authorities to whom the case was referred for recovery under the R R Act intimated the

district office in November 1986 that there were no properties in the name of former TLS.

The Committee observed that after receipt of report from the Revenue authorities in November 1986, no follow-up action (including initiation of criminal proceedings) was taken either by the district office or by the Head office; and consequently the amount had become irrecoverable.

The Committee, therefore, recommends that the Company shall initiate criminal action against the former TLS and fix-up responsibility on the officials connected for not taking follow-up action in the case since November 1986.

Sri S. Yadagiri Reddy, the TLS at Maheswaram in Ranga Reddy district from March 1980 to April 1983, misappropriated 95.3 tonnes of sugar valued Rs. 3.56 lakhs. Out of Rs. 7.11 lakhs determined as recoverable (at double the cost of sugar) the district office recovered only Rs. 0.40 lakh in cash, as it did not collect security deposit and bank guarantee; and a suit was filed in December 1984 for recovery of the balance amount.

The VC & MD informed the Committee during discussions that a decree was awarded in June 1991 in favour of the Company and that the district office was yet to file an execution petition in the court.

The Committee observes that the officers and staff in the district office paid a casual approach to the question which led to several lapses such as, appointing the stockist without collecting security deposit as well as bank guarantee and keeping huge stocks with a private party acting as stockist without reconciliation of his stock account; and therefore, recommends that, the Company shall fix responsibility on the officials in the district office for various lapses on their part.

Sri V. Eswaraiah, the TLS at Wanaparthy in Mahboobnagar district for the period from June 1983 to March 1985 misappropriated 141.5 tonnes of rice, 7.9 tonnes of sugar and other items viz. dal jowar and cement (valued Rs. 0.10 lakh). Out of Rs. 9.84 lakhs determined as recoverable (including double the cost for rice, sugar and jowar) the district office recovered a sum of Rs. 0.46 lakh by adjustment of commission charges and security deposit and the balance amount remained unrealised.

The Committee observed that the case was reported by the district office to the District Collector in March 1986 and to the Head Office in March 1988 involving delay of one year and three years respectively, and it approached the Revenue authorities only in May 1988 for recovery of Rs. 4.58 lakhs under the R.R. Act proposing the recovery at single cost for the entire shortage. The Committee observed from the explanatory notes that the district office proposed in August 1989 the write off of the amount on the ground that the formed stockist was financially poor and a criminal case filed against him was pending with the court. The Committee observed also that in a case of misappropriation of stocks of A.P.S.E.C.C. by the T.L.S. (he was simultaneously the stockist of that Company also) his properties were attached under the R.R. Act and on their disposal in January 1986 a petty amount of Rs. 333 was realised while, in the explanatory notes, it is found that the Head Office directed the district office to initiate action for recovery of the amount under the R.R. Act.

The VC & MD deposed before the Committee that Head Office did not agree to the proposal of the district office for write off of the amount.

The Committee finds that, in this case also, there were severe lapses on the part of the officials of the district office such as, keeping huge stocks, not conducting inspection of godowns, abonormal delay in reporting the case to the District Collector/the Head Office, proposing recovery at single cost, etc. and on the part of the officials of the Head Office in not monitoring the case effectively. The Committee, therefore, recommends that the Company, besides taking appropriate follow-up action in the case, shall fix responsibility on the officials of the district office for various lapses on their part.

The reconciliation of cash and stock accounts of the Mahboobnagar district office revealed in February 1986 that Sri M. Kistaiah, the TLS at Makthal (from June 1983 to September 1985), Sri G.S.P. Reddy, the TLS for MDM programme at Atmakur (from November 1982 to March 1985) and Sri P. Laxminarayana the TLS for PDS at Atmakur (from June 1983 to March 1985) had misappropriated stocks of rice, sugar and jowar valued Rs. 3.65 lakhs, Rs. 2.72 lakhs and Rs. 0.63 lakh respectively. Out of Rs. 7.29 lakhs Rs. 4.54 lakhs and Rs. 1.26 lakhs determined as recoverable (at double the cost of commodities) respectively from these three TLSs, the district office recovered Rs. 0.44 lakh, Rs. 0.05 lakh, and Rs. 0.12 lakh by adjustment of commission

charges and security deposit. In the case of Sri M. Kistaiah, for recovery of balance amount of Rs. 6.86 lakhs, the district office filed in August 1986 a suit which was pending with the court. In May 1988 the district office approached the Revenue authorities for recovery of Rs. 2.22 lakhs and Rs. 0.51 lakh (worked out on the basis of single cost), respectively, from Sri G.C.P. Reddy and Sri P. Laxminarayana, a reply in the matter was awaited from the Revenue authorities.

The Committee observed from the explanatory notes that the district office had effected recoveries from Sri G.C.P. Reddy and Sri P. Laxminarayana at single cost and on the basis of observations made in audit, the district office was advised to recover at double the cost of commodities. The Committee observed that as per records only Rs. 0.05 lakh and Rs. 0.12 lakh were recovered respectively from these two TLSs and thus, the reply furnished in the explanatory notes was factually incorrect and this amounts to misrepresentation of fact.

The Committee considers that, in these cases also, on the part of the officials of the district office there were lapses such as, keeping huge stocks with the TLSs, not conducting inspection of godowns and accounts of the TLSs, proposing recovery at single cost, etc. The Committee, therefore, recommends that the Company, besides taking follow-up action for recovery of the amounts due in the above cases, shall fix responsibility on the officials in the district office for various lapses on their part and at the head office for misrepresentation of facts to the Committee.

(vii) Sri N. Laxminarayana, the TLS at Gadwal in Mahboobnagar district (from June 1983 to December 1985) misappropriated stocks of rice, sugar, jowar and cement valued Rs. 1.81 lakhs; and out of Rs. 3.16 lakhs determined as recoverable (including double the cost of rice, sugar and jowar) the district office recovered Rs. 0.39 lakh by adjustment of commission charges and security deposit. Although the misappropriation by TLS was spread over the period of his stockistship, the same was detected by the district office only between March, 1985 and February 1988. The district office approached the Revenue authorities in May 1988 for recovery of a sum of Rs. 1.43 lakhs on the basis of single cost of stocks misappropriated under the R.R. Act; and a reply in the matter was awaited from the Revenue authorities.

(Para 1.17.4)

The Committee considers that, in this case too, on the part of officials in the district office there were lapses such as, keeping huge stocks with the TLS, not conducting inspection of godowns and accounts of the TLS, delay in initiating action against the TLS and proposing recovery at single cost, etc. The Committee, therefore, recommends that the Company, besides taking follow-up action for recovery of amount due in the case, shall fix responsibility on the officials in the district office for various lapses on their part.

12. Advances to another Government Company:

As per directions of Government, the Company released (April-June 1981) a sum of Rs. 112.50 lakhs as contribution to the share capital of APSECC. However, in February 1982, Government directed APSECC to treat the said amount as their contribution, and accordingly, APSECC issued in June 1982 share certificates (for Rs. 112.50 lakhs) in favour of Governor of Andhra Pradesh. Consequently, the amount remained outstanding in the books of the Company; and the delay in replenishment of the amount by Government resulted in a burden of Rs. 157.84 lakhs on the Company by way of interest charges.

(Para 1.18)

The Company contended in its explanatory note that the interest charges on cash credit operated by the Company were being reimbursed by Government by way of subsidy and hence there was no loss to the Company by way of interest charges.

The VC & MD deposed that the Company has to realise amounts from Government on several accounts while it has to pay amounts to Government on several other accounts and hence, there was delay in settlement of this advance.

The Committee considers that the Company is separate from Government and it has separate entity with legal status; and therefore, recommends that the Commissioner of Civil Supplies and Ex-officio Secretary to Government shall arrange for expeditious settlement of claims and counter claims as also the amounts receivable/payable by the Company from/to Government.

13. Joint Ventures:

Between October and December 1981, the Company sanctioned the establishment of four units as its Joint Ventures - three edible grade rice bran solvent oil extraction (EGRSE) units (two in West Godavari district and one in East Godavari district and one modern dal mill (at Hyderabad). The total contribution of the Company towards share capital of these four units established between July 1982 and November 1983 was Rs. 46.18 lakhs. The Company also provided to these units bridge loans aggregating Rs. 37.62 lakhs and a term loan of Rs. 4.30 lakhs. According to latest status report on these units, Godavari Edible Oil Limited at Mandapeta (Investment Rs. 17.60 lakhs) was working well;. Delta Oils and Fats Limited at Pattipadu (Investment Rs. 12 lakhs) was reported sick from May 1991 and its case was referred to Andhra Pradesh Industrial Technological Consultancy Organisation Limited (APITCO) and a report was awaited from APITCO Sri Guruvayurappan Swamy Oils, Foods and Fats Limited at Bavayapalem (Investment Rs. 14.08) lakhs was closed in May 1985 and a programme for its revival was taken up in July 1990 after introduction of a Non-Resident Indian; and Sudha Modern Dal Mill at Hyderabad (Investment Rs. 2.50 lakhs) remained closed since July 1984 for want of business.

The Company had not obtained ratification orders from Government for loans sanctioned to joint venture units and it had not approached the Company Law Board for ratification of its investments (in inter-corporate bodies exceeding 10 per cent of the paid-up capital). The Board of Directors decided in September 1988 that efforts should be made for disposal of the Company's investment in all the units after obtaining an advice from Public Enterprises Management Board (PEMB); an advice in the matter was still awaited and consequently, the Company could not disinvest any part of its investment of Rs. 46.18 lakhs in its joint venture units. The amount outstanding at the end of March 1991 against bridge loans to the three EGRSE units was Rs. 35.93 lakhs (comprising Rs. 15.03 lakhs, Rs. 5.44 lakhs and Rs. 15.46 lakhs due from the units respectively at Madapeta, Pattipadu and Bavayapalem) while the amount outstanding against term loan to Sudha Modern Dal Mill was Rs. 3.46 lakhs.

Further, a sum of Rs. 3 lakhs was pending recovery since November 1983 from Sudha Modern Dal Mill towards cost of green-gram dal, redgram dal, etc., short delivered while executing the work of milling of green-gram and red-gram in November 1983.

At the request of co-promoter of Sudha Modern Dal Mill, the Company sanctioned a term loan of Rs. 4.32 lakhs (disbursed between September 1982 and July 1983) carrying interest at 12.5 per cent to meet the entire cost of construction of three godowns having a total capacity of 1,300 tonnes. The Company was to take

these godowns on rent and to appropriate the rental proceeds against the loan amount and interest thereon. Accordingly, the Company took these godowns on hire from November 1982 at a monthly rent of Rs. 7,200 which it was adjusting against term loan amount and interest thereon. Although the Company had not stored any commodities since 1986, the godown was vacated and handed over to the unit only in June 1990 and this had resulted in infructuous expenditure of Rs. 3.41 lakhs towards godown rent.

(Para 1.19)

The VC & MD informed the Committee that the unit at Madapeta had been working well, the unit at Bavayapalem had since started working and that the Company proposed disinvestment of its shares in the unit at Pattipadu for which Government accorded permission. He deposed further that the co-promoter of Sudha Modern Dal Mill had not only failed to run the unit but also misappropriated certain amounts belonging to the unit and that the Secretary to Government decided that the Company should send the co-promoter out and take over the properties of the unit.

The Committee observed that, while the Company promoted the joint venture units between July 1982 and November 1983, it was only in July 1984 that the Board of Directors desired that the Management might examine as to whether the Company was competent to promote joint venture units by participating in the equity and by sanctioning bridge loans; and that the Management had not furnished necessary clarification in the matter to the Board. The Committee observed further that the Company's request of December 1984 for approval of its investments (in its joint venture units) was pending with Government and consequently, the Company was yet to approach the Company Law Board for ratification of its investments. The Committee observed also that there was abnormal delay (of about 4 years) in vacating the godown taken on hire from Sudha Modern Dal Mill resulting in infructuous expenditure of Rs. 3.41 lakhs by way of godown rent.

The Committee recommends that the Company, besides obtaining ratification orders in the matter from Government and the Company Law Board, shall disinvest its share holdings in its joint venture units after obtaining an advice from the PEMB (as decided by the Board of Directors in September 1988). The Committee recommends further that the Company shall initiate action on the officials responsible for the delay in vacating the godown resulting in loss of Rs. 3.41 lakhs.

14. Staffing Pattern:

(i) The Company constituted a staffing pattern committee (SPC) in October 1984 and its recommendations of December 1987 were implemented in May 1989 and the job-charts for various cadres were also determined only in May 1989.

(Para 1.20.1).

The Committee observed that after it has undertaken the activity of procurement of rice for PDS from June 1983, the Company felt the necessity for having norms for deployment of staff at its Head Office and district offices; and that there were abnormal delays at various stages, viz. in the constitution of the SPC, in submission of report by the SPC and in implementation of recommendations of the SPC as a result of which the staffing pattern which was implemented six years after commencement of activity of procurement of rice (on large scale) for subsidy scheme under PDS was rendered out-dated after one year of its implementation with the discontinuance of procurement activity.

The VC & MD deposed that after transfer of activities of APSECC to the Company from 1st Novemebr 1991, Government constituted a committee to study the staff requirements; and also that the officials on deputation of APSECC were being repatriated in a phased manner.

The Committee took a serious view of the fact that in the Company, prior to May 1989, neither any norms for deployment of [illegible] in various cadres nor any job-charts to the staff deployed were in existence and, therefore, recommends that the Commissioner of Civil Supplies and the Company shall ensure expeditious determination and implementation of revised staffing pattern and also revised job-charts to the staff in various cadres.

(ii) The Company's claims for Rs. 4.80 lakhs towards reimbursement of leave salary, etc. paid to the employees on deputation to it up to 1988-89 were pending payment by the concerned Departments.

The Committee observed that out of Rs. 4.80 lakhs the amount realised up to March 1991 was only Rs. 0.48 lakh and the balance amount of Rs. 4.32 lakhs included Rs. 1.11 lakhs pertaining to the period from 1975-76 to 1981-82.

The VC & MD deposed that major portion of the amount was due from Revenue Department and that the Departments concerned were being reminded in the matter.

The Committee recommends that the Commissioner of Civil Supplies and the Company shall initiate necessary action for speedy realisation of the claims for reimbursement of leave salary, etc.

15. Internal Audit:

The Internal Audit of the accounts of the Company up to 1981-82 was entrusted to an outside agency and it was only in May 1989 that the Company created its Internal Audit Wing comprising 5 zonal offices. Although the Company was established in December 1974, Internal Audit Manual had not been complied so far.

(Para 1.21).

The Committee took a serious view of the fact that the Company had no Internal Audit Wing for the period from 1982-83 to 1988-89 during which it had undertaken, on large scale, the procurement and distribution of rice under PDS (from June 1983) in addition to other activities such as procurement and distribution of levy sugar and levy cement as also transportation of imported edible oils.

The VC & MD deposed that the present zonal offices of Internal Audit Wing are working perfectly and one of the Zonal Managers working from the Head Office. He deposed further the Internal Audit Manual was under preparation.

The Committee recommends that the Company should ensure efficient functioning of its Internal Audit Wing by placing it under the charge of a Senior Officer having experience in matters relating to accounts and audit and that the Company shall expedite the compilation of Internal Audit Manual.

16. Other topics of interest:

16.1 Computer:

In April 1982, the Company installed at its Head Office a computer of 8 bit capacity (Cost Rs.4 lakhs)and another computer of 32 bit capacity (Cost Rs. 7.35 lakhs). The new computer was being utilised also for preparation of data statements, etc. for Civil Supplies (CS) Department and no demand was being raised by the Company on the CS Department towards cost of services and software utilised on computer for that Department.

(Para 1.22(1).

The Committee considers that the Company has to bring its income to accounts under the provisions of the Companies Act and the CS Department has to bring its expenditure to accounts for purposes of budgetary control; and therefore, recommends that the Company shall prefer claims on CS Department, for all services and supplies rendered by it.

16.2 Price stabilisation Fund on oil:

The Company recovered amounts, at the rates prescribed by Government (while fixing sale prices for imported edible oils) towards contribution to Price Stabilisation Fund on oil and the amounts thus recovered during the period from June 1982 to March 1989 worked out to Rs. 4702.77 lakhs; and of this, Rs. 3800 lakhs were recovered (March 1988/March 1989) from the Company by Government. The Fund was intended for utilisation by Government on creation of infrastructure facilities in the fields of storage and transportation to ensure more efficient and economic service in supply of essential commodities. Though the Fund had been created by burdening the consumer - public with extra price, Government had not made any attempts through the Company or any other agency for creation of intended infrastructure facilities; and the objective of creation of the Fund was thus not achieved.

(Para 1.22.2).

The Committee observed from the explanatory notes that the Company had no jurisdiction to utilise the accumulations to the Fund while Government has not formulated schemes for utilisation of the Fund.

The Committee considers that non-utilisation of the fund resulted not only in not achieving the objective for which it was created by burdening the consumer-public but also in improving the ways and means position of Government and the Company. The Committee took a serious view of the fact that so far neither Government nor the Company formulated any proposals for utilisation of the Fund and therefore, recommends that Government shall immediately take action to formulate proposals for utilisation of the Fund and also for their expeditious implementation.

16.3 Price Stabilisation/Equalisation Fund:

As per Government Orders, the Company has to make contribution to Price Stabilisation/Equalisation Fund at a rate fixed by Government (viz. 2 per cent up to 1986-87 and 5 per cent from 1987-88) of its sales turnover in each year. The contribution thus made to the Fund for the period from April 1979 to March 1989 worked out to Rs. 598.57 lakhs; and of this, Rs. 504 lakhs were recovered (March 1988) from the Company by Government. Though the creation of the Fund was ordered in May 1980, orders indicating the purposes for which the Fund shall be utilised by the Company were issued by Government only in March 1989 while the Company had not utilised so far any part of the accumulation to the Fund for want of orders from Government regarding internal administration of the Fund.

The Committee took a serious view of the fact that there was abnormal delay on the part of Government in issue of orders for utilisation of the accumulations to the Fund; and therefore, recommends that Government shall arrange, without further delay, the issuance of instructions to the Company on internal administration of the Fund and the Commissioner of Civil Supplies as well as the Company shall ensure prompt and proper utilisation of the Fund.

16.4 Corporate office building:

In August 1980, the Company purchased a four storeyed building at Hyderabad and got constructed two more floors on it and an annexe building; and the capital expenditure (Rs. 57.89 lakhs up to 1987-88) as well as revenue expenditure on the building was met by the Company from its own funds. However, in February 1983, Government claimed ownership of the building on the ground that the asset was created/financed from out of funds pending remittance to Government. Although the Company did not accept this contention, Government had not withdrawn its claim; and consequently, the Company could not recover rental arrears aggregating Rs. 79.90 lakhs and Rs. 21.13 lakhs up to March 1991 respectively from CS Department and APSECC (for the area under their occupation since September 1980 and June 1983 respectively).

(Para 1.22.4).

The Committee observed from the explanatory notes that Government had not withdrawn its claim so far and therefore, recommends that Government shall arrange expeditious settlement of the matters relating to ownership of the building and rental arrears, etc.

SUMMARY OF RECOMMENDATIONS

1. The Committee, therefore, recommends that Government shall ensure the nominee Directors to attend the meetings of various Public Undertakings without fail. (Para 2.4)

2. The Committee considers that the Company had not made adequate and efficient managements for quality control in respect of its operations relating to procurement of rice for PDS during the period from June, 1983 to September, 1989; and therefore, recommends that the Company shall ensure simultaneous introduction of suitable systems (including for quality control) for every new activity to be undertaken in future. (Para 3.1)

3. The Committee recommends that Government shall arrange the release of the balance amount of Rs. 572.77 lakhs due to the Company expeditiously by making necessary budgetary allocation and furnish a report to the Committee within 3 months. (Para 3.2)

4. The Committee observed that there was failure on the Part of the Company in working out the loss on disposal of 0.12 lakh tonnes of Paddy in open market for submission of a claim for reimbursement, while there was abnormal delay on the part of Government in settlement of claims for reimbursement of loss submitted by the Company. The Committee therefore, recommends that Government shall arrange for expeditious settlement of claims of the Company, for reimbusement of loss sustained on disposal of rice/paddy in open market. (Para 3.3)

5. The Committee recommends that the Company shall ensure prompt follow-up action in the above matter and also that it shall take action to avoid recurrence of similar failures. (Para 3.4)

6. The Committee recommends that the Company shall arrange expeditious disposal of 1,485 tonnes of levy free sugar and also submission of claim to Government for reimbursement of holding costs and that the Government shall arrange prompt settlement of the Company's claim in this regard. (Para 3.5)

7. The Committee considers that entrusting the work of collection of cash of over Rs. One lakh a day to an employee in the cadre of Attender (without obtaining) adequate security) was a serious irregularity and also considers that not exercising control over receipt and remittance of sale proceeds for a continuous period of 20 months was a serious lapse on the part of supervisory officers. The Committee, therefore, recommends that the Company shall fix-up responsibility for the irregularity of entrusting the work to an Attender and it shall review the action

taken against the supervisory officers to ensure that punishments awarded were appropriate. The Committee desires the Company to furnish a report in 3 months regarding the effective action taken to recover the loss. (Para 3.6)

8. The Committee recommends that the Company shall expedite the disposal of these stoves and also the realisation of balance amount (Rs. 0.49 lakh) from IOC. (Para 3.7)

9. The Committee recommends that the Company should examine the possibility of preferring a claim on the supplier (HVOC) for reimbursement of the interest charges Rs. 8.90 lakhs. The Committee desires to have a report on the inordinate delay in taking action in this case. (Para 3.8)

10. The Committee considers that the financial interests of the Company were not adequately secured. No bank guarantee was obtained from the stockists. The Committee feels that the Company has taken a casual approach and failed to take effective action in this case right from the appointment of stockists. The Committee recommends that the Company shall investigate into the lapses in the above cases and fix responsibility on the officials responsible. The Committee considers also that the case of VIL which was referred to the District Collector, Hyderabad for recovery under RR Act was not properly perused and therefore, recommends that the Company shall initiate special efforts for recovery of the amount of Rs. 0.67 lakh due from VIL. (Para 3.8 (ii))

11. The Committee cannot but conclude that there was gross negligence on the part of the supervisory officers. They are not exercising effective control over the stockists. The Committee, therefore, recommends that the Company shall fix responsibility on the officials concerned for various lapses including issue of fertilisers to M/s. Kumar Traders (Gummuluru) of West Godavari District and Sri K. Daveedu of Guntur District from whom the amount pending realisation was Rs. 2.20 lakhs and Rs. 1.50 lakhs respectively. (Para 3.9)

12. The Committee, after examination of information furnished by the Company, recommends that all the officials responsible for various irregularities and acts of ommissions/ commissions in the above case shall be awarded appropriate punishment. The Committee desires that a report on the action taken should be furnished to the Committee in 3 months time. (Para 3.10 (i)

13. The Committee, therefore, recommends thatthe Company shall investigate thoroughly into the matter and fix responsibility on the officials responsible for the above acts of ommissions and commissions and initiate action to recover the loss to the Government and report to the Committee. (Para 3.10 (ii))

14. The Committee considers that there was failure on the part of the officials of the Adilabad District Office to submit the claim within the prescribed time, and therefore, recommends that the Company shall ensure that recurrence of such failures are avoided in future. (Para 3.10 (iii))

15. The Committee considers that the officers of the concerned sections at the Head Office who organised the supply of commodities did not pursue with the customer-organisations for realisation of amounts involving Rs. 17.79 lakhs for several years and this ommission resulted in loss of interest of Rs. 19.49 lakhs upto March, 1989. The Committee, therefore, recommends that the Company shall ensure, besides expeditious realisation of the amounts in this case, introduction of suitable systems by which the officials in functional departments concerned at the Head Office are made accountable for realisation of amounts due on activities organised by them. (Para 3.11)

16. The Committee considers that the Company could have avoided under utilisation of godown space by monitoring the reservation and the utilisation of space in hired godowns and, therefore, recommends that the Company shall ensure maximum utilisation of godown space in future, as and when it has to undertake this activity again. (Para 4)

17. The Committee considers that there was failure on the part of the officials at the Head to pursue the Company's claim of September, 1986 for refund of Rs. 9.41 lakhs and also to pursue the matter for final orders on Writ Petition of M/s. Chamundeswari Sugars Limited. The Committee takes a serious view of the misrepresentation of facts and inaccuracy in the explanatory notes. The Committee, therefore, recommends that the Company shall investigate into the matter and fix responsibility on the officials responsible for failure to pursue the claim and for misrepresentation of facts to the Committee. (Para 5)

18. The Committee may be informed of the fact of compliance of assurance given by the VC & MD. (Para 6.1)

19. The Committee observed that instead of ascertaining the position in regard to the contractor's performance in Medak District and lodging a claim with the Bank for invoking the bank guarantee, the officials at the Head Office released the bank guarantee and thus, they failed to safeguard the interests of the Company. The Committee, therefore, recommends that the Company, besides initiating follow-up action in the court case, shall investigate into the matter and fix responsibility on the officials concerned for the above lapse. (Para 6.2)

20. The Committee observed that despite the fact that the existing contracts were to expire by 31st May, 1985, the process of inviting tenders for 1985-86 was taken up only

on 16th May, 1985 and consequently, the Company could not finalise the tenders before expiry of contractual period of existing contractors. The Committee noticed the failure of the Corporation to investigate the reasons for the delay in initiating action to call for tenders and also recommends that with a view to safeguard the interests of Government the Company, all precautionary action shall be taken in future. The Committee, therefore, recommends that the Company shall ensure non-recurrence of such delays in future. (Para 6.3)

21. The Committee recommends that the Company shall investigate into the matter and fix responsibility on the officials concerned for the above failure. (Para 6.4 (i))

22. The Committee recommends that the Company, besides ensuring effective follow-up action for recovery of the amount due from the contractor, shall investigate into the matter and fix responsibility on the officials concerned for not initiating action upto 1990 in the above case for recovery of the amount of Rs. 3.05 lakhs from the contractor. The Committee desires to have a report of action taken by the Company in 3 months time. (Para 6.4 (iii))

23. The Committee recommends that the Company, besides ensuring effective follow-up action for recovery of the amount due from the contractor, shall investigate into the matter and fix responsibility on the officials concerned for not initiating action (upto 1992) in the above case for recovery of the amount (Rs. 2.12 lakhs) from the contractor. (Para 6.4 (iii))

24. The Committee considers that the contractual period of the contractor was extended twice for two months on each occasision and this was due to non-finalisation of tenders for the subsequent period. The Committee, therefore, recommends that the Company, besides ensuring recovery of additional expenditure for the months of March and April, 1985 (as per Arbitration Award), shall investigate into the circumstances under which the contractual period was extended (in April, 1985) for the second time (upto June, 1985) and take appropriate follow-up action. (Para 6.4 (iv))

25. The Committee, therefore, recommends, that in all cases of diversion/misappropriation of Essential Commodities, the Company shall ensure initiation of criminal action under the Essential Commodities Act by referring the cases, in time to the Competent Authorities under the said Act. (Para 6.5)

26. The Committee recommends that the Company shall ensure expeditious realisation of Rs. 17.11 lakhs due from transport contractors by initiating effective steps under a time bound programme. (Para 6.6)

27. The Committee recommends, in view of above observations, that the Company shall arrange detailed examination into

individual cases of huge losses in transit by rail and ensure that there was no failure on the part of district offices to submit claims with Railway Authorities towards transit losses. (Para 7)

28. The Committee considers that there was no justification in allowing margin towards interest charges to APSECC which had no investment on the transaction while not allowing similar margin to the Company; and, therefore, recommends that the Company shall approach Government for allowing margin towards interest charges, in the cost structure (for imported edible oils). (Para 8.1)

29. The Committee considers that the scheme, which was introduced by the District-level Administration, wihtout approval of Government, was not effectively monitored resulting in non-remittance/delays in remittance of sale proceeds by the DCMS and the two CMS; and therefore, recommends that the Company shall initiate correspondence with appropriate authorities in Government for expeditious realisation of amounts due from the above three societies. (Para 8.2)

30. The Committee recommends that the Company shall take up with appropriate authorities of Banks for expeditious settlement of its claims for recalculation of interest charges on cash credit with SBI and for reimbursement of interest charges (on cash credit) with other banks before resorting to legal proceedings. (Para 9.3)

31. The Committee considers that by effecting recovery from commission charges payable to APSECC, the amounts recoverable from the Deputy Tahsildars have been cleared in the books of the Company by transfer to APSECC. The Committee considers further that the amounts of sale proceeds not realised, excluding the amount involved in erroneous remittances, was Rs. 2.55 lakhs in respect of Ranga Reddy District while it was Rs. 53.46 lakhs in respect of East Godavari District. The Committee, therefore, recommends that the Commissioner of Civil Supplies and the Vice-Chairman and Managing Director shall ensure that the above cases are got investigated properly and responsibility is fixed on the then Deputy Tahsildars and take effective action, Civil or Criminal as the case may be to recover the amount. (Para 10.2)

32. The Committee recommends that the Company shall prepare a note indicating details, district-wise, as to (i) value of stocks and sale proceeds of the Company mis-appropriated by the DTs/RIs since introduction of Subsidy Scheme in November 1982, (ii) the amounts recovered from the DTs/RIs concerned, (iii) the amounts pending recovery from DTs/RIs including the amounts recovered by adjustment from commission charges payable to APSECC (as the same does not represent recovery from the officials responsible for mis-appropriation), (iv) names of officials responsible together with the amount for which each such official was held

responisble, (v) the amount determined/ordered as recoverable and the amount actually recovered from each official, (vi) balance amount recoverable, the present stage of action for its recovery as also an assessment as to the prospects of its realisation. The Company shall also prepare a separate note indicating, district-wise particulars of lapses on the part of officials of the Company in referring the cases to Competent Authorities (District Collector, Joint Collector, etc.) in initiating action against officials involved in cases of misappropriation of stocks, sale proceeds. A report on compliance should be furnished by the Company to the Committee on Public Undertakings in 3 months time. (Para 11.1)

33. The Committee, therefore, recommends that the Company shall prepare a note in respect of pending cases of misappropriation indicating, district-wise the details as to (i) value of stocks and sale proceeds of the Company misappropriated by each of the private parties and the cooperative societies, (ii) amount recovered, (iii) amount pending recovery, (iv) whether action taken for recovery was through court or RR Act, (v) the present stage of action taken, (vi) the period of misappropriation, (vii) the month in which the case was detected, (viii) the month in which the case was reported to the District Collector for recovery under RR Act/the month in which a case was filed in the court, (ix) the month in which the case was reported to the Head Office (x) details of follow-up action taken by the Head Office, and (xi) reasons for not initiating criminal action under the Essential Commodities Act/Criminal Procedure Code. The Company shall also prepare a separate note indicating the list of officials at the District Offices and at the Head Office who were identified as directly or indirectly responsible for various lapses discussed above and the action/proposed to be taken against them.

The Committee is constrained to record that there has been failure all round at district level, regional level and Head Office level to enforce financial and administrative discipline in the organisation. Laxity of control and absence of monitoring mechanism led to large scale misappropriation and the Committee finds that due to total lack of timely action against the persons involved, the prospects of recovery of amount is getting dim besides, initiating of severe action is becoming difficult due to efflux of time.

The Committee would like to emphasise that all preventive steps are initiated and implemented faithfully by the company and a report of compliance sent on the above observations positively in 3 months time. (Para 11.1 (xii))

34. The Committee opines that on the part of officials of the district office there were serious lapses such as, keeping

huge stocks with private parties acting as stockists without obtaining adequate security, not conducting inspection of godowns and accounts of the stckists, not arranging reconciliation of cash and stock accounts and proposing recovery at single cost of commodities, etc. The Committee considers that two aspects are involved viz. taking action for recovery of amounts involved in misappropriation cases and taking disciplinary action against officials directly or indirectly responsible for the misappropriation.

The Committee, therefore, recommends that the Company, besides taking effective follow-up for recovery of the amounts due in the above cases; shall (i) conduct detailed investigation to ascertain the modus operandi of the stockists, and the circumstances under which the misappropriation were rendered possible and (ii) fix responsibility on officials in the district office for various lapses on their part and finalise disciplinary action against them.
(Para 11.3 (a))

35. The Committee, therefore, recommends that the Company, besides taking follow-up action including initiation of legal action against remaining partners of the firm, for recovery of the amount due from the former TLS, shall fix responsibility on the officials for various lapses on their part. (Para 11.3 (ii))

36. The Committee, therefore recommends that the Company shall initiate criminal action against the former TLS and fix-up responsibility on the officials connected for not taking follow-up action in the case since November, 1986.

The Committee observes that the officers and staff in the District at regional level paid a casual approach to the question which led to several lapses such as, appointing the stockist without collecting security deposit as well as bank guarantee and keeping huge stocks with a private party acting as stockist without reconciliation of his stock account; and therefore, recommends that, the Company shall fix responsibility on the officials in the district office for various lapses on their part.
(Para 11.3 (iii))

The Committee finds that, in this case also, there were severe lapses on the part of the officials of the district office such as keeping huge stocks, not conducting inspection of godowns, abnormal delay in reporting the case to the District Collector/the Head Office, proposing recovery at single cost, etc. and on the part of the officials of the Head Office in not monitoring the case effectively. The Committee, therefore, recommends that the Company besides taking appropriate follow-up action in the case, shall fix responsibility on the officials of the district office for various lapses on their part. (Para 11.3 (iii))

The Committee considers that, in these cases also, on the part of the officials of the district office there were lapses such as, keeping huge stocks with the TLSs., not conducting inspection of godowns and accounts of the TSLs, proposing recovery at single cost, etc. The Committee, therefore, recommends that the Company, besides taking follow-up action for recovery of the amounts due in the above cases, shall fix responsibility on the officials in the district office for various lapses on their part and at the head office for misrepresentation of facts to the Committee. (Para 11.3)

The Committee considers that, in this case too, on the part of officials in the district office there were lapses such as, keeping huge stocks with the TLS, not conducting inspection of godowns and accounts of the TLS, delay in initiating action against the TLS and proposing recovery at single cost, etc. The Committee, therefore, recommends that the Company, besides, taking follow-up action for recovery of amount due in the case, shall fix responsibility on the officials in the district office for various lapses on their part.

37. The Committee considers that the Company is separate from Government and it has separate entity with legal status; and therefore, recommends that the Commissioner of Civil Supplies and Ex-Officio Secretary to Government shall arrange for expeditious settlement of claims and counter claims as also the amounts receivable/payable by the Company from/to Government. (Para 12)

38. The Committee recommends that the Company, besides obtaining ratification orders in the matter from Government and the Company Law Board, shall disinvest its share holdings in its joint venture units after obtaining an advice from the PEMB (as decided by the Board of Directors in September, 1988). The Committee recommends further that the Company shall initiate action on the officials responsible for the delay in vacating the godowns resulting in loss of Rs. 3.41 lakhs. (Para 13)

39. The Committee took a serious view of the fact that in the Company, prior to May 1989, neither any norms for deployment of staff in various cadres nor any job charts to the staff deployed were in existence and therefore, recommends that the Commissioner of Civil Supplies and the Company shall ensure expeditious determination and implementation of revised staffing pattern and also revised job charts to the staff in various cadres. (Para 14 (i))

The Committee recommends that the Commissioner of Civil Supplies and the Company shall initiate necessary action for speedy realisation of the claims for reimbursement of leave salary, etc. (Para 14 (ii))

40. The Committee recommends that the Company should ensure efficient functioning of its Internal Audit Wing by placing it under the charge of a Senior Officer having experience in matters relating to accounts and audit and that the Company shall expedite the compilation of Internal Audit Manual. (Para 15)

41. The Committee considers that the Company has to bring its income to accounts under the provisions of the Companies Act and the CS Department has to bring its expenditure to accounts for purposes of budgetary control; and therefore, recommends that the Company shall prefer claims on CS Department, for all services and supplies rendered by it. (Para 16.1)

42. The Committee considers that non-utilisation of the fund resulted not only in not achieving the objective for which it was created by burdening consumer public but also in improving the ways and means position of Government and the Company. The Committee took a serious view of the fact that so far neither Government nor the company formulated any proposals for utilisation of the Fund and therefore, recommends that Government shall immediately take action to formulate proposals for utilisation of the Fund and also for their expeditious implementation. (Para 16.2)

43. The Committee took a serious view of the fact that there was abnormal delay on the part of Government in issue of orders for utilisation of the accumulations to the fund; and therefore, recommends that Government shall arrange, without further delay, the issuance of instructions to the Company on internal administration of the Fund and the Commissioner of Civil Supplies as well as the Company shall ensure prompt and proper utilisation of the Fund. (Para 16.3)

44. The Committee observed from the explanatory notes that Government had not withdrawn its claim so far and therefore, recommends that Government shall arrange expeditious settlement of the matters relating to ownership of the building and rental arrears, etc.

PRINTED BY THE COMMISSIONER OF PRINTING, AT LEGISLATIVE ASSEMBLY PRESS, HYDERABAD.